

Volume 3

Calculating Awards & Packaging

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Introduction



This volume of the Federal Student Aid (FSA) Handbook discusses how to calculate, award, and disburse the proper amounts for the various Title IV programs.

PROGRAM AND SYSTEMS INFORMATION ONLINE

FSA Download

FSA Download has moved from its previous webpage (<https://fsadownload.ed.gov>) to IFAP. To access FSA Download materials, go to the “Software and Other Tools” page on the IFAP homepage (<https://ifap.ed.gov>). The materials include:

Software:

- Direct Loan tools
- EDconnect
- EDExpress for Windows
- SSCR for Windows

Technical References and User

Guides for:

- CPS (ISIR, Summary of Changes, etc.)
- COD
- Electronic Data Exchange
- EDExpress Packaging

<https://ifap.ed.gov>

- Federal Registers
- Electronic Announcements
- Dear Partner/Colleague Letters
- FSA Assessment modules

Comments? Questions?

If you have any comments or questions regarding the FSA Handbook, please contact Research and Publications via email at fsaschoolspubs@ed.gov.

RECENT CHANGES

Here are some of the significant changes to Volume 3 for the 2019-20 award year:

Chapter 1

- Updated information on the COD Technical Reference and the COD School Relations Center.
- Clarified that only the first retake of any previously passed course is potentially eligible for Title IV aid in the Retaking Coursework in Term Programs section.
- Added guidance on the circumstances under which a single-term, single-disbursement FSEOG award may be allowed.
- Added new hyperlink to Retaking coursework FAQs website.

Chapter 2

- Emphasized that because students are often unaware of the dependent care allowance, schools should make the provisions of this allowance clear in the counseling process.
- Added HEA and Electronic Announcement (EA) citations to Limitation to tuition and fees COA citation section.

Chapter 3

- Updated Pell award amounts throughout chapter.
- Added guidance on how to certify eligible students for the Children of Fallen Heroes Scholarship Act on the COD web site, by marking the CFH indicator.
- Added technical guidance and EA hyperlink to Pell Grant Administrative Cost Allowance discussion.
- Added clarifying guidance to prohibition on concurrent enrollment and Pell Grant section.
- Added EA and COD Technical Reference citations to Year-Round Pell & IASG guidance.

Chapter 4

- Updated percentage figures in The Sequester and TEACH Grants section.

Chapter 5

- Added section with contact information for the Student Loan Support Center.
- Described new process for accessing COD Technical Reference (moved from FSA Download website) in the DL Tools for Windows section.
- Added new graphic box describing the effect of the Sequester on loans, including EA citation.
- Added new guidance addressing the question: Who can take out parent PLUS loans?
- Added additional information on administering the 150% limit for loans (SULA).
- Added new subsection to Effect of Overborrowing then Regaining Eligibility section: Correcting Direct Subsidized Loan or Direct Unsubsidized Loan awarding errors.

Chapter 6

- Clarified that no Perkins disbursements may be made after June 30, 2018 and added EA citation to Perkins Loans section.
- Clarified guidance in Working During Periods of Nonattendance subsection: Students may potentially be eligible for FWS funds prior to enrolling or beginning a program at your school, if they have applied and been accepted for future enrollment at your school.

Chapter 7

- Clarified that IASG is never considered EFA for packaging purposes, although the total aid package still must abide by COA limitations, and added example.
- “Award letters” are now referred to as “financial aid offers,” by FSA.

Academic Calendar, Payment Periods, & Disbursements

CHAPTER 1

Award limits are generally connected to a period of time and to credit or clock-hours attended. For instance, all of the programs except Federal Work-Study (FWS) have a maximum amount that can be awarded for an academic year or award year. Measurement of time is important for another reason—in most cases, awards from the Federal Student Aid (FSA) programs must be paid in at least two installments. For most programs, the amount and timing of the payments is based on the academic terms or payment periods in the program.

CHAPTER 1 HIGHLIGHTS

Academic Year requirements

Academic calendars & terms

Payment periods

Grant programs

- Standard and nonstandard terms
- Clock-hour and non-term credit-hour

Direct Loan program

- Standard terms and substantially equal nonstandard terms
- Clock-hour, non-term credit-hour, and nonstandard terms not substantially equal in length

“Successfully completes”

“Substantially equal” terms

Direct Assessment payment periods

Disbursement issues

Payment period completion requirements

Timing of disbursements

Related topics

Payment periods when student re-enters a program after withdrawing—see *Volume 5, Chapter 2*.
Annual loan limit progression—see *Volume 3, Chapter 5*.

ACADEMIC YEAR REQUIREMENTS

Every eligible program, including graduate programs, must have a defined academic year. The academic year is one component used in determining the student’s eligibility for Title IV aid.

A school may have different academic years for different academic programs. For example, a school may choose to define the academic year for a term-based program differently from a non-term program. In some cases, the definition *must* be different, such as in the case of a clock-hour program and a credit-hour program. For FSA purposes, the academic year is defined in weeks of instructional time and for undergraduate programs in credit or clock-hours. The program’s academic year does not have to coincide with a program’s academic calendar.

A school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version. If your school establishes separate versions of a program, with different academic years, but allows individual students to take courses from both versions, your school must be able to demonstrate in which program the student is actually enrolled. Generally, to be considered enrolled

in a particular program or version of a program, a student must be taking the majority of his or her coursework in that program. Although a school may have different academic years for different programs, it must use the same academic year definition for **all** FSA awards for students enrolled in a particular program, and for all other FSA program purposes.

Weeks of instructional time in an academic year

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time. The number of weeks of instructional time is based on the period that begins (generally, see below for an exception) on the first day of classes in the academic year and ends on the last day of classes or examinations.

Schools that provide 2- or 4-year associate or baccalaureate degree programs may apply to ED if they want to establish a full academic year of less than 30 weeks of instructional time. ED is permitted to grant a reduction for good cause to no less than 26 weeks of instructional time. These requests are handled on a case-by-case basis (send requests to your School Participation Divisions).

For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction, examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination. Therefore, the weeks of instructional time may be less than the number of calendar weeks that elapse between the first day of classes and the last day of classes or examinations. Note that the Department has not set a regulatory standard for the number of hours of instructional time that make up one day of instruction. This has been left to the reasonable interpretation of schools and their accrediting agencies.

Although most programs are at least one academic year in length, some eligible programs are shorter than an academic year. See *Volume 2, Chapter 2* for more detail on the requirements for such programs.

Weeks of instructional time:

- Cannot overlap, and a school cannot use a single day of scheduled instruction, exams, or study time to create more than one week of instruction;
- May begin and end on a day other than Monday, provided that each week of instructional time comprises a seven consecutive day period (for example, a Wednesday through the following Tuesday) which includes at least one day of scheduled instruction, exams, or study time, as required by the regulations; and
- May begin up to six days prior to the first day of scheduled instruction or exams in a payment period.

Academic Year regulatory citations

Award Year: 34 CFR 600.2

Academic Year: 34 CFR 668.3

Payment Period: 34 CFR 668.4

Weeks of instructional time: 34 CFR 668.3(b)

Weeks of instructional time are used in the Pell Grant and Direct Loan calculations (*Chapters 3 and 5* of this volume).

Reductions in academic year length

34 CFR 668.3(c)

HEA Sec. 481(a)(2)(B)

Weeks of instructional time in distance education and competency-based programs

DCL GEN-14-23

Q&A #8 in the DCL applies to both distance education and CBE programs.

Credit or clock-hours in an academic year

The law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year in an *undergraduate* educational program (including direct assessment programs):

- 24 semester or trimester credit-hours or 36 quarter credit-hours for a program measured in credit-hours; or
- 900 clock-hours for a program measured in clock-hours.

There is no minimum hours component to the definition of an academic year for *graduate and professional* programs.

For purposes of Direct Loans, a loan period certified for an academic year in a graduate or professional program would include the weeks of instructional time in the academic year and the hours a full-time student is expected to complete in those weeks. See *Chapter 5* for more details on loan limits.

Awards are affected when a program does not meet one of the academic year standards

The FSA academic year that a school defines for a program has to meet the regulatory minimums for both clock or credit-hours AND weeks of instructional time. In some instances, the academic year may not coincide with the academic calendar of the school. These cases may affect Pell Grants and loan disbursements, and, in Direct Loans, annual loan limits and annual loan limit progression.

For example, awards would be affected if a program is an academic year in length in credit or clock-hours but not in weeks of instructional time. Also, for a program longer than an academic year in length, awards would be affected if the completion of the credit or clock-hours in the program's academic year does not coincide with completing the weeks of instructional time in the academic year.

Counting Weeks of Instructional Time

August						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September						
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

October						
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

November						
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

December						
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

This graphic illustrates how you would count weeks of instructional time in a standard semester term where classes are held Monday through Friday. In this hypothetical term,* August 1st is a Sunday, and classes begin on August 23rd and end December 10th, with examinations held December 13th-17th.

The circles indicate the points at which each of the weeks of instructional time begin. There are 17 weeks of instructional time.

There are no classes on Labor Day (September 6th), Veterans Day (November 11th), nor during Thanksgiving break (November 24th-26th), however, each of these weeks still counts as a week of instructional time (as does the week of exams in December), since each includes at least one day of qualified instruction.

If a week in the term has no days of instruction, examination, or (after the last day of classes) study for examination, that week does NOT count as a week of instructional time. For example, a week comprised entirely of vacation days is not a week of instructional time.

*Note that this example is not meant to illustrate any specific calendar year.

ACADEMIC CALENDARS & TERMS

Schools offer programs with many kinds of academic calendars that differ from the traditional fall-spring school year. For purposes of the FSA programs, there are three basic types of academic calendars: standard term, nonstandard term, and non-term.

Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame, and academic progress is measured in credit-hours. However, if these periods overlap within a program, they may not be treated as a term-based program for FSA purposes. Term-based programs can have either standard terms or nonstandard terms. If any of the terms in a program contain a class or classes which begin and/or end a total of more than 2 weeks before or after the start of a standard term, the program must be considered a nonstandard term program for Title IV purposes.

Remember, just because progress in a program is measured in semester or quarter credits, this does not necessarily mean that the program is offered in semester or quarter terms. Also, even though a school may label a term as a quarter, semester, or trimester, it may be considered a nonstandard term for FSA purposes if it does not conform to the FSA standards for a semester, trimester, or quarter.

Standard terms: semesters, trimesters, and quarters

Semesters and trimesters are terms that are generally 15 to 17 weeks long. An academic calendar that uses semesters traditionally has two terms, in the fall and spring, and a trimester academic calendar traditionally has three terms, in the fall, spring, and summer. Academic progress is measured in semester credit-hours, and full-time is at least 12 semester credits. Similarly, quarter terms are approximately 10 to 12 weeks in length and the academic calendar includes three quarters in the fall, winter, spring, and often a summer term. Academic progress is measured in quarter credit-hours, and full-time is at least 12 quarter credits.

You may combine shorter terms or modules to meet the requirements of a standard term such as a semester. For example: a program is offered in 8 nonstandard terms, each 6 weeks in length, and students earn 6 quarter credits in each term. You may choose to combine each consecutive pair of nonstandard terms and consider the program to be offered in 4 quarters.

In certain limited cases for academic programs offered in standard terms, a short nonstandard term may be treated as part of one of the standard terms, and the combined terms may be considered to be a single standard term. For example, a program is offered in a calendar consisting of two 15-week semesters and a 4-week intersession. To consider the program as consisting only of semesters, the intersession may be treated as part of one of the two semesters as long as the same treatment is applied for all FSA purposes to all students enrolled in the program. In addition, hours taken in the intersession must count toward a student's enrollment status for the combined term and costs for the intersession must be appropriately included in the cost of attendance.

If you choose not to combine a nonstandard term in this manner, the

program must be treated as a non-term program for Direct Loans, and a Formula 3 program for Pell and TEACH Grants. The fact that you did not combine the term does not negate the requirement that a student must be considered for Title IV aid if enrolled and eligible in the term. For additional information on standard terms, see the preamble to the General Provisions regulations (published November 29, 1996 page 60581).

Periods of clinical work such as medical and education program work which is conducted outside the classroom may not be included in a standard term, unless **all** of the following apply:

- All students in the program must participate in practicum or clinical experience and its completion is required for graduates to apply for licensure or authorization or practice occupation those students intend to pursue;
- The school has little or no control over the length or start/end dates of practicum or clinical experience. This may be due to constraints imposed by outside licensing bodies, or the need to accommodate schedules of entities with which students are being placed (e.g., school districts or hospitals, etc.); and
- Credit hours associated with practicum or clinical experience must be associated with the term in which most of the training occurs, even if starting and ending dates do not exactly align with term dates and/or overlap with another term.

If the clinical work meets all of the above criteria, terms which include such clinical work are not required to be considered nonstandard, nor are such programs required to be considered nonterm, even if the clinical work overlaps another term. This flexibility is limited to required clinical periods associated with standard term programs in medicine (allopathic, osteopathic, nursing and veterinary), pharmacy, physical therapy, and student teaching required to obtain a state teaching certificate.

Nonstandard terms

Generally, nonstandard terms are terms (where all coursework is expected to begin and end within a set period of time) that are not semester, trimester, or quarter terms. However, semester, trimester, or quarter terms are also considered to be nonstandard if academic progress is not measured in the manner normally associated with the type of term. For example, if a program is offered in 15-week semesters but measures academic progress in quarter credit hours, the semesters or quarters would be considered nonstandard terms.

Nonstandard terms are often of unequal length, though terms of equal length may also be considered nonstandard. For instance, a school could offer a program consisting of six consecutive 5-week nonstandard terms.

Non-term characteristics

If a program measures progress in clock-hours, it is always treated as a non-term program. A program that measures progress in credit-hours is considered to be using a non-term calendar if it has:

- Courses that do not begin and end within a set period of time;

- Courses that overlap terms;
- Self-paced and independent study courses that overlap terms; or
- Sequential courses that do not begin and end within a term.

If a student whose academic program is term-based is enrolled primarily in non-term coursework (i.e., open-entry/exit courses), you must award and disburse aid to the student using non-term rules, for example:

- Calculating the student's Pell Grant using a Pell formula appropriate for the student's enrollment;
- Using a borrower-based academic year (BBAY) when awarding loans to the student; and
- Withholding a second disbursement until the student has successfully completed the coursework and half of the weeks of instructional time.

CREDIT-HOUR DEFINITION

(34 CFR 600.2, DCL GEN-11-06) A credit-hour is defined, for Title IV aid purposes, as an amount of work that *reasonably approximates* not less than:

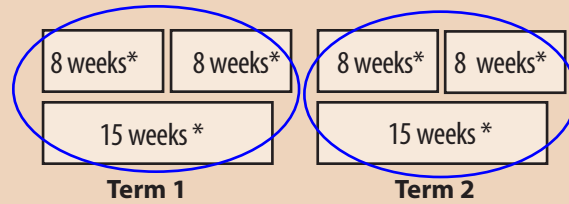
1. One hour of classroom or direct faculty instruction and a minimum of two hours of out-of-class student work each week for approximately fifteen weeks for a semester or trimester hour, or ten to twelve weeks for one quarter-hour of credit (or the equivalent amount of work over a different amount of time); or
2. At least an equivalent amount of work as required in #1 for other academic activities such as laboratory work, internships, practica, studio work, or other academic work leading to the award of credit-hours.

Note that the classroom/direct faculty instruction time and out-of-class student work requirement in #1 does not mean you must have a certain number of hours of those specific types of instruction every week; it is an average required over the length of the course and may be institutionally established equivalencies that *reasonably approximate* the minimum standard using different measures of student work.

You may set a higher standard that requires more student work per credit-hour, and you may use a measure or metric different from this definition for academic and non-federal aid purposes. If the program in question is using the clock-hour to credit-hour conversion formula, the above guidance does not apply to the definition of a credit-hour. For more on credit hour to clock-hour conversion, see Volume 2, Chapter 2.

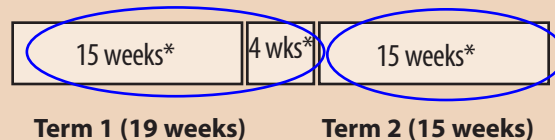
Combining concurrent terms

Grace University offers a program in both 15-week terms and 8-week terms. Grace University combined two 8-week terms with a 15-week term to make each semester; each semester provides 16 weeks of instructional time.*



Combining consecutive terms

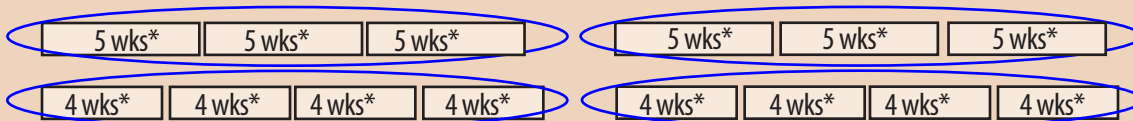
Dunston College offers a separate degree program in education with a 4-week* intersession between two 15-week* semesters. The terms don't overlap. Dunston College has defined the academic year for this program as 24 semester hours and 34 weeks of instructional time. Dunston College could combine the intersession with one of the standard terms, and, for purposes of FSA programs, treat the program as being offered in two semesters:



Dunston College can also choose not to combine the terms. In this case, the program would have a 4-week nonstandard term and two semesters. For certain FSA program requirements, this may mean you will treat all terms in a nonstandard term manner, or as part of a non-term program. For more details, see discussion on previous pages.

Treatment of modules

A school may choose to group modules together and treat the entire period as a term. (For example, grouping three five-week* modules together may create a 15-week* semester; or grouping four one-month modules into a 16-week semester would be acceptable.)



On the other hand, programs that are offered in modules may sometimes be counted as programs measured in nonstandard terms. For example, in a program that offers six 5-week modules, each module could be treated as a nonstandard term. In addition, a school may choose to consider a program that consists of consecutive modules as a non-term program. Whatever academic calendar your school adopts for a program, you must apply it to all students enrolled in that program and document the program's treatment in your policies and procedures manual.

*Weeks in these examples are weeks of instructional time, as defined earlier in this chapter.

PAYMENT PERIODS

The definition of a payment period is applicable to all FSA programs except FWS. The common definition is integral to requirements for the administration of FSA funds. For example, FSA program disbursements (except FWS payments) must be made on a payment period basis. Another example is that a student's satisfactory academic progress (SAP) evaluation is required to correspond with the end of a payment period.

For clock-hour programs, the payment period is defined not only in clock-hours but also in weeks of instructional time. A student must successfully complete the clock-hours and weeks of instructional time in a payment period to progress to the next payment period.

For Pell Grants and Direct Loans, the payment period for clock-hour programs and non-term credit-hour programs, are defined in clock or credit-hours and weeks of instructional time (as has been the case for the other FSA programs). This also is the case for nonstandard term Direct Loans programs with terms not substantially equal in length. Previously for such programs, second disbursements in loan periods were based on the calendar midpoint of the academic year. A student must successfully complete the clock-hours and weeks of instructional time in a payment period to progress to the next payment period (as has been the case for annual loan limit progression and for grant payment period progression in clock-hour and non-term credit-hour programs).

Unless you are using terms as payment periods under FSA rules, there are no more than two payment periods in the lesser of the program, the academic year, or the remainder of the program. You may make multiple disbursements within a single payment period; however, schools should note that making multiple disbursements within a payment period does not create a new or additional payment period.

For FSA purposes, you will use either “term-based” payment periods (the payment period is the term), or payment periods based on the completion of credit or clock-hours and weeks of instructional time. The payment period you use depends on the kind of academic calendar your school uses, as described here, and the FSA program for which you are disbursing funds.

Programs using standard terms or substantially equal nonstandard terms (term-based)

For credit-hour programs that use standard terms, or that use nonstandard terms that are substantially equal in length, the payment period is the term itself. For purposes of measuring payment periods in programs offered in nonstandard terms, “substantially equal in length” means that no term in the program is more than 2 weeks of instructional time longer than any other term in that program. “Not substantially equal in length” means nonstandard terms that have at least 1 term more than 2 weeks of instructional time longer than another in the same program.

Programs with nonstandard terms not substantially equal in length

For purposes of Pell Grants, TEACH Grants, and FSEOGs, if the program uses nonstandard terms, the payment period is the term. This includes terms that are not substantially equal in length. For Direct Loans,

if a credit-hour program has nonstandard terms that are not substantially equal in length, use the non-term payment periods described in the following section, under “Clock-hour and non-term programs.”

Clock-hour and non-term programs

The following types of programs must use payment periods that are based on the time it takes for the student to successfully complete the credit or clock-hours and weeks of instructional time in the payment period: non-term credit-hour programs, clock-hour programs, and for Direct Loan purposes, nonstandard term credit-hour programs with terms not substantially equal in length

If you are determining the payment periods for a program for which one of the measures (either clock or credit-hours or length of instructional time) is less than an academic year and the other measurement is not, the program is considered less than an academic year in length, and you follow the payment period rules for a program that is less than an academic year.

If the program is one academic year or less, the academic year or program is divided into two payment periods. The first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the program. The second payment period is the period in which the student completes the remainder of the program.

If the program is more than one academic year in length: Use the rule for one academic year (above) for each full academic year in the program. For any remaining portion of a program that is half of an academic year or less, the remaining portion is treated as a single payment period. For any remaining portion of a program that is more than half of an academic year but less than a full academic year, the remaining portion is divided into two payment periods and the first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the remaining portion.

Progression based on completion of hours and weeks (rather than term-based progression)

As described in the previous section, there are two cases where you must use credit or clock-hours and weeks of instructional time to determine the length of the payment period:

- Clock-hour and non-term credit-hour programs; and
- For Direct Loans, programs with terms not substantially equal in length.

For these programs, each subsequent payment period cannot begin until the student successfully completes the credit or clock-hours and weeks of instruction in the previous payment period. A student “successfully completes” credit or clock-hours if your school considers the student to have passed the coursework associated with those hours.

Except for a second or subsequent loan period in Direct Loans, if a student completes additional weeks of instructional time or hours while

completing the other measure of a payment period, these additional weeks or hours count toward completing the next payment period. For Direct Loans, the first payment period of a second or subsequent loan period includes only the weeks of instructional time and hours that begin on the first calendar day of the new loan period.

If your school is tracking progress by clock or non-term credit-hours and is unable to determine when a student has successfully completed half of the credit or clock-hours in a program, academic year, or remainder of a program, the student is considered to have begun the second payment period of the program, academic year, or remainder of a program at the later of the date (identified by the school) that the student has successfully completed:

- half of the academic coursework in the program, academic year, or the remainder of the program; **or**
- half of the number of weeks of instructional time in the program, academic year, or the remainder of the program.

Clock-hour programs with terms

The payment periods for clock-hour programs that use terms are determined in the same way as for non-term clock-hour programs. The student must successfully complete all the clock-hours in the payment period before receiving any more FSA funds. If a student doesn't complete all the hours scheduled for a term, each payment period still contains the number of clock-hours originally scheduled, even if this means that none of the student's succeeding payment periods coincide with the terms.

Direct Loan payment periods for graduate/professional students in clock-hour and non-term programs

For a graduate or professional student in a clock-hour or non-term program, or a program with terms not substantially equal in length, the Direct Loan payment period is 1/2 of what a full-time student would be expected to complete, in both weeks of instructional time and credit or clock-hours. This policy also relates to annual loan limit progression for graduate or professional students (for more on loan limits, see *Chapter 5* of this volume).

Payment periods and completion requirements

Payment periods: 34 CFR 668.4

Pell Grants: 34 CFR 690.75(a)(3)

Direct Loans: 34 CFR 685.301(b) and (b)(6)

TEACH: 34 CFR 686.11

Excused absences: 34 CFR 668.4(e)

“Substantially Equal in Length”

34 CFR 668.4(h)(1)

“Successfully Completes”

34 CFR 668.4(h)(2)

Clock-hour payment period progression and weeks of instructional time

Payment period progression in clock-hour programs requires that the student complete both the clock-hours and weeks of instructional time.

Appendix A: Nonterm Examples

Nonterm Example 1: Clock-hour program

A student enrolls in a clock-hour program with an academic year (AY) of 900 clock hours and 26 weeks of instructional time. The program is 900 clock hours and 26 weeks of instructional time in length and consists of 6 successive graded courses. Each course has 150 clock hours and is completed over 4 weeks of instructional time. Our student successfully completes all 6 courses except the second course that the student immediately repeats and passes.

In this case the scheduled payment periods are identical for the student's Pell Grant and Direct Loan and are ½ of the length of the program in clock hours and weeks of instructional time: 450 clock hours and 12 weeks of instructional time. However, the first payment period is extended since the first 450 clock hours attended were not successfully completed. The student does not complete the first payment period until after attending for 600 clock hours and 15 weeks of instructional time due to the need to successfully complete the 450 clock hours in the payment period. As a result, the second disbursement date must be rescheduled, and the school will need to report the rescheduled disbursement date for the second disbursement to COD for Pell and Direct Loans.

Payment periods

450 clock hours AND 12 weeks of instruction			
150 hours earned.	150 hours failed. No hours earned. Payment period extended.	150 hours earned by passing repeat of 2 nd course.	3 weeks of instruction & 150 hours earned. Complete 1 st payment period.

First disbursement

450 clock hours AND 12 weeks of instruction		
150 hours earned.	150 hours earned.	150 hours earned. Program completed.

Second disbursement

Nonterm Example 2: Work completed fast in 2nd year

A nonterm, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. Students in the program are expected to complete the first 24 hours over 36 weeks of instructional time, and the final 24 semester hours in 24 weeks of instructional time. The student completes each of hours 1-12 and 13-24 in 18 weeks of instructional time and each of hours of 25-36 and 37-48 in 12 weeks of instructional time.

For the grant programs, by definition, all four payment periods are 1/2 of the defined academic year: 12 hours and 15 weeks of instructional time.

Pell Grant Payment Periods

12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction
15 weeks of instruction attended	15 weeks of instruction attended	15 weeks of instruction attended	15 weeks of instruction attended
12 hours completed	12 hours completed	12 hours completed	12 hours completed
1st Pell 1 st payment period completed after student has completed 18 weeks of instruction and earned 12 hours (3 weeks of instruction toward the 2 nd payment period)	2nd Pell 2 nd payment period completed after student has completed 18 weeks of instruction and earned 12 hours (6 weeks toward the 1 st payment period of 2 nd Pell)	1st Pell 1 st payment period completed after student has completed 15 weeks of instruction and earned 12 hours (3 weeks toward the 2 nd payment period)	2nd Pell 2 nd payment period completed after student has completed 12 weeks of instruction and earned 12 hours

←	←	←	←
1 st disbursement – 1 st Pell	2 nd disbursement – 1 st Pell In 19 th week of instruction	1 st disbursement – 2 nd Pell In 37 th week of instruction	2 nd disbursement – 2 nd Pell In 49 th week of instruction

For Direct/Direct PLUS, the first loan must be certified for 36 weeks of instructional time to ensure the loan period covers both measures of the FSA academic year. The first loan period will have two payment periods of 12 hours and 18 weeks.

The second loan period, for the balance of the program, will have the same number of semester hours (24), but will be certified for fewer weeks of instructional time (24). Thus, the second loan period is divided into two payment periods of 12 hours and 12 weeks of instructional time. There is no proration of the annual loan limits since the remaining balance of the semester hours equals the semester hours of the academic year.

(continued on next page)

Non-term Example 2, continued

Direct Loan Payment periods

12 semester hours AND 18 weeks of instruction	12 semester hours AND 18 weeks of instruction	12 semester hours AND 12 weeks of instruction	12 semester hours AND 12 weeks of instruction
18 weeks of instruction attended	18 weeks of instruction attended	12 weeks of instruction attended	12 weeks of instruction attended
12 hours completed	12 hours completed	12 hours completed	12 hours completed
<p>1st loan 1st payment period completed after student has completed 18 weeks of instruction and earned 12 hours</p>	<p>2nd loan 2nd payment period completed after student has completed 18 weeks of instruction and earned 12 hours</p>	<p>2nd loan 1st payment period completed after student has completed 12 weeks of instruction and earned 12 hours</p>	<p>2nd loan 2nd payment period completed after student has completed 12 weeks of instruction and earned 12 hours</p>

1st disbursement – 1st loan

2nd disbursement – 1st loan
In 19th week of instruction

1st disbursement – 2nd loan
In 37th week of instruction

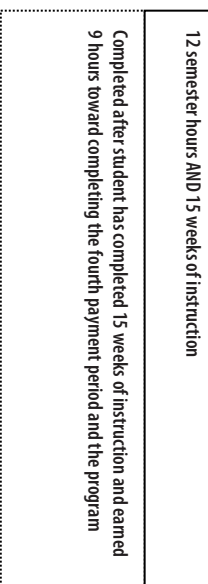
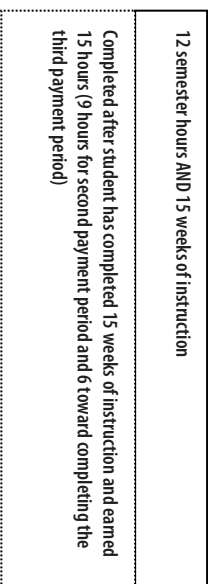
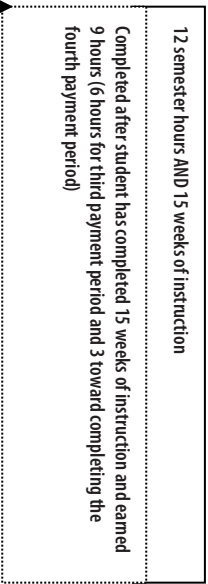
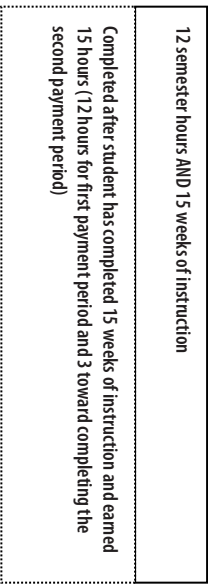
2nd disbursement – 2nd loan
In 49th week of instruction

Nonterm Example 3: More hours earned in the first academic year

A nonterm, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. Students are expected to complete the first 30 semester hours over 30 weeks of instructional time in the first period of enrollment. They are then expected to complete 18 semester hours in the last 30 weeks instructional, 9 hours in each half of 15 weeks of instructional time.

For the grant programs, the payment periods are half of the weeks and half the hours of the academic year: 12 hours and 15 weeks each.

Pell Grant Payment Periods



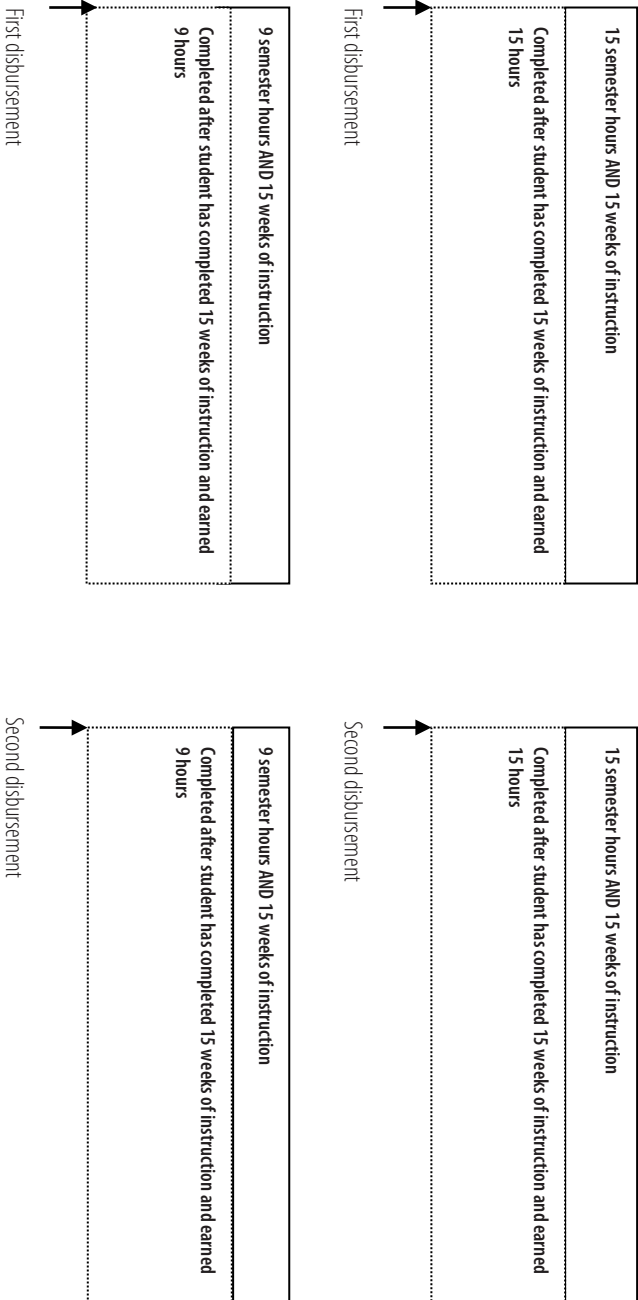
(continued on next page)

Non-term Example 3, continued

For Direct/Direct PLUS, you will certify a loan for the first academic year using start and end dates reflecting the first 30 weeks of instructional time since a student would complete the hours of an academic year within that time. Note that where 6 semester hours in the first period of enrollment would be considered part of the third payment period for grants/Perkins, for Direct/Direct PLUS, they would be considered as part of the initial BBAY loan period. Thus, for Direct/Direct PLUS, the second loan period is the remaining balance of the program: 18 hours and 30 weeks of instructional time.

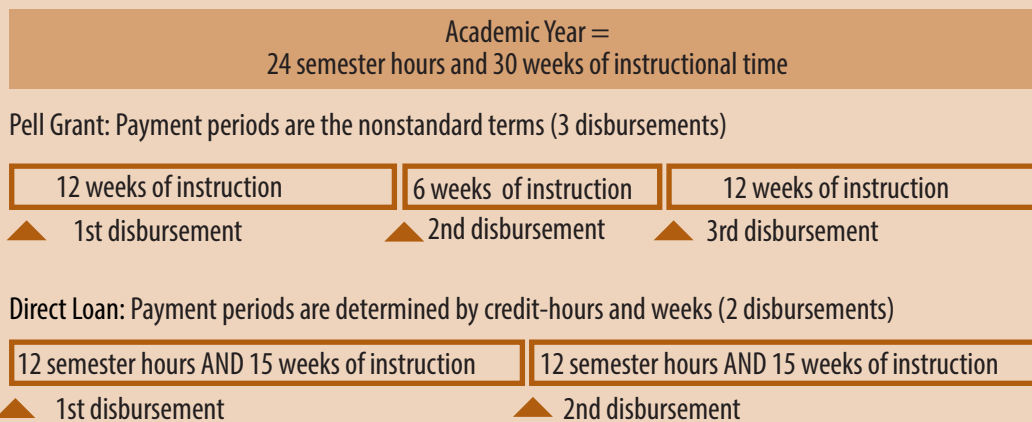
For the first loan period, the payment periods are 15 hours and 15 weeks of instructional time, i.e., half of the weeks of instructional time and half of the hours the student is expected to complete in the loan period. For the second loan period, the remaining balance of the program is less than an academic year in length based on the hours; however, both hours and weeks of instructional time are greater than 1/2 of the academic year. Therefore, there are two equal payment periods of 9 hours and 15 weeks of instructional time. Note that the annual loan limits must be prorated for this second period of enrollment by 18/24 based on the semester hours in the loan period and the hours in the defined academic year.

Direct Loan Payment periods



Nonstandard Term Example: Terms not substantially equal

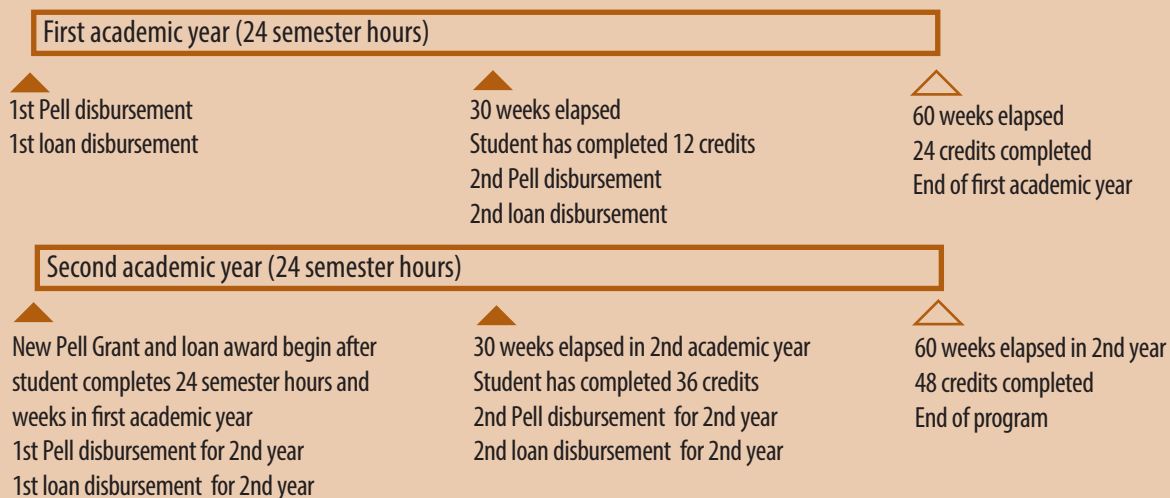
For a nonstandard term program, you may have to use different payment periods for Direct Loans than the ones you use for FSA grants. In this example, we show how the payment periods for a Pell Grant and a Direct Loan can differ in a program that has nonstandard terms that are not substantially equal in length. In this program, the payment periods for Pell Grants are the terms, while the payment periods for the Direct Loan are the non-term payment periods.



Example: Disbursement for half-time student in a non-term program

The illustration shows the disbursements for a half-time student enrolled in a program of 48 semester credits that a full-time student completes in 60 weeks of instructional time. For this program, the school has defined the academic year as 24 semester credits and 30 weeks of instructional time.

Under the regulations, this half-time student would receive second disbursements after completing half of the credit-hours AND half of the weeks of instructional time in the academic year. Because the student in the example is a half-time student, it takes the student 30 weeks of instructional time to successfully complete 12 credit-hours. The student is eligible for a new loan and a new Pell Grant once the student has successfully completed 24 credit-hours and 60 weeks.



TIMING OF DISBURSEMENTS—GENERAL RULES

Except for Federal Work Study (FWS) wages, FSA disbursements are made on a payment period basis. Except for FWS and late Direct Loan disbursements, you must disburse the Title IV funds during the payment period to which they apply. The timing of disbursements is especially important for Pell Grants, TEACH Grants, and Direct Loan funds, because you must report disbursement dates to the Department (through the Common Origination and Disbursement [COD] system).

Basic rules for early and delayed disbursements

In general, the earliest that a school may disburse FSA funds by crediting the student's account or by paying directly to the student or parent is 10 days before the first day of classes for that payment period.

For non-term credit-hour and clock-hour programs, the earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- 10 days before the first day of classes for that payment period; or
- The date the student completed the previous payment period for which he or she received FSA funds.

This disbursement timing limitation is also applicable to Direct Loan and Direct PLUS Loan disbursements in credit-hour programs with non-standard terms that are not substantially equal in length. In some cases, as we'll discuss, other restrictions apply.

If a student is in the first year of undergraduate study and is a first-time borrower (A first-time borrower is someone who has not previously received a Direct Subsidized Loan, a Direct Unsubsidized Loan, a Subsidized or Unsubsidized Federal Stafford Loan, or a Federal Supplemental Loan for Students (SLS), see 34 CFR 685.303(b) for more detail), your school may not disburse the first installment of the Direct Loan until 30 calendar days after the student's program of study begins. You are not required to delay disbursement for such students if you have a cohort default rate of less than 15 percent for each of the three most recent years for which data are available, or if you are a home institution originating a loan to cover the cost of attendance in a study-abroad program and have a cohort default rate of less than 5 percent for the single most recent year for which data are available.

If a student is scheduled to begin class in a module of a term-based program that starts after the first day of classes for the semester, you may not make the initial disbursement until 10 days before the start of the first module in which the student is scheduled to begin attendance. Also, if you post a credit to a student's account before the earliest date permitted by regulation, the date the FSA funds are considered to be disbursed is the earliest date permitted by regulation.

Retroactive disbursements for completed periods

Your school must pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if you don't receive a valid SAR/

ISIR for a student until the spring term, but the student was also enrolled and eligible for a disbursement in the previous fall term, that student must be paid retroactively for the fall term.

If you are paying a Pell or TEACH Grant for a completed term in the same award year in which no disbursement has been made, the *grant must be based on the hours completed by the student for that term*. If the student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive disbursement must be based on half-time status. At a term school, all completed coursework counts toward enrollment status, including earned F's and incompletes that have not converted to "F" grades because the student failed to complete the coursework.

For Direct Loans, an eligible student may receive loans for all payment periods within the loan period, unless the student was ineligible for the prior payment period due to failure to meet SAP standards, in which case the student may not receive Direct Loan funds for the prior period(s) in which they did not meet SAP requirements. If one or more payment periods have elapsed before you make a loan disbursement, you may include loan proceeds for a completed payment period *if the student completed at least a half-time course-load in that period*. For instance, you could include the Fall term and its costs when originating a loan for the student in the Spring, if your school's half-time standard is 6 credit-hours and the student received a "B" and an incomplete in two 3-hour courses taken that fall.

In the case of loans disbursed on a payment period basis, if a student attended the previous payment period but did not maintain eligibility for a Direct Loan, you may not include the previous payment period or its costs in the loan period. A school can make the retroactive disbursements in one lump sum.

Multiple disbursements within a payment period

FSA regulations generally permit schools to pay FSA funds at such times and in such installments *within* each payment period as will best meet students' needs. This gives schools the ability to apportion the payment if doing so will be in the best interest of the student. For example, if a payment period is particularly long, a school might choose to pay in multiple installments to the extent program requirements permit to ensure that a student will have funds to pay rent later in the payment period.

Also bear in mind that FSA funds must be provided to students in a timely manner to best assist them in paying their educational expenses. Consequently, a school may not delay the disbursement of funds until after the 60% point, for example, to avoid performing a Return of Title IV Funds calculation and the requirements that go along with it, or to prevent the student from having to return funds upon withdrawal.

Prior year charges allowance

You may include up to \$200 for prior-year charges in one or more payment periods in the current award year (\$200 total, not in each payment period in the current award year). This \$200 allowance must only be for

tuition, fees, school-provided room & board, and, with the student's or parent's authorization, educationally related goods and services provided by the prior-year school. For more details, see 34 CFR 668.164(c)(3).

Disbursement timing citations

34 CFR 668.164(b),

HEA Sec. 428G(a)

Early disbursements: 34 CFR 668.164(f)

30-day delay for 1st-time Direct Loan borrowers: 34 CFR 685.303(b)(5)

Disbursement of 2nd and subsequent disbursements: 34 CFR 685.303(d)(3)

Late Direct Loan disbursements: 34 CFR 685.303(d)(4)

For more on methods of disbursement to students/parents, see *Volume 4*.

Retroactive disbursements

General: 34 CFR 668.164(k)

Pell: 34 CFR 690.76(b)

Direct Loans: 34 CFR 685.303(d)(4)

For more on methods of disbursement to students/parents, see *Volume 4*.

2019-20 COD Technical Reference

<https://ifap.ed.gov/codtechref/1920CODTechRef.html>

COD School Relations Center:

1-800-848-0978

CODSupport@ed.gov

Excused absences in clock-hour programs

In a clock-hour program, you are allowed to count a limited number of excused absences when deciding whether the student has completed the hours in a payment period. An excused absence may only be counted if the student is excused from hours that were actually scheduled, were missed, and do not have to be made up for the student to receive the degree or certificate for the program.

For instance, a student in a program that has 450-clock-hour payment periods might miss 20 clock-hours and only have attended 430 clock-hours at the point where other students that did not miss any clock-hours had received 450 clock-hours of instruction. If your school has an excused absences policy, the 20 missed clock-hours are considered excused, and this student could be paid the next disbursement.

To be counted for FSA purposes, excused absences must be permitted in your school's written policies. Under FSA regulations, no more than 10% of the clock-hours in a payment period may be considered excused absences. 34 CFR 668.2(b)'s **accrediting agency** or the **state agency that legally authorizes your school to operate** allows fewer hours to be counted as excused absences; you must follow the stricter standard rather than the FSA standard.

Direct Assessment program payment periods

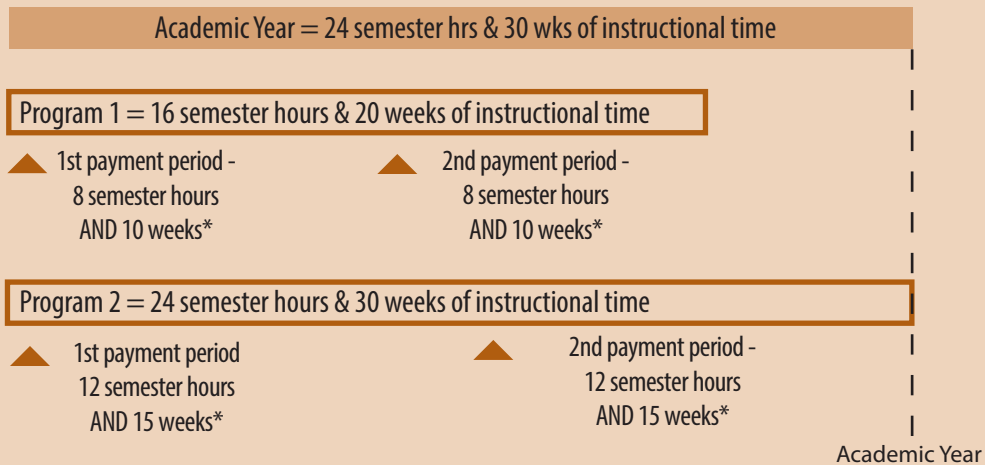
34 CFR 668.10, Dear Colleague Letter GEN-13-10

Because Direct Assessment programs don't use credit or clock-hours as measures of learning, you must establish a method to reasonably equate the Direct Assessment program (or Direct Assessment portion of any program) to credit or clock-hours for the purpose of determining the payment periods in the program. You must provide a reasonable written description that supports your claim that the program or portion of a program is equivalent to a specific number of credit or clock-hours (note that any credits awarded for "life experience" are not counted for FSA purposes).

Once you have established credit or clock-hour equivalencies, Direct Assessment program payment periods are measured in the same manner as other programs, according to the payment period rules described earlier in this chapter.

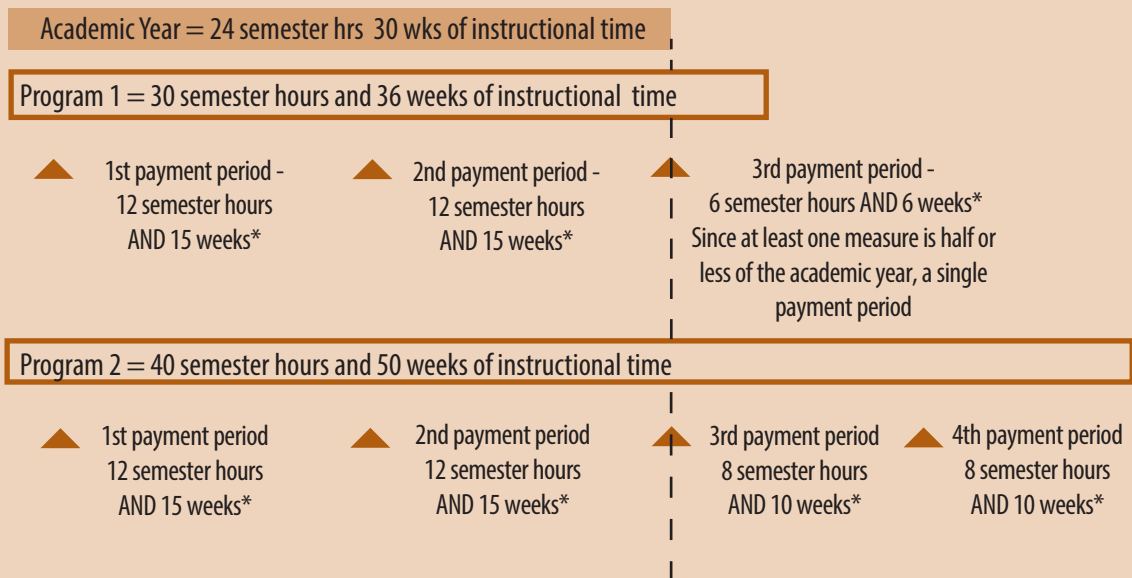
Non-term Programs—One Academic Year or Less

In both of these examples, the school defines the academic year for the program as 24 semester hours and 30 weeks of instructional time. The first program is less than an academic year; the second program is a full academic year.



Non-term Programs—More than an Academic Year

In both of these examples, the school defines the academic year for the program as 24 semester hours and 30 weeks of instructional time. The first program is an academic year with a remaining portion less than half of an academic year; the second program is an academic year with a remaining portion greater than half of an academic year.



*Weeks of instructional time.

Disbursement by Payment Period Required (except as provided in the discussion following this chart)		
Program Type	Direct Loan	Pell, TEACH, & FSEOG
Credit-hour programs offered in standard terms & nonstandard term programs offered in terms that are substantially equal in length.	Term	Term
Credit-hour programs offered in nonstandard-terms that are not substantially equal in length. ¹	The payment period is the successful completion ² of: <ul style="list-style-type: none"> • half of the weeks of instructional time in the academic year/program less than an academic year; and • half of the credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	Term
Clock-hour programs and non-term credit-hour programs.	The payment period is the successful completion ² of: <ul style="list-style-type: none"> • half of the weeks of instructional time in the academic year/program less than an academic year; and • half of the clock/credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	The payment period is the successful completion ² of: <ul style="list-style-type: none"> • half of the weeks of instructional time in the academic year/program less than an academic year; and • half of the clock/credit-hours in the academic year/program less than an academic year. For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.

¹ If a program is offered in a combination of standard and nonstandard terms and the program does not qualify to use a Scheduled Academic Year, or "SAY" (see Chapter 5 for details on SAYs and Borrower Based Academic Years—BBAYs), then for Direct Loan purposes, the program is subject to the disbursement requirements that apply to nonstandard programs that are not substantially equal in length.

² **Successful completion** means that the student has earned a passing grade or otherwise received credit for the credits or clock-hours in the payment period.

Direct Loan Disbursements within a single term/payment period

Unless it qualifies for the special rule based on low cohort default rates (see below), a school must generally make two disbursements of a Direct Loan that is certified or originated for a single term or a single payment period:

- For credit-hour programs offered in standard terms or nonstandard terms that are substantially equal in length with no term less than 9 weeks of instructional time in length (SE9W, see later in this chapter for more on SE9W), the second disbursement may not be paid until the calendar midpoint between the first and last scheduled days of class in the loan period.
- For all other programs, including clock-hour and non-term credit-hour programs, and nonstandard term programs with terms that are not substantially equal or with terms that are substantially equal and less than 9 weeks of instructional time in length, for a remainder of a program equal to or less than ½ an academic year (or the term if the terms are substantially equal) the second disbursement may not be paid until the student successfully completes ½ of the weeks of instructional time in the payment period, and half of the clock or credit-hours in the payment period.

Special rule: Schools with cohort default rates of less than 15% for each of the 3 most recent fiscal years for which data are available, may disburse, in a single installment, loans that are made for: 1 semester, 1 trimester, 1 quarter or, for loans made for a 4-month period or less, for one nonstandard or non-term loan period. Note that a program offered in substantially equal terms at least nine weeks in length (SE9W) may not disburse in a single installment for a term if the term is longer than four months. In the case of loans made to students in study abroad programs, the home school’s default rate must be less than 5 percent for the most recent fiscal year for which data are available to qualify for this special rule.

Pell or TEACH Grant disbursements within a single term

If a school uses Formula 3 to calculate a Pell Grant or TEACH Grant, the student’s total payment for a payment period may exceed 50 percent of the student’s annual award. However, the disbursements of the student’s Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student’s annual award until the student completes, in the payment period, at least half of the weeks of instructional time in the academic year.

Review of completion

Term-based programs using credit-hours

For a credit-hour term program, there is no requirement that a student successfully complete all of the coursework to receive payment in the next term. For instance, a student could receive a Direct Loan disbursement in the spring term after failing several courses in the fall term, provided that the student was still making satisfactory progress under the school's policy. (However, if the program uses nonstandard terms that are not substantially equal in length, you must use the non-term-based rules for Direct Loan disbursements, below.)

Pell Grants, FSEOG and TEACH Grants in clock-hour or non-term programs

For a credit-hour program without terms or a clock-hour program, a school may disburse a Pell Grant, FSEOG or TEACH Grant only after it determines that the student has successfully completed the credit or clock-hours and weeks of instructional time in the prior payment period.

Direct Loans in clock-hour, non-term, and certain nonstandard term programs

If an educational program does not use terms to measure academic progress for FSA purposes, the school may not make the second loan disbursement until the student successfully completes the weeks of instructional time **and** the credit or clock-hours in the payment period. These coursework completion requirements apply to clock hour and non-term programs, and programs with nonstandard terms that are not substantially equal in length.

TIMING OF FSA GRANT DISBURSEMENTS

The Cash Management regulations specify that a school must disburse all FSA grant and loan funds on a payment period basis. For all types of programs other than FWS, FSA funds are disbursed using the payment period definitions in 34 CFR 668.4. A school must submit disbursement records to the COD system no later than 15 days after making a Pell or Direct Loan disbursement.

Disbursements in credit-hour term-based programs

As noted earlier, for a student enrolled in a credit-hour program that uses any type of academic term, for Pell, TEACH, and FSEOG funds, the payment period is the academic term. Under the advance payment method, actual disbursement information can be submitted no earlier than 7 calendar days prior to the disbursement date. For more information on the advance payment method, see *Volume 4* of the FSA Handbook.

Disbursements in clock-hour and non-term credit-hour programs

For clock-hour programs and non-term credit-hour programs, a student can receive the first disbursement of FSA grant funds when the student begins the program or academic year. The student becomes eligible to receive a disbursement of FSA grant funds for the second payment period when the student successfully completes half of the weeks of instructional time AND half of the credit-hours/clock-hours in the academic year or program or the remaining portion of a program that is more than one-half of an academic year but less than a full academic year.

Timing of grant disbursements within a payment period

You may time the disbursement of Pell and TEACH Grant funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse funds, or pay students in monthly installments to help meet living expenses throughout the payment period. (If, as opposed to making multiple disbursements within the payment period, your school rations disbursements to students by crediting the entire disbursement for the payment period to the student's account and making periodic disbursements to the student from these funds, you must have the student's voluntary written authorization.)

Uneven disbursements of FSEOG

A school that is awarding an FSEOG for a full academic year must disburse a portion of the grant or loan during each payment period. In general, to determine the amount of each disbursement, a school will divide this award amount by the number of payment periods the student will attend. However, if the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, your school may disburse the additional FSEOG amounts to the student in whatever manner best meets the student's needs.

Timely Pell & Iraq & Afghanistan Service Grant reporting

With the addition of Pell and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU) monitoring, it is important to submit Pell and Iraq & Afghanistan Service Grant disbursement information in a timely manner. You must submit Pell and Iraq & Afghanistan Service Grant disbursement information to COD no later than 15 calendar days after making a disbursement or adjustment. To ensure you and other schools have the most accurate information available about students' LEUs, you should submit information to COD as early as possible in the required 15 day time frame. Doing so may help prevent an overaward. Failure to submit the data in the 15 days could result in the Department disallowing the disbursement.

Single-Term FSEOG Awards

A single-term FSEOG award is permissible if a student will only be enrolled for one term or only one term remains in the award year when the award is made. The award would then be disbursed in a single disbursement. When the regulations were revised to prohibit a single disbursement for an FSEOG award of \$501 or less, they did not prohibit single term awards.

Books and supplies Pell disbursement

You must provide a means by which a Pell recipient can obtain or purchase, by the seventh day of a payment period, books and supplies for the payment period (assuming the student has a credit balance to be disbursed). For more information, see 34 CFR 668.164(m).

FSEOG disbursements

Payment by payment period: 34 CFR 676.16(a)

Uneven costs/uneven payments: 34 CFR 676.16(b)

Timely FSA Grant reporting

Federal Register Feb 28, 2013

Electronic Announcement Mar 15, 2013

INTERIM DISBURSEMENTS

Under certain limited circumstances, you may make interim disbursements to students. If you have no reason to believe that an applicant's FAFSA information is incorrect, *prior to verification*, you may do the following:

1. Make one Pell or FSEOG disbursement for the applicant's first payment period;
2. For FWS, employ or allow another entity to employ the applicant, once he or she is an eligible student, for the first 60 consecutive days after the student's enrollment in the award year; or
3. Originate a Direct Subsidized Loan, *but not disburse loan funds*.

If, after verification, and ensuring that you've addressed any corrections (in accordance with the regulation on the consequences of changes in FAFSA data, 34 CFR 668.59), none of the changes to the applicant's FAFSA data will result in a change in the amount he is eligible to receive under any Title IV program, you may take any of the three actions noted above, as well as disburse a Direct Subsidized Loan prior to receiving the corrected valid SAR or ISIR.

Multiple Direct Loan disbursements within a payment period

A school may schedule multiple Direct Loan disbursements within a payment period, as long as the disbursements are substantially equal.

Schools that use payment periods as the basis for their Return of Funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period. See Volume 5 of the FSA Handbook to see how withdrawal calculations handle multiple disbursements.

Interim Disbursements

34 CFR 668.58—Interim disbursement options

34 CFR 668.59—Consequences of change in FAFSA information

DIRECT LOAN DISBURSEMENTS

Standard terms and substantially equal nonstandard terms at least nine weeks in length (SE9W)

If the program uses *standard academic terms* (semesters, trimesters, or quarters) or it has *nonstandard terms of substantially equal length*, at least one disbursement must be made in each term in the loan period. A program is considered to have substantially equal terms if no term in the program is more than two weeks of instructional time longer than any other term in the program.

If there is more than one term in the loan period, the loan must be disbursed over all terms of the loan period. For example, if a loan period is for an academic year that includes three quarters, the loan must be

disbursed in three substantially equal disbursements.

If there is only one term in the loan period, the loan generally must be disbursed in two payments. In a credit-hour program that uses a semester, trimester, or quarter system, or is “SE9W,” (see sidebar) the second disbursement may not be made until the student reaches the calendar midpoint between the first and last scheduled days of class of the loan period.

Clock-hour programs, non-term credit-hour programs, and programs with non-standard terms that are not substantially equal

If the program is one academic year or shorter, the loan period is usually the length of the program. (For more information on non-term loan periods, see *Chapter 5*.) If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year.

For each loan period in these programs:

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- For a program less than an academic year in length, the second half of the loan proceeds may not be disbursed until the student has successfully completed half of the coursework and half of the weeks of instructional time in the loan period. For a program of an academic year or greater in length, the second disbursement may be made when half of the hours and weeks of instructional time in the program’s academic year are successfully completed.

The payment period for the remainder of a program less than or equal to one-half of an academic year is the remainder of the program.

When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has successfully completed half the number of credit or clock-hours and half the weeks of instructional time in the payment period.

Timing of correspondence program disbursements for Pell and TEACH Grants

Pell: 34 CFR 690.66

TEACH: 34 CFR 686.25

For non-term correspondence programs, you make the first disbursement to a student after the student completes 25 percent of the lessons or otherwise completes 25 percent of the work scheduled for the program or academic year, whichever occurs last. You make the second disbursement to a student after the student completes 75 percent of the lessons or otherwise completes 75 percent of the work scheduled for the program or academic year whichever occurs last.

For term-based correspondence programs, you make the first disbursement to a student for each payment period after the student

completes 50 percent of the lessons or otherwise completes 50 percent of the work scheduled for the term, whichever occurs last.

Exceptions to disbursement rules for schools with low default rates

Schools with cohort default rates of less than 15 percent for each of the three most recent fiscal years for which data are available, including eligible foreign schools, may disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. Such schools also are not required to delay the delivery or disbursement of a first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school's most recently calculated cohort default rate is less than 5 percent for the single most recent fiscal year for which data are available.

When a school that qualifies for the cohort default rate exemption offers:

- terms not substantially equal in length;
- non-term credit-hour programs; or
- clock-hour programs;

the payment period, for purposes of Direct Loan funds, is the portion of the program to which the cohort default rate exemption applies. For example, if the loan period for a non-term credit-hour program is three months in length and the institution meets the cohort default rate exemption, the three-month loan period is the payment period, and only one disbursement of the loan is required for that period. For more on cohort default rate exemptions, see Section 428 G (a)(3) and (b)(1) of the HEA, and 34 CFR 685.303(d)(6).

Nonstandard "SE9W" terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to as "SE9W."

The length of terms are measured in weeks of instructional time, as defined in this chapter. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period. For more detail on SE9W terms, see Chapter 5 of this volume.

When a student fails to begin attendance or attends less than half-time after receiving a Direct Loan disbursement

Although you may be able to make a first disbursement of a Direct Loan before the student begins attending classes (as described above), in order to remain eligible for a Direct Loan, the student must actually begin attendance, on at least a half-time basis, in the period of enrollment (i.e., the loan period) for which the loan was intended.

If the student doesn't attend at least half-time, or doesn't begin attendance in any classes, they will lose eligibility for the loan, and you must take some further steps. In either case, you must report the change in the student's enrollment status using NSLDS enrollment reporting. The student's loan servicer will then change the student's loan status from in-school to grace period, or from an in-school deferment to repayment status.

If the student fails to begin attendance in any classes in the loan period, you must return any Direct Loan funds that were applied to the student's account, as well as the amount of any payments made for the payment period by the student (or on behalf of the student) to the school, up to the amount of the loan funds disbursed. Submit a downward adjustment to the loan amount through the COD system; you may be able to disburse the funds to another student rather than returning the funds, since Direct Loan funds are not student-specific. If you actually need to return funds, this must be done through G5. You must not return Direct Loan funds to the federal loan servicer in this circumstance. You must also notify the federal loan servicer that the student has not or will not begin attendance. The servicer then will issue a final demand letter to the student for any funds disbursed directly to the student.

If the student who has already received Direct Loan funds begins attendance in the loan period, but does so on a less-than-half-time basis, the student becomes ineligible for the loan, and you must not make any further disbursements of the loan, unless the student resumes enrollment on at least a half-time basis, but neither your school nor the student is required to return any loan proceeds.

Single disbursements for study-abroad students

If a borrower is enrolled in a study-abroad program approved for credit by the home school and the home school had a cohort default rate less than 5% in the single most recent fiscal year for which data are available, the school may make a single disbursement of the loan proceeds. Also see the Cohort Default Rate Guide on IFAP. For more details, see 34 CFR 685.303(d)(6)(i)(B).

Direct Loan disbursements

Standard terms and terms that are substantially equal in length:

34 CFR 668.4(a)

Programs without terms, clock-hour programs & terms not substantially equal:

34 CFR 668.4(b), (c), and (h)(2)

Late disbursements: 34 CFR 685.303(d)(4)

Failing to begin attendance & Direct Loan eligibility

DCL GEN-13-02

34 CFR 685.309(b)

34 CFR 668.21(a)(2)(i),(ii)

Disbursements that include funds for completed payment periods

34 CFR 685.303(b)(4)

The regulations allow a school to include in a single disbursement the disbursements for any payment periods that have ended. However, the COD system (except for schools exempted because of low default rates) requires schools to enter at least two anticipated disbursement dates. Therefore, when creating a loan origination record for a Direct Loan when you intend to include disbursements for any payment periods that have ended in a single disbursement, you should enter the actual date you anticipate making the disbursement as the anticipated date for all disbursements that would be included. For example, consider a school attempting to submit an origination when the data is as follows:

Loan period: 9/1/15 - 5/30/16

Number of disbursements typically required: 2

Payment period 1: 9/1/15 - 12/20/15

Payment period 2: 1/6/16 - 5/30/16

Date school creates origination record: 1/9/16

If you anticipate making the single required disbursement on January 16, you should enter January 16 as the date for both the first and second disbursements when you create the origination record.

Additional grant disbursement notes

Disbursements exceeding 50 percent of award

If you use Formula 3 to calculate a Pell or TEACH Grant, the student's total payment for a payment period may exceed 50 percent of the student's annual award. However, the disbursements of the student's Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student's annual award until the student completes, in the payment period, at least half of the weeks of instructional time in the academic year. Therefore, you generally must make at least two disbursements to the student in the payment period.

You may not withhold funds as an administrative convenience if you wish to make a single disbursement.

RETAKING COURSEWORK IN TERM PROGRAMS

You may count toward enrollment status and award Title IV funds to a student who is repeating, for the first time only (i.e., one repetition per class), a previously passed course in a term-based program, including when the student is retaking a passed class due to failing other associated coursework. Students enrolled in non-term-based programs may not receive credit for retaking coursework.

The regulatory definition for full-time enrollment status has been revised to allow a student to retake (one time only per previously passed course), any previously passed course. For this purpose, passed means any grade higher than an “F,” regardless of any school or program policy requiring a higher qualitative grade or measure to have been considered to have passed the course. This retaken class may be counted toward a student’s enrollment status and the student may be awarded Title IV aid for the enrollment status based on inclusion of the class.

A student may be repeatedly paid for repeatedly failing the same course (normal SAP policy still applies to such cases). If a student withdraws before completing the course that they are being paid Title IV funds for retaking, then that is not counted as their one allowed retake for that course. However, if a student passed a class once and then is repaid for retaking it and fails the second time, that failure counts as their paid retake and the student may not be paid for retaking the class a third time. If your school has a policy that requires students to retake all of the coursework for a term in which a student fails a course, only the first retake of any previously passed course is eligible for Title IV aid.

If a student who received an incomplete in a course in the prior term is completing the coursework in the subsequent term to erase the incomplete in the prior term, the student is not considered to be enrolled in the course for the subsequent term. Therefore, the hours in the course do not count toward the student’s enrollment status for the subsequent term, and the student may not receive FSA funds for completing the course. However, if a student who received an incomplete in a course in the prior term is retaking the entire course for credit in the subsequent term, the hours in the course count toward the student’s enrollment status, and the student may receive FSA funds for retaking the course.

In any case, remember that retaken classes may count against satisfactory academic progress, and the student’s eligibility is still constrained by all the requirements of satisfactory academic progress, as discussed in *Chapter 1* of *Volume 1* of the FSA Handbook. Also, the one-year academic limitation on noncredit and reduced credit remedial coursework still applies. So, for example, a student repeating a remedial course that exceeds the one-year limitation could not have the class included in his or her enrollment status.

Retaking coursework school policy and operations

Your school may establish a policy that permits or bars students from retaking previously passed coursework, for example, to improve grade point average. Based on such policies, the applicable guidance in the FSA Handbook and regulations can be used to determine how to award Title IV aid.

You may wish to consult with your school's registrar to ensure that your school's class repetition policy is properly coordinated and implemented by both offices, including any changes that need to be made to the registrar's policies and operations for enrolling students or reporting enrollment to NSLDS.

Repeating after program completion

Any student who completes an entire non-term credit-hour or clock-hour program, and later re-enrolls to take that same program again or to take another program, may be paid for repeating coursework regardless of the amount of time between completion of the first program and beginning the program or another program again.

Enrollment status and retaking coursework provisions and limitations

34 CFR 668.2(b)

34 CFR 668.20(d),(f)

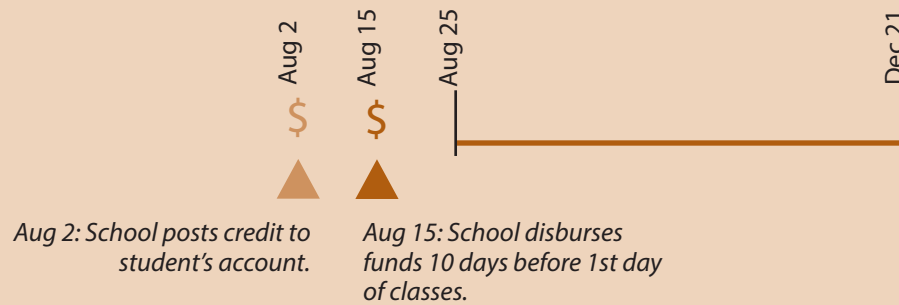
Satisfactory progress & repeated coursework

For satisfactory academic progress purposes, each time a course is taken counts as an attempt; but only the first time a passing grade is received is it counted as completion.

Retaking coursework FAQs

<https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/course.html>

Early disbursement & advance credit to account



The earliest a school may disburse funds is 10 calendar days before the first day of class in the semester (August 15 is the example).

If you post a credit to a student's account before the earliest date permitted by regulation (August 2nd vs. August 15 in the example), for FSA purposes, the date the aid is considered to be disbursed is the earliest date permitted by regulation: August 15.

Disbursement rules for terms made up of modules

When a student is attending a modular program, but won't attend the first module, the date when classes begin for making disbursements is the starting date of the first module that the student will actually attend.

The earliest the school can pay a student who is scheduled to begin attendance in the second of three 5-week modules that make up the payment period is 10 days before the first day of the second module (or 30 days after the second module begins, if the student is a first-time, first-year borrower and the school does not meet the requirements for a waiver in 34 CFR 685.303(b)(5)).

Module Example: A 1-year program with no terms awards 24 credit-hours, which are taught in a series of six 4-hour modules. The school groups the modules into two 12-hour payment periods. The first payment period takes 15 weeks to complete. The student cannot progress to the second payment period until the student successfully completes 12 credit-hours and the 15 weeks of instruction have elapsed. If the student fails the first 4-hour module, he or she will still need to successfully complete three modules (for a total of 12 credits) to progress to the next payment period.

TRANSFER, RE-ENTRY, & REPEATING COURSEWORK WHEN PROGRESS IS NOT TRACKED BY TERMS

Re-entry within 180 days

A student who withdraws from a clock-hour or credit-hour non-term program and then re-enters within 180 days is considered to remain in the same payment period when he or she returns and, subject to conditions imposed by ED, is eligible to receive FSA funds for which he or she was eligible prior to withdrawal, including funds that were returned under the R2T4 rules in *Volume 5, Chapter 2*.

Re-entry after 180 days and transfer students

Generally, you must calculate new payment periods for a clock-hour or non-term credit-hour program for:

- A student who withdraws and then re-enters the same program at the same school *after 180 days*; or
- A student who withdraws from a program and enrolls in a new program at your school, or at another school within *any time period*.

For purposes of calculating payment periods ONLY, the length of the program is the number of credit or clock-hours and weeks of instructional time the student has remaining in the program that he or she re-enters or transfers into. If the remaining hours and weeks constitute half of an academic year or less, the remaining hours constitute one payment period. In this circumstance, the student may be paid for repeating coursework if the student is receiving credit for repeating the course.

However, you may consider a student who transfers from one program to another at your school to remain in the same payment period if all of the following conditions apply:

- The student is continuously enrolled at your school;
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking in the program into which he/she is transferring;
- The payment periods are substantially equal in length in weeks of instruction and credit or clock-hours;
- There are little or no changes in school charges associated with the payment period; and
- The credits from the payment period the student is transferring out of are accepted for credit in the new program.

Pell Grant disbursements for re-entering students

For Pell and TEACH Grant disbursements in the award year, if a student enrolled in a clock-hour or non-term credit-hour educational program re-enters the program within 180 days after initially withdrawing and before the deadline for the award year, a school may request administrative relief to disburse the student's grant by the earlier of 15 days after the student re-enrolls or the deadline for the award year published in the Federal Register.

Clock-hour to credit-hour conversion formula

In determining the eligibility for and amount of Title IV aid for a student in a program subject to the clock-hour to credit-hour conversion, you must first apply the conversion formula to determine the number of semester, trimester, or quarter hours required to be considered a Title IV eligible program. You must also apply the conversion formula to each course in the payment period when determining a student's Title IV enrollment status. When applying the conversion formula, any eligible converted credit-hours are used to determine the amount of Title IV funds that a student enrolled in the program is eligible to receive.

For a full discussion of credit-hour to clock-hour conversion, including when the conversion must be done, see *Volume 2, Chapter 2*. See 34 CFR 668.8(k),(l) for the regulation on the formula.

Transfer students

34 CFR 685.301

DCL GEN-12-06, Attachment, page 5

Re-entry within and after 180 days

34 CFR 668.4(f),(g)

Cost of Attendance (Budget)

CHAPTER 2

Awards for each of the Federal Student Aid (FSA) programs are based on some form of financial need, beginning with cost of attendance. This chapter picks up at the point where you have established the student's Expected Family Contribution (EFC); see the Application and Verification Guide for more info on EFCs, and Volume 1 for more info on the student's basic eligibility requirements. Most schools establish average costs for different categories of students and set these cost categories in EDEExpress or other software that they use to determine awards and package aid. The typical costs that you establish for your students will be used to calculate their FSA award amounts and package their aid.

Unlike scholarship programs that may award funds based on academic merit or the student's field of study, "need-based" grants, loans, and work-study are based on the family's demonstrated financial need for assistance. The cost of attendance (COA) is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive for purposes of the TEACH Grant, Campus-Based Programs, and Direct/Direct PLUS Loans, and is one of the basic components of the Pell Grant calculation.

Chapter 2 Highlights

Allowable Costs

Determined by school, taking into account:

- Tuition and fees
- Books, supplies, transportation, miscellaneous
- Room and board
- Dependent care
- Study-abroad expenses
- Disability expenses
- Employment expenses for co-op study
- Loan fees

Exceptions

- Less-than-half-time enrollment
- Correspondence study
- Incarcerated students
- Professional judgment

Costs met from other sources

- Tuition and fees not paid by student
- Free room and board
- Other cost specified by source

Costs for period of enrollment

- Campus-Based, TEACH Grants, and Direct/Direct PLUS Loans are based on costs for the period of enrollment; for instance, costs for a student attending a single semester in the school year would be limited to the costs for that time period.

- Pell is always based on the cost of full-time attendance for a full academic year.

ALLOWABLE COSTS

Cost of attendance (COA) is determined by law (Higher Education Act, Sec. 472) and is not subject to regulation by the Department. The law specifies the types of costs that are included in the cost of attendance, but **you** must determine the appropriate and reasonable amounts to include for each eligible COA category for students at your school, based on the criteria described in this chapter.

The cost of attendance for a student is an estimate of that student's educational expenses for the period of enrollment. As you'll see, you can use average expenses (for students with the same enrollment status) at your school, rather than actual expenses. For example, for the tuition and fees component, you can use the same average amount for all full-time students instead of figuring the actual tuition and fees for each individual student. You can have different standard costs for different categories of students, such as a cost of attendance for out-of-state students (who have higher tuition) and a lower cost of attendance for in-state students. However, you cannot combine the COA figures for each separate enrollment status and award aid to a student on the basis of the average COA. Students must be awarded on the basis of a COA comprised of allowable costs assessed all students carrying the same academic workload.

If a student is enrolled in a program that has extra fees or costs, such as lab fees, you can add those fees to the student's cost or use a standard cost that you've established for all students in that program. If you establish standard cost categories, you must apply the cost allowances uniformly to all students in those categories.

There are a variety of methods to arrive at average costs for your students: periodic surveys of your student population, assessing local housing costs or other pertinent data, or other reasonable methods you may devise which generate accurate average costs for various student cohorts.

Allowable costs in general

The types of costs that may be included are the same for all FSA programs. The cost of attendance, based on the student's enrollment status, for the Campus-Based, TEACH Grant, and Direct/Direct PLUS Loan programs is a student's cost for the period for which the aid is intended. The cost of attendance used for Pell Grants and Iraq & Afghanistan Service Grants is always the full-year costs for a full-time student, so you may have to prorate actual or average costs up for students who are attending less than an academic year (or who are part-time in a term program) or prorate down for students who are attending for periods longer than an academic year. We'll discuss this at the end of this chapter.

A student's cost of attendance is the sum of the following. If a cost is not mentioned in these categories (which are derived from the only source on COA components, Section 472 of the HEA), it is not to be included as COA:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes graduation fees, if incurred while the student is still enrolled and when required by the program and paid by all students, and costs of rental or purchase of equipment (including equipment for instruction by telecommunications), materials, or supplies required of all students in the same course of study.
- An allowance for books and supplies may be included in tuition and fees for a program if you:
 - Have an arrangement with a book publisher or other entity which allows you to make the books and/or supplies available to the students below competitive market rates; **and**
 - You provide a way for students to obtain the books & supplies by the seventh day of the payment period. You **must** also have a policy under which students may opt out of this way of providing books and supplies.

OR

You document that:

- The books or supplies, including digital or electronic course materials are not currently available elsewhere or accessible by students enrolled in that program from sources other than those provided or authorized by your school; or
 - There is a compelling health or safety reason for books and supplies to be included in the tuition and fees COA component.
-
- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** This can include a reasonable amount, as determined by your school, for the documented rental or purchase of a personal computer that the student will use for study for the enrollment period. For example, a computer purchased in the summer for use in the fall term may be included. This allowance may also include costs for operating and maintaining a vehicle that is used to transport the student to and from school, but not for the purchase of a vehicle.

Books and supplies in tuition & fees: 34 CFR 668.164(c)(2)

Books and supplies timing: 34 CFR 668.164(m)

For all eligible students who could receive Title IV funds 10 days before the beginning of a payment period, you must, by the seventh day of the payment period, provide a way for eligible students to obtain or purchase the books and supplies applicable to the payment period. For more on the timing of disbursements, see Volume 4.

- **An allowance for room and board.** For all students, schools must include in their COA an allowance for room and board. For students residing in institutionally owned or operated housing, the allowance should be based on the amount normally assessed most of the school's institutionally-housed residents for room and board. For all other students, the allowance should be based on the expenses reasonably incurred by each type of students for room and board.
- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during periods that include but are not limited to class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the type of care provided. Note that because students are often unaware of this allowance, schools should make clear when counseling students, about the availability of the dependent care allowance and how to request that an allowance for dependent care be included in their cost of attendance.
- **An allowance for the one-time direct costs of obtaining a first professional license or certificate for students who are enrolled in a program that requires such professional licensure or certification.** This allowance may only be provided one time per student per eligible academic program. Examples of allowable costs include fees charged to take a licensing exam, costs of applying for and obtaining the license or certification, and, at the discretion of the school, costs incurred in traveling to a residency interview for a medical student. Under this provision, the costs must be incurred during (not after) a period of enrollment, even if the exam is after the end of the period. You may include costs of attending a required conference, but only if these costs are included in the standard cost of the program for which the conference is required. Including these costs does not require exercising professional judgment, as they will be included as a cost of the program for all students in the program.
- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.** For example, U.S. citizens may count VISA/passport costs when studying at a foreign school.
- **For a student with a disability, an allowance for expenses related to the student's disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided by other agencies.
- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**
- **For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan).** You may also include the fees required for non-federal student loans (i.e., non-federal loans that must be considered Estimated Financial Assistance [EFA] for the student when packaging aid). In all cases, you can either use the

exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended.

- For less-than-half-time students, room and board for a limited duration. Schools have the option to include in the COA for a less-than-half-time student an allowance for room and board for up to three semesters (or equivalent), with no more than two of the semesters being consecutive at any one school. You are not required to monitor COA components from other schools attended by the student. For students who are less than half-time, COA can include only:

- Tuition and fees;
- An allowance for books and supplies;
- Transportation (but not miscellaneous & personal expenses);
- An allowance for dependent-care expenses; and
- Room and board for a limited duration (see less-than-half-time room and board component later in the allowable costs section).

- **For students living in housing located on a military base or housing for which they receive a military housing allowance (Basic Allowance for Housing, or “BAH”), the room and board COA component shall include an allowance for board only. This applies to:**

- Independent students who receive, or whose spouses receive, a military housing allowance (BAH) or who live on a military base; and
- Dependent students who are living with parents who are receiving a military housing allowance (BAH) or who live on a military base.

Exceptions to the normal cost allowances

The following are the exceptions to the normal cost of attendance allowances:

- For students who are enrolled **less than half-time**, only the costs for tuition and fees and allowances for books and supplies, transportation, room and board for a limited duration, and dependent care expenses may be included as part of the cost of attendance (miscellaneous expenses and personal expenses may not be included).
- Generally, the cost of attendance for **correspondence study** is restricted to tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the cost of attendance. If the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred for the period of residential training (as mentioned in *Chapter 1 of Volume 1*, a student isn't eligible to receive FSA aid for correspondence courses unless the student is enrolled in an associate, bachelor's, or graduate-degree program).

- The cost of attendance for **incarcerated students** is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for Title IV loans, and if the student is in a federal or state penal institution, the student is ineligible for Pell Grants as well.
- When a student does not take any classes for a period of time in the middle of a term, for example, by skipping a module in a multi-module term, you may not include in the student's COA costs (if any) for such a period, even if they are studying for tests or coursework related to an eligible program. Note that the costs of such a test itself may be an allowable COA component—see “**An allowance for the one-time direct costs of obtaining a first professional license or certificate...**” section above. The weeks that comprise the non-coursework period may not count toward the weeks of instructional time for the term or program, and any separate credits earned (if any) during such a period do not count towards a student's enrollment status. For more detail on Title IV leaves of absence, see *Chapter 1 of Volume 5 of the FSA Handbook*.
- You have the authority to use **professional judgment** to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See “Professional Judgment” in the *Application and Verification Guide*.)

Limitations to tuition and fees component

Tuition discounting: In establishing the tuition and fees component of Title IV applicants, you must use an amount that is required for all students in the same course of study. Therefore, a recipient of Title IV aid cannot be assessed charges that are higher than what is charged to a student not receiving aid under the Title IV programs.

Offering a discount to students who pay early is not permitted because Title IV recipients may not be able to, and should not be required to, meet that requirement and would, therefore, in effect be assessed higher amounts than other students. Of course, it would be permissible for you to provide the discount to all Title IV eligible students without regard to when their charges are paid. However, doing so would require an adjustment to such students' cost of attendance.

Overtime charges: A school may not use Title IV funds to pay overtime charges for a student who fails to complete his or her academic program within the normal time frame. Section 472 of the HEA defines cost of attendance as the tuition and fees normally assessed a student carrying the same academic workload required of all students in the same course of study. Overtime charges are in addition to normal tuition and fees, and since they are not charges normally assessed, they may not be included in a student's cost of attendance for Title IV purposes, and therefore Title IV funds may not be used to pay charges, even if a school obtains a student's (or parent's) authorization to do so.

This restriction applies to both clock-hour and credit-hour programs. For example, some clock-hour programs assess “overtime charges” for

students who don't complete the program within an established timeframe. Some credit-hour programs also charge additional tuition or fees for each course a student takes if the student fails to complete his/her program(s) within an established time-frame. In both cases, such charges may not be counted in the Title IV COA, and Title IV funds may not be used to pay for the additional charges.

Finance charges: You may not use Title IV funds to pay finance charges or fees that are incurred because a student utilizes a financing method provided by the school to pay for educational expenses over time. Because students or families choose to incur these additional expenses rather than paying the balance due at registration, the additional charges are not considered educational expenses, and may not be included in a student's cost of attendance.

Test prep class costs: You may not include in a student's COA the costs for a test prep class which is not part of the student's eligible program.

Limitations to tuition and fees COA component

HEA Sec 483(a)(1), Electronic Announcement Mar 18, 2014

HEA Sec 472 COA includes tuition and fees normally assessed a student carrying the same academic workload as determined by the institution.

34 CFR 668.14(b)(3),(21) Prohibits requesting or charging any student a fee for processing or handling any application, form, or data required to determine eligibility for, and amount of, Title IV HEA program assistance.

34 CFR 668.14(b)(21) Prohibits imposing a penalty on any student because of a student's inability to meet his or her financial obligations to the school as a result of the delayed disbursement of the proceeds of a Title IV loan due to compliance with Title IV requirements.

Payment plans example

Large Midwestern University (LMU) charges full-time students \$10,000 per semester in tuition, payable either at registration, or, in a new alternative payment plan, over the course of the semester, in four payments of \$2,600 each, for a total of \$10,400. LMU may establish the alternate payment plan, but can't use Title IV funds to pay for any amount in excess of what it charges those students not paying via the alternate plan (in this case, \$400).

Checking foreign diplomas

If you hire a transcription/diploma evaluation service to aid in the process of determining student eligibility, the cost of evaluating a foreign credential must be incurred as a charge of admission prior to enrollment in an eligible program and thus cannot be included in COA. For more detail on checking foreign diplomas, see *Volume 1, Chapter 1*.

Student with a disability

A student is considered to have a disability if he or she has a physical or mental impairment that substantially limits a major life activity, such as if the student is deaf, has a mental disability, is hard of hearing, has a speech or

language impairment, is visually disabled, is seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.

Documentation of exceptional expenses

The law doesn't specify what documentation you must collect for expenses such as dependent care or disability-related expenses. You can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student or other appropriate sources.

Alternate example of waived or paid COA component

The state in which Montero University was founded charges all full-time students the same tuition charge. However, in-state students receive a voucher to cover the difference between what most states consider in-state versus out-of-state tuition. Montero has two options. The first option would allow Montero to include the same tuition charge in the full-time COA for all students and include the amount of the voucher as estimated financial assistance (EFA) in the respective students' financial aid packages. Alternatively, Montero could exclude the amount of the voucher from both COA and EFA because the voucher must be used to explicitly pay a specific component of the COA. Regardless of the option Montero chooses, it must apply the option consistently.

NCAA Considerations

The "Power Five" conferences (The ACC, Big Ten, Big 12, Pac 12, and SEC) of the National Collegiate Athletic Association (NCAA) have voted to expand their athletic scholarships to cover the full cost of attendance for athletes. Previously, only the components listed under "Allowable costs in general" in this chapter were included in COA. This change only applies to the colleges in the Power Five, but may also be adopted by other Division I participating schools, at their discretion.

One exception to the full cost COA is the practice of a school's paying the costs of an athlete's insurance against injury to protect against loss of future income. This expense may not be included in COA (because it is not related to a student's educational program), but it is included as Estimated Financial Assistance (EFA) for the student in the aid packaging process. For packaging guidance, see Chapter 7 of this volume.

Treatment of Estimated Financial Assistance component of COA

If the source of assistance is a state and is designated by the state to offset a specific component of the student's COA, the amount of that assistance may be excluded from both COA and EFA. You may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and EFA. If the amount excluded is less than the allowance provided in the student's COA, you must exclude the lesser amount. For more details, see the Higher Education Act, Section 480(j) and DCL GEN 06-05.

Costs for programs that become eligible in the middle of a year

When awarding aid, you may not count toward the student's Cost of

Attendance (COA) any costs incurred in any payment period before the program gained Title IV eligibility, nor any costs incurred in periods that the student has already completed. For more details on how programs gain Title IV eligibility, see *Volume 2, Chapter 5* of the *FSA Handbook*.

Changes in Pell Grant COA

For more on when changes in Pell COA necessitate a recalculation of a Pell award, see *Volume 3, Chapter 3*.

COA for intersessions and modules

Whether or not you merge an intersession or module with a standard term, you must not include costs in a student's COA for an intersession or module period of enrollment for which the student is not expected to be enrolled.

Costs waived or paid by other sources

When a specific component of a student's cost of attendance is waived or explicitly paid by another source, special treatment may be necessary. In some situations, the student is assessed the normal tuition and fees charge with an offsetting credit issued. In other situations, the student is never charged tuition and fees at all. Although this section discusses this concept in terms of tuition and fee charges, it applies to any of the components of a student's cost of attendance.

In some cases, such as under Workforce Innovation and Opportunity Act (WIOA) programs, a student's tuition and fees are paid by another organization or are waived. The student's costs are based on what the school is actually charging the student, based on the agreement between the school and the student.

If the student is charged for the tuition and fees, even if the charge is eventually paid by someone other than the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance in most circumstances. The tuition and fees payment would then be counted as estimated financial assistance. The charge is documented in the same way as for any non-WIOA student—for instance, in your school's contract with the student or in the agreement with the WIOA agency. (If your school charges the student for tuition and fees, your school would have to expect the student to pay the charge if the WIOA agency or other source of assistance doesn't pay on the student's behalf.)

If the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIOA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIOA doesn't cover the costs. If your school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's cost of attendance, and, therefore, that amount would not be included as estimated financial assistance.

Even if there's no tuition and fees component, the student's budget still includes the other costs listed previously, such as an allowance for living

expenses. The option to either include the cost and aid in both COA and EFA versus excluding both from COA and EFA only applies to non-federal sources of assistance, and only when that assistance is designated to offset specific components of COA (i.e., tuition, room, and board).

WIOA reimbursement contracts

Some WIOA contracts operate on a reimbursement basis; that is, the student must fulfill the terms of the contract before WIOA will reimburse the school for tuition and fee costs. If the student doesn't fulfill the terms of the contract, the school is left with an unpaid tuition and fees charge. The school isn't permitted to hold the student liable for the unpaid tuition and fees. Contracts are established this way to offer schools an incentive to properly train and place students enrolled in the training programs. However, if a tuition and fees charge is included in an FSA aid recipient's budget, the student would be liable for any outstanding charges that are not reimbursed by WIOA. Therefore, schools that enter into reimbursement contracts must remove the tuition and fees component from the FSA budget because, under these contracts, schools are prohibited from holding the student liable for outstanding charges.

Free room and board/tuition waivers example

Dawson University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges. If the student quits the job, the waiver is removed, and the student has to pay the room and board charges. All the students have the room and board charges in their cost of attendance. For students who are Resident Assistants because of their financial need, Dawson must count the room and board waiver as estimated financial assistance. The waiver would not be counted as untaxed income, but if included in the AGI, such a waiver would be reported as "grant and scholarship aid reported to the IRS" and would be excluded from total income in the EFC formula.

Effects of waivers on COA

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered Estimated Financial Assistance (EFA) and the full amount of the tuition and fees are included in a student's cost of attendance. For more details, see *Chapter 7* of this volume.

On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the charges actually assessed the student would be included in the student's cost of attendance.

Cost of attendance for a distance education student

The law prohibits you from making a distinction based on the mode of instruction when determining the cost of attendance for a student receiving all or part of the student's instruction through distance education. However, you have the authority to use professional judgment to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. For example, you may exclude transportation costs if you determine that such costs will not be incurred by a student. Such adjustments must be documented in the student's file. (See "Professional Judgment" in the *Application and Verification Guide*.)

Pell Grant cost of attendance for a consortium program

A student receiving a Pell Grant for attendance at two schools through a consortium agreement may have costs from both schools at the same time. The student's cost of attendance is calculated in the same way as for a student taking classes at only one school. The student's charges for tuition and fees and books and supplies at the consortium schools have to be combined into a single charge for a full academic year for purposes of the Pell calculation.

The school paying the student may choose to use actual charges for the student, which would simply be the sum of the actual charges at both schools. Of course, if the student isn't attending full-time, your school will have to prorate these tuition & fees and books & supplies charges so that they are the correct amounts for a full-time, full-year student.

If the disbursing school uses average charges, then the average full-time charges at each of the schools must be prorated and combined. If the student is taking a full-time load at each school, the full-time tuition and fees charges for an academic year at each school can be averaged to determine the tuition and fee cost. However, if the student is taking an unequal course load, the disbursing school must prorate the charges based on the number of hours the student is taking at each school.

Pell Grant cost of attendance for a co-op program

If a student has a co-op job for the first term, the tuition and fees for that period can be prorated over the full academic year for the program (which must include at least 24 semester/trimester hours, 36 quarter credit-hours, or 900 clock-hours, as well as 30 weeks of instructional time, or, for clock-hour programs, 26 weeks). This prorated amount is then added to the other cost of attendance components to arrive at the total cost for a full-time student for a full academic year.

For the rest of the year, your school can either use the cost of attendance with the projected amount or can recalculate the student's tuition and fees at the end of the first term to determine a new cost of attendance for the remaining payment periods. This decision must be consistent with your school's overall policy on recalculating for changes in a student's costs. (See the discussion of Pell Grant recalculations in *Chapter 3* of this volume for more information.) Note that the cost of attendance can also include employment-related expenses.

Pell Grant Cost Example 1: Prorating total costs by lesser of two fractions

You may take the student's entire cost of attendance (tuition and fees, room and board, etc.) and multiply it by the lesser of the two fractions that represent the length of the academic year. If the lesser fraction is one, then you don't prorate the cost of attendance. One fraction is based on credit or clock-hours and the other is based on weeks of instructional time, as shown in this example.

Let's use the example of a program that charges \$10,500, awards 18 semester credits, and is completed by most full-time students within 20 weeks of instructional time.

$$\frac{\text{Credit/clock-hours in academic year definition} = 24}{\text{Credit/clock-hours awarded} = 18}$$

$$\frac{\text{Weeks in academic year definition} = 30}{\text{Weeks provided} = 20}$$

Since the fraction using credit-hours is the lesser fraction, the program cost of \$10,500 is multiplied by 24/18 to find the full-year Pell cost.

$$\$10,500 \times 24/18 = \$14,000$$

The full-time cost is \$14,000. Note: If one of the fractions is equal to one, for instance, if the program awards 24 credit-hours, then the prorated cost is the same as the original cost of attendance.

Pell Grant Cost Example 2: Prorating academic costs & living expenses separately

As an alternative, you can separately prorate the costs associated with credit or clock-hours (tuition and fees, books and supplies, loan fees) and the costs associated with weeks of instructional time (room and board, miscellaneous expenses, disability expenses, transportation, dependent care, study abroad, reasonable costs associated with employment as part of a cooperative education program). Using our earlier example of a program lasting 20 weeks and awarding 18 credit-hours, and specifying that the student's tuition, books, supplies, etc., come to \$4,500 and living expenses amount to \$6,000, the calculation would look like this:

$$\frac{24 \text{ credit-hours}}{18 \text{ credit-hours}} \times \$4,500 = \$6,000$$

$$\frac{30 \text{ weeks}}{20 \text{ weeks}} \times \$6,000 = \$9,000$$

In this example, the student's Pell budget is the sum of the two prorated costs, or \$15,000.

Pell Grant Cost Example 3: Prorating costs for a non-term program longer than an academic year

Costs must also be prorated if they are charged for a period longer than an academic year. You may use either of the proration methods shown in Examples 1 and 2. We'll use the example of a program awarding 1,000 clock-hours and providing 40 weeks of instructional time. Let's assume that the school uses the regulatory minimums in defining the academic year as 900 clock-hours and 26 weeks. The total costs over the 40 weeks, including tuition and living expenses, are \$5,900. If we use the method in Example 1, this amount must be prorated by the lesser of the following two fractions:

$$\frac{\text{Credit/clock-hours in academic year definition} = 900}{\text{Credit/clock-hours awarded} = 1,000}$$

OR

$$\frac{\text{Weeks in academic year definition} = 26}{\text{Weeks provided} = 40}$$

The lesser of the two fractions is the one based on weeks (26/40). Multiply the total program cost by this fraction to determine the Pell costs for a full academic year: $\$5,900 \times 26/40 = \$3,835$.

Pell Grant awards & COA with mixed enrollment status

Ryne plans to attend Maddon University for a fall and spring semester. In the fall term, Ryne attends full-time, and has a COA of 5300 and an EFC of 0. Ryne's Scheduled Award is taken from the full-time Pell Grant Payment Schedule for the fall semester, with the calculated amount being \$5,350. Maddon disburses the fall semester Pell award of \$2,675.

In the spring semester, Ryne suffers from a variety of physical ailments, and finds that he can only attend a fraction of the classes he had hoped to, and so his enrollment status drops to less-than-half time. Ryne's COA is also reduced, as less-than-half-time enrollment means that not all of his previously included COA elements may be included in his Spring COA used for Pell calculation. Ryne's EFC remains at 0. Maddon may not include in Ryne's spring COA for Pell calculation miscellaneous personal expenses or room and board if Ryne has exhausted his less-than-half-time room and board allowance (3 semesters or equivalent in total, no more than two of which may be consecutive at any one school).

Maddon now consults the less-than-half-time Pell payment and disbursement schedule and finds the amount for an EFC of 0 and the reduced COA, 5000. The result is \$1,263, which Maddon divides in half for the spring semester disbursement, resulting in a spring payment to Ryne of \$631.50. These awards are also subject to the Pell Lifetime Eligibility Used limits (LEU). See *Volume 3, Chapter 3* for information about Pell Grant recalculations and LEU limits.

COSTS FOR PERIODS OTHER THAN NINE MONTHS

The cost of attendance used to package Campus-Based aid and Direct/ Direct PLUS loans and TEACH covers the student's actual period of enrollment. Therefore, if the student will be attending for more than 9 months, you must use a higher cost of attendance that includes living expenses, such as room and board, for the longer period of time. If the student will be attending for less than 9 months, you must use a lower cost of attendance. You can choose to prorate the allowances you use for 9 months, or you can calculate the cost in any other **reasonable** way.

When calculating for periods other than nine months, be sure to use the rules for the corresponding EFC type. There are three types of EFC for periods other than 9 months, each with their own treatment: EFC for dependent students; EFC for independent students without dependents other than a spouse; and EFC for independent students with dependents other than a spouse. For the full discussion of the treatment for these various EFC types, see *Chapter 3* of the *Application and Verification Guide (AVG)*.

Adjusting costs for Pell Grants

The types of costs included in the Pell Grant budget are the same as those for the other FSA programs; however, Pell Grant costs are always based on the costs for a *full-time student for a full academic year*.

For Pell, costs for programs or enrollment periods longer or shorter than an academic year must be prorated so that they are the costs for one full

academic year. This is true for both parts of the academic year definition: if either the number of weeks or the number of clock/credit-hours differs from the academic year standard, the costs must be prorated to determine the full-time, full-year Pell budget. The need to prorate Pell costs is most likely to occur in these situations:

- A term-based program that provides fewer weeks of instructional time than the minimum number of weeks of instructional time in an academic year;
- A non-term program that provides less than 24 semester hours, 36 quarter hours, or 900 clock hours and/or provides fewer weeks of instructional time than the minimum number of weeks of instructional time in an academic year; or
- A program that is longer than an academic year, where the costs for the entire program are charged at the beginning of the program.

There are two ways to prorate Pell costs, as shown in the previous examples. Both of these examples are based on a program that is shorter than an academic year. The third example shows how costs are prorated when they are charged for a program that is longer than an academic year. Note that prorating the cost of attendance usually does not affect the amount of Pell Grant the student receives. However, you're required to report the full-time, full-year Pell budget when reporting disbursements to COD.*

Costs for non 9 months example

For Direct Loans, Campus-Based aid, and TEACH, the COA used for packaging must reflect the student's cost for that period that the student is actually enrolled.

For instance, if a student is completing her program of study by taking a 1/2-time course load for the fall semester at your school, and that's the only term that she'll be attending in the award year, you could use the actual tuition and fee charges for the student's costs. If you use average costs for living expenses for a 9-month academic year for students in that program, you may divide your average costs by the number of terms in the academic year to find the cost for this enrollment period (assuming the terms are substantially equal in length).

For Pell Grants, the full nine-month EFC must always be used regardless of the actual period of attendance of the student (see GEN-15-02). You could either use an average tuition cost for a full-time, full-year student in the program or prorate the student's actual tuition for the fall term to arrive at a full-year, full-time cost. Costs for living expenses may also be average costs for a full academic year—if a full-year average cost is used, it doesn't have to be prorated for Pell Grant awards.

*If the student is in a category where costs are limited, such as less-than-half-time enrollment, those costs that are allowable must be based on costs for a full-time student for a full academic year. For instance, the tuition component of the Pell cost of attendance for a less-than-half-time student must be based on the tuition costs that would be incurred by a full-time student attending a full academic year.

Calculating Pell and Iraq & Afghanistan Service Grant Awards

CHAPTER 3

Pell Grant awards are based on the 9-month Expected Family Contribution (EFC) on the student's valid SAR or ISIR, the academic year structure (see Chapter 1 of this volume), and the cost of attendance for a full-time student for a full academic year (see Chapter 2 of this volume). The Scheduled Award amounts are specified on the Pell Grant payment schedules released by the Department. For term-based programs, awards for part-time students are also based on enrollment status, using the part-time charts in the Pell Grant payment schedules.

In this chapter, we'll show you how to calculate Pell and Iraq & Afghanistan Service Grant (IASG) payments for your students, using the appropriate formula for the term or non-term calendar.

CHAPTER 3 HIGHLIGHTS

Calculations for:

- Zero EFC treatment for children of soldiers
- Iraq & Afghanistan Service Grants
- Credit-hour term programs with fall through spring standard terms that provide 30+ weeks of instructional time and certain other standard term programs (Formula 1 or Formula 3)
- Credit-hour term programs with fall through spring standard terms that provide less than 30 weeks of instructional time (Formula 2 or Formula 3)
- Any credit-hour term programs including nonstandard term programs (Formula 3)
- Clock-hour programs and non-term credit-hour programs (Formula 4)
- Pell/Iraq & Afghanistan Service Grant LEU
- Summer terms, crossover payment periods, and mini-sessions
- Transfer students
- Recalculations (required and optional)

APPENDICES TO CHAPTER 3 (SEE END OF THIS CHAPTER)

- Appendix A - Pell Formula 2: Calculations for standard-term programs with less than 30 weeks in fall through spring
- Appendix B - Pell Formula 5: Calculations for correspondence study programs
- Appendix C - Pell Formula summaries for all five Pell formulas

THE SEQUESTER AND IRAQ & AFGHANISTAN SERVICE GRANTS

The Budget Control Act (BCA) of 2011 put into place a federal budget cut known as the sequester. The Pell Grant program is exempt from the effects of the sequester. As such, Pell Grant payment schedules are unchanged. Unlike Pell, the Iraq & Afghanistan Service Grant is not exempt from the effects of the sequester. Iraq & Afghanistan Service Grant awards first disbursed on or after October 1, 2018, and before October 1, 2019 (FY 2019 sequester) require reductions of 6.2% from the award amount for which the student would otherwise have been eligible to receive. The FY 2020 sequester-related reductions (for awards made on or after October 1, 2019 and before October 1, 2020) for the IASG will be 5.9%. For more details, see the EA posted May 30, 2019.

SCHEDULED AWARD, AWARD YEAR, & ANNUAL AWARD

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends *full-time* for a *full* academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2019-20 award year begins July 1, 2019, and ends June 30, 2020.

The student’s **Scheduled Award** is established by the Pell Grant payment schedule that the Department issues prior to the start of each award year. The amount of the Scheduled Award is always taken from the full-time payment schedule, and is based on the student’s EFC and Cost of Attendance (COA). The **annual award** is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. Note that for a full-time student, the annual award will be the same as the Scheduled Award.

At a term school, a part-time student will have an *annual award* that is less than the Scheduled Award. If the student attends part-time, the student’s annual award is taken from the 3/4-time, 1/2-time, or less-than-1/2-time disbursement schedules. For instance, if a student’s Scheduled Award is \$6,195, but the student is enrolled as a 1/2-time student in a term program, the student’s annual award would only be \$3,097.50.

FT Pell payment schedule		1/2-time Pell payment schedule	
Cost	Expected Family Contribution	Cost	Expected Family Contribution
	0 500 1000 1500 2500 3000		0 500 1000 1500 2500 3000
2,000		2,000	
3,000		3,000	
4,000		4,000	
5,920 +	6,195	5,920 +	3,098

For more details, see <https://ifap.ed.gov/ifap/wst.jsp>, DCL-GEN-19-01 (Pell Grant Payment and Disbursement Schedules), and the February 12, 2019 EA (Operational Implementation Guidance & 2019-20 Pell Grant Payment & Disbursement Schedules) and 34 CFR 690.63.

Pell Grant awards for 2019-20

The maximum Pell Grant award is \$6,195 (see the Year-Round Pell & IASG section later in this chapter on how a student may be eligible to receive up to an additional 50% of their scheduled award). The maximum eligible EFC for the 2019-20 award year is 5576. For 2019-20, the minimum award is \$624 for less-than-half time, \$623 for half-time, \$634 for three-quarter-time, and \$657 for full-time. For more detail, see the Pell Grant payment schedules and accompanying guidance in Dear Colleague Letter GEN-19-01, available on the IFAP website. Actual Pell awards are unique to each student and are based upon and limited by their enrollment status, EFC, COA, and Lifetime Eligibility Used (LEU). For more on LEU, see the subsection “Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU)” later in this chapter.

Prohibition on concurrent enrollment and Pell Grant

A student may not receive Pell Grant payments concurrently from more than one school, nor from the Secretary and a school. A student who withdraws from one school and enrolls at least one day later in another school is normally not considered to have been enrolled concurrently. If a student is awarded Pell for any period of concurrent enrollment, the student has the choice of which award to receive, but he/she is limited to a single award from a single school. For more details, see 20 USC Sec.1070a(c)(3) and 34 CFR 690.11.

Career Pathway Alternative for Title IV Eligibility

Students who do not have a high school diploma or its recognized equivalent (see *Chapter 1 of Volume 1*), and have not completed a secondary education program in a home-school setting, may, if enrolled in an eligible career pathway program, become eligible for Title IV aid by passing an Ability-to-Benefit (ATB) test approved by the Secretary or by completing at least 6 credit-hours at an eligible school.

Children of Fallen Heroes Scholarship Act

Beginning with the 2018-19 award year, an otherwise Pell-eligible student whose parent or guardian died as a result of active service in the line of duty as a Public Safety Officer (defined under 42 U.S.C. 3796b, or a fire police officer) may receive the maximum Pell Grant and increased amounts of other federal student aid if the student was less than 24 years old when the parent or guardian died, or was enrolled at an institution of higher education at the time of the parent or guardian's death. A school must use an EFC of 0 to package all federal student aid if the student meeting the above criteria has a Pell-eligible EFC. Note that the zero EFC is only used for packaging purposes; you do not actually change the student's calculated EFC.

You must certify eligible students on COD Web by marking the CFH Indicator = “true” for students who qualify. See the Electronic Announcement of November 19, 2018 for more details on eligibility and treatment of the Children of Fallen Heroes Scholarship. In the future, you will only need to certify the student's eligibility in FAA Access to carry over to future years. For more details see: HEA Sec 473, 42 U.S.C. 3796b and the EA of November 20, 2018

Minimum Pell Grant and LEU

The minimum award is set at 10 percent of the maximum award appropriated each year. Because midpoints are used for the EFC and COA columns in constructing the Pell payment schedules, the minimum Pell award for a full-time student is actually slightly higher than 10 percent of the maximum Pell award. Students who are eligible for less than the minimum award are not Pell eligible for 2019-20, unless the reason for their low Pell eligibility was truncation due to Lifetime Eligibility Used (LEU) limitations (for more on LEU, see the “Pell & IASG LEU” section later in this chapter). For more detail, see HEOA Section 401(b)(4).

There is no de minimus award amount for purposes of determining a student’s award because of the 600% LEU limitation. As such, even a student with a very small remaining LEU is eligible to receive the calculated amount of the Pell Grant, as long as the LEU is not exceeded. For example, a student with an EFC of 3750 and an LEU of 599.500% would be eligible for the remaining 0.500% which is \$10.85 (if your school only disburses in whole dollars, this amount must be rounded down to \$10, because \$11 would exceed the student’s maximum LEU).

Academic calendar and enrollment status changes

Because the academic calendar for a program determines which Pell formula you use, you need to review the conditions for the use of each formula if the calendar for the program changes. This is particularly true if you are using Formulas 1 and 2, since they have the most restrictive conditions.

If a student’s enrollment status changes during the year, your school may have to recalculate the student’s Pell Grant payment based on the new enrollment status. At the end of this chapter we’ll discuss when a school is required to recalculate due to a change in enrollment status. For more details, see 34 CFR 690.63 and 34 CFR 690.80(b).

Enrollment status under consortium agreement

The enrollment status of a student attending more than one school under a consortium agreement is based on all the courses taken that apply to the degree or certificate at the home institution. The disbursing school may have to make some adjustments if the coursework at the other school is measured in different units.

Enrollment status for cooperative education

In a cooperative education program, your school assesses the work to be performed by the student and determines the equivalent academic course load. The student’s enrollment status is based on the equivalent academic course load.

SAR Comment Code 298

If you received an ISIR containing the DoD Match Flag “Y”, with the parent’s date of death and SSN, the student could potentially be eligible for additional Title IV aid. A SAR comment code is not always printed. When a student matches with the DoD file, the ISIR always shows a “Y” in the DOD Match Flag field and the parent’s date of death is populated. But SAR comment code 298 is only generated when the CPS DOD Table is updated after

the student filed his FAFSA (a system generated transaction occurs and generates the comment).

Full-time enrollment status for students with intellectual disabilities enrolled in comprehensive transition and postsecondary programs

Students enrolled in certain programs for students with intellectual disabilities may qualify to receive aid as a full-time student by meeting the full-time enrollment status criteria using alternative credit “equivalencies.” These equivalent credits, earned from audited courses and other normally non-credit activities undertaken as part of a program for students with disabilities, may be awarded for purposes of determining enrollment status. For more detail, see *Chapter 1 of Volume 1 of the FSA Handbook*.

Pell Grant Administrative Cost Allowance

For each student that receives a Pell Grant at your school each award year, your school is paid \$5 to help pay the associated administrative costs. ACA amounts will be posted in G5 as an Available Balance (look for Award Number P063Q18####). ACA amount notifications will be sent to your SAIG mailbox (look for Message Class PGAS19OP). This money must be used solely to pay for the costs of administering the Federal Pell Grant, Federal Work-Study (FWS), and FSEOG programs. For more details, see 34 CFR 690.10, HEA Sec. 489(a), and the March 1, 2019 EA.

Ground rules for Pell Grants

Fractions

When using fractions, be careful to multiply first, and then divide to avoid an incorrect result. For example, here’s the correct way to prorate a \$2,150 Scheduled Award for a payment period that is a nonstandard term of 10 weeks of instructional time, for a program that has 30 weeks of instructional time.

$$\$2,150 \quad \times \quad \frac{10}{30} \quad \text{is multiplied as} \quad \frac{2,150 \times 10}{30} \quad = \quad 716.67$$

In this case, if you divide the fraction to get a decimal (.33333...) and then round the decimal either down (.33) or up (.34), your calculation will result in a number that’s too low (709.50) or too high (731).

Rounding

The Common Origination and Disbursement System (COD) accepts cents and whole dollar amounts in payment amounts for Pell. When rounding, you may round up if the decimal is .50 or higher; round down if its less than .50. When rounding for a student expected to be enrolled for more than one payment period in the award year, alternate rounding up and down. The amount used to round (whether it be a dollar or penny) is usually carried forward to the next payment and applied before the rounding calculation is performed for that payment period, unless a different Pell award amount is calculated for the following term, for example, when a student’s enrollment status changes, in which case you may round up for two consecutive terms. Your policy on rounding must be applied equally to all students.

Important: These rounding rules do not apply if the amount disbursed would exceed the student’s Scheduled Award or place the student’s LEU over 600%. For more on LEU for Pell and Iraq & Afghanistan Service Grants, see “Pell and Iraq & Afghanistan Service Grant LEU” later in this chapter.

Additional Aid Eligibility for certain Children of Soldiers: Zero EFC treatment or Iraq & Afghanistan Service Grant

HEA Sec. 420R, Nov 6, 2009 E-Ann, April 26, 2013 E-Ann, DCL GEN-15-07

An otherwise Pell-eligible student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, may receive increased amounts of federal student aid if the student was less than 24 years old when the parent or guardian died, or was enrolled at an institution of higher education at the time of the parent or guardian's death. There are two different provisions for eligible children of soldiers, depending on whether the student has an EFC that falls within the range for Pell Grant eligibility or not.

Zero EFC treatment for children of soldiers

A school must use an EFC of 0 to package all federal student aid if the student meeting the above criteria has a Pell-eligible EFC. (Note that the zero EFC is only used for packaging purposes; you do not actually change the student's calculated EFC.) When submitting an origination to COD for a student of this type, you must include the CPS transaction containing the Department of Defense Match Flag set to "Y;" or the award will not be accepted. A student with an EFC that is not Pell eligible is potentially eligible to receive an award under the Iraq & Afghanistan Service Grant program (see Iraq & Afghanistan Service Grant below).

Iraq and Afghanistan Service Grant

To receive the Iraq & Afghanistan Service Grant, the student must have an EFC that is not Pell eligible. Iraq & Afghanistan Service Grants are made under the same terms and conditions as Pell, and disbursements for each payment period are calculated in the same manner as described in this chapter for Pell. Due to the sequester, all Iraq & Afghanistan Service Grant award amounts first disbursed on or after October 1, 2018 and before October 1, 2019 must be

reduced by 6.2%. For example, a student otherwise eligible for a Grant of \$6,195 would have the grant reduced by \$384.09, resulting in a grant of \$5,810.91.

When submitting an origination to COD for a student receiving an Iraq & Afghanistan Service Grant, you must include the CPS transaction containing the DoD Match Flag set to "Y;" or the award will not be accepted. The award may not exceed the student's cost of attendance. Iraq and Afghanistan Service Grants are not considered Estimated Financial Assistance for packaging purposes. For more detail on packaging awards, see *Chapter 7* of this volume. Note that children of public safety officers (see the Fallen Heroes Scholarship Act section on earlier page) are not eligible for Iraq & Afghanistan Service Grants.

The Year-Round Pell provision also applies to Iraq & Afghanistan Service Grants. For more detail on how to calculate Year-Round Pell & IASGs, see the Year-Round Pell & IASG section later in this chapter.

Identification of eligible students and notification by ED: The Department will notify the student when a student appears to meet the criteria for Zero EFC treatment for children of soldiers or the Iraq & Afghanistan Service Grant, based on a match with a Department of Defense (DoD) file of eligible dependents. The match will be performed when a student submits a FAFSA or FAFSA correction (and periodically thereafter). When an eligible student is identified, ED will generate a Central Processing System (CPS) transaction for the student, and the resulting ISIR will include a "DoD Match Flag," associated comment code 298, and the parent or guardian's date of death.

Note that Zero EFC treatment under this provision will not force an auto-0 EFC; the EFC will be calculated based on the student's financial situation, but you must use the flag and date of the parent or guardian's death, along with the student's calculated EFC, to determine if the student is eligible for Zero EFC treatment for children of soldiers, or an award under the Iraq & Afghanistan Service Grant program. ED will also send a letter to each matched student that informs the student of his or her possible increase in eligibility for FSA funds. The letter advises the student to contact his or her financial aid administrator for more information.

For more information on code 298 and other SAR comment codes, see the 2019-20 SAR Comment Code Guide:

<https://ifap.ed.gov/sarcommcodetxt/1920SARCommCodesTxt.html>

TERMS AND PAYMENT METHODS FOR CALCULATING PELL

Generally, if all the coursework is scheduled to be completed within a specific time frame, the program can be considered term-based. Term-based programs can have either standard terms or nonstandard terms. Pell Grants are usually calculated differently for the two types of terms. Standard term programs may be treated similarly to nonstandard term programs if the program does not conform to a traditional academic calendar or meet certain other conditions. When calculating Pell Grants, you must use the same formula for all years in a student's program.

Standard terms

Standard terms are semesters, trimesters, or quarters, as these words are traditionally used. In traditional usage, an individual semester or trimester provides about 14 to 17 weeks of instructional time and full-time is defined as at least 12 semester or trimester hours. The program's academic calendar generally consists of three terms, one each in fall, spring, and summer. In traditional usage of the term "quarter," an individual quarter provides about 10 to 12 weeks of instructional time, and full-time is defined as at least 12 quarter hours. The program's academic calendar generally includes three quarters in the fall, winter, and spring, and often a summer quarter as well.

Nonstandard terms

Any term that isn't one of the standard terms described above is a nonstandard term. Sometimes schools refer to terms by standard names when they are, in fact, nonstandard terms. For example, a program may be made up of terms called quarters, but progress is measured in semester hours. **If a student's program contains any nonstandard terms, it cannot be considered a standard term program.**

Non-term programs

Non-term programs may be measured in either clock-hours or credit-hours. **If a student's program contains coursework not offered for completion within set beginning and end dates, the program cannot be considered a term-based program.**

Determining the award year for crossover Pell awards

You are no longer required to assign a crossover payment period to the award year in which the student would receive the greater Pell award, but are free to assign crossover payment periods to the award year that best meets the needs of your students and maximizes a student's eligibility over the two award years in which the crossover payment period occurs (you must source Pell funds from the award year to which the payment period is assigned). For more detail on crossover payment periods, see the section on crossover payment periods later in this chapter. For more details, see 34 CFR 690.64.

CREDIT-HOUR TERM-BASED PROGRAMS

Annual award based on enrollment status

In a term-based program, academic progress is always measured in credit-hours, and the student's annual award depends on his or her enrollment status. Your school's standards for enrollment status must meet the minimum regulatory requirements, which are discussed in further detail in *Volume 1, Chapter 1* of the *FSA Handbook*.

For standard terms, the minimum enrollment standards are:

Full-time: 12 semester hours per semester/trimester
12 quarter hours per quarter
3/4-time: 9 semester hours per semester/trimester
9 quarter hours per quarter
1/2-time: 6 semester hours per semester/trimester
6 quarter hours per quarter
Less-than-1/2-time: less than half of the workload of the minimum full-time requirement.

If the student is enrolled full-time, then the annual award is the Scheduled Award, which is based on the full-time payment schedule. If the student is attending part-time, you must use the 3/4-time, 1/2-time, or less than 1/2-time payment schedules, depending on the number of credit-hours in which the student enrolls.

If the student is enrolled less-than-half-time, it will also affect the cost components that are used in the student's Budget (see *Chapter 2* of this volume). *Schools do not have the discretion to refuse to pay an eligible part-time student, including during a summer term or intersession.*

On the appropriate full-time or part-time payment schedules, use the student's Cost of Attendance and EFC to look up the Pell annual award for the year at that enrollment status. Most student aid software programs, such as EDEXpress, will do this for you automatically, but you can also refer to the Pell Grant payment schedules online at the IFAP website.

Pell Grant payments by term

Pell Grants must be paid in installments over the course of a program of study to help meet the student's cost in each payment period. The payment period affects when Pell funds are disbursed and the exact amount to be disbursed. For credit-hour term programs, the payment period is the term.

If the student doesn't enroll in one of the terms, he or she won't receive a portion of the award for that payment period. If the student's enrollment status changes in the next term, his or her annual award will be different for that term. (See discussion of terms and payment methods.)

If any program uses standard terms, the enrollment status standards in the program don't have to be proportional—for instance, a program could have a 15-hour standard for full-time enrollment, but set a 9-hour minimum for 3/4-time status and a 6-hour minimum for 1/2-time status. In addition,

your school's academic standard may differ from the enrollment standard used by the financial aid office for FSA purposes.

For example, your school may define full-time as six hours during the summer; however, the financial aid office uses 12 hours as full-time for all terms, including the summer term. Your school must apply its FSA full-time enrollment standards consistently to all students enrolled in the same program of study for all FSA purposes. For more on enrollment status, see *Volume 1, Chapter 1*.

Enrollment status for students taking regular and correspondence courses

If a student is enrolled in a non-correspondence study program, but correspondence coursework is combined with regular coursework, the correspondence courses must meet the following criteria to be included in the student's enrollment status:

- The courses must apply toward the student's degree or certificate or must be remedial work to help the student in his or her course of study.
- The courses must be completed during the period required for the student's regular coursework, e.g., a term.
- The amount of correspondence work counted can't be more than the number of credit-hours of regular coursework in which the student is enrolled (although a student taking at least a half-time load of correspondence courses must be paid as at least a half-time student, regardless of the credit-hours of regular coursework).

A student will be paid as a less-than-half-time student for any combination of regular and correspondence work that is less than 6 credit-hours or the appropriate equivalent of half-time.

Enrollment Status for Enrollment in Correspondence and Regular Coursework				
<i>Regular Work</i>	<i>Correspondence Work</i>	<i>Adjusted Total Coursework</i>	<i>Enrollment Status</i>	
3	3	6	Half-time	
3	6	6	Half-time	
3	9	6	Half-time	
6	3	9	Three-quarter time	
6	6	12	Full-time	
2	6	6	Half-time	

This chart assumes that the school defines full-time enrollment as 12 credit-hours per term, and half-time enrollment as 6 credit-hours per term. As you can see in the second and third examples, the number of correspondence hours counted in the total course load was adjusted so that the correspondence hours never exceeded the regular hours taken. Note that in the last example, the student is eligible for payment based on half-time enrollment in correspondence courses, because not all of the correspondence work can be counted toward enrollment status.

Consortium Different Units Example

Chris is taking 6 semester hours at Aroldis University, the home institution, and 9 quarter-hours at Coghlan Technical Institute. To determine his enrollment status, Aroldis needs to convert the hours at Coghlan into semester hours.

Because a quarter-hour is about two-thirds of a semester hour, Aroldis multiplies the number of quarter-hours by two-thirds: 9 quarter hours $\times \frac{2}{3} = 6$ semester hours. Then the hours taken at both schools can be added together: 6 semester hrs. at Aroldis + 6 semester hours at Coghlan = 12 semester hours. Linda is also taking 6 semester hours at Aroldis University and 9 quarter-hours at Coghlan Technical Institute, but her home institution is Coghlan Technical Institute.

Because Coghlan is paying her, it needs to convert the semester hours taken at Aroldis into quarter hours: 6 semester hours $\times \frac{3}{2} = 9$ quarter-hours. Then, the hours taken at both schools can be added together: 9 quarter hours at Coghlan + 9 quarter hours at Aroldis = 18 quarter hours.

PELL FORMULA 1: CREDIT-HOUR TERM-BASED PROGRAMS

To use Pell Formula 1, the program must meet one of two sets of requirements (see 34 CFR 690.63(a)(1)). For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs:

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Formula 1: Basic Calculation

In Formula 1, the annual award is simply divided by the number of terms in the fall through spring at a school with a traditional academic calendar.

Take the case of Jake, who is enrolled full-time in a program that has an academic year of 30 weeks of instructional time and 24 semester hours. The program has fall and spring semesters that provide a total of 30 weeks of instruction and a 12-week summer nonstandard term with 12 semester hours as full-time. Jake has a Scheduled Award of \$3,050, and because he is enrolled full-time, that is also his annual award. Because the fall through spring has standard terms, it doesn't matter that the summer term is nonstandard; you still calculate summer payment based on Formula 1.

$$\frac{\$3,050}{2} = \$1,525 \text{ disbursement for a semester}$$

The same formula would be used if Jake enrolled in a program that has fall, winter, and spring quarters that provide at least 30 weeks of instruction and has a summer term with 12 quarter hours as full-time. The only difference is that Jake's annual award of \$3,050 is divided by 3.

$$\frac{\$3,050}{3} = \$1,016.66 \text{ disbursement for each payment period}$$

Note that Jake is receiving a full Scheduled Award because he is attending for two semesters or three quarters as a full-time student. If Jake enrolls at least half-time for a term in the summer, he may be eligible to receive further Pell funds from the Year-Round Pell provision, see the Year Round Pell & IASG section later in this chapter.

For Formula 1, the term is the payment period, and you divide the student's award by the number of terms in the program's academic year. You can combine shorter terms or modules into a standard term that meets the requirements for Formula 1. See the discussion of academic calendars in Chapter 1 for examples. You must use the same formula for a program for all payment periods in an award year.

Alternate calculation

If you're working with a standard-term program that meets the rules for Formula 1 or Formula 2, you may divide the annual award by the number of all the terms (including the summer term) in the award year.

Basic Pell Grant calculations

Pell payment schedules: 34 CFR 690.62

Pell Grant formulas: 34 CFR 690.63

"Crossover" payment periods (e.g., summer sessions):

34 CFR 690.64

Formula 1: Basic Calculation Nontraditional Academic Calendar

Majel is enrolled full-time at Roddenberry University in a program that has an academic year of 36 weeks of instructional time and 36 quarter hours, and is offered exclusively in quarters. A new cohort of students starts a quarter on the first workday of each month, and a student is not allowed to take courses in overlapping terms outside that student's cohort.

Any three quarters of the program provide at least 36 weeks of instructional time since each quarter is 12 weeks of instructional time in length. To be full-time, a student must be enrolled in at least 12 quarter hours for a quarter. Majel has a Scheduled Award of \$3,000, and because she is enrolled full-time, that is also her annual award.

Because any three quarters are at least 30 weeks of instructional time and the academic year encompasses three quarters, Majel's payment for each payment period is calculated by dividing the annual award by 3:

$$\frac{\$3,000}{3} = \$1,000$$

Note that Majel is receiving a full Scheduled Award because she is attending for three terms as a full-time student and may be eligible for further Pell funds for the subsequent payment period if she satisfies the requirements for a Year-Round Pell award; for more details, see the Year-Round Pell & IASG section later in this chapter.

Formula 1: Enrollment status change

Yan enrolls full-time in the fall semester at Suzuki College of Competitive Catching (SCCC). He has a cost of \$10,000 and EFC of 100, so his Scheduled Award, taken from the full-time payment schedule, is \$6,145. Since he's attending full-time, this is also his annual award. If SCCC defines its academic year as 30 weeks of instructional time and 24 semester hours, Yan's annual award is divided by 2 to arrive at the disbursement for the fall semester.

$$\frac{\$6,145}{2} = \$3072.50 \text{ for Fall}$$

Yan decides that a full-time schedule is too ambitious, so he enrolls in the spring term as a 3/4-time student. His EFC is the same, and even though his tuition is slightly less, the Pell award is still based on full-time costs. However, his annual award is now based on the 3/4-time payment schedule, so his spring payment will be less than his fall payment.

$$\frac{\$4,609}{2} = \$2,304.50 \text{ for Spring}$$

Note that Yan's Scheduled Award is still \$6,145, and he has only received \$5,377. This means that he is still eligible for up to \$768 Pell funds from his first Scheduled Award if he attends a summer term assigned to the same award year (if this will not put him over his Pell Grant LEU limit). Yan may also be eligible for a Year-Round Pell award if he continues to be enrolled at least half-time. A student may receive funds from the initial Pell award and from the Year-Round Pell award in the same payment period. For more detail, see the Year-Round Pell & IASG section later in this chapter.

PELL FORMULA 2: STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN THE FALL THROUGH SPRING

Pell Formula 2 may be used for programs that would qualify for Formula 1 except that the program's academic calendar provides less than 30 weeks of instructional time in the fall through spring terms. Like Formula 1, it simplifies the calculation payments by providing for the same calculation for all payment periods in the award year. Only a small number of schools use Formula 2; therefore, it is covered in *Appendix A* of this chapter.

PELL FORMULA 3: GENERAL FORMULA FOR ANY TERM-BASED PROGRAM

Any term-based program may use this formula for Pell calculations, but you *must* use this formula for a term-based program that does not qualify for Formulas 1 or 2 (for instance, a program that uses only nonstandard terms). To calculate the payment for the term, you must prorate the annual award that you looked up on the appropriate Pell Grant payment schedule. Unlike the term calculation in Formula 1, the annual award can't simply be divided evenly among the terms. Instead, you must multiply the annual award by a fraction that represents the weeks of instructional time in the term divided by the weeks of instructional time in the program's academic year.

$$\frac{\text{weeks* in term}}{\text{weeks* in academic year (at least 30)}}$$

When using fractions, multiply first, and then divide. Dividing the fraction first to produce a decimal can cause an error if you need to round the decimal up or down. If the resulting amount is more than 50 percent of the annual award, your school generally must make the payment in at least two disbursements in that payment period regardless of whether the term is a standard term or a nonstandard term. A single disbursement for a payment period can generally not be for more than 50 percent of the annual award. You may disburse more than 50 percent of the annual award once the student has completed half of the weeks of instructional time in the program's academic year definition.

Enrollment status standards for nonstandard terms

If you are using Formula 3 for a program that contains standard terms, the minimum enrollment standards previously discussed would still apply for the standard terms. However, if a program has nonstandard terms, the enrollment standard must be calculated for the nonstandard terms. The full-time enrollment status is determined for a nonstandard term based on the length of the term in relation to the academic year.**

$$\text{Credit-hours in academic year} \quad \times \quad \frac{\text{weeks* in nonstandard term}}{\text{weeks* in academic year (at least 30)}}$$

*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which are not necessarily the same number as the calendar weeks in an academic year.

** If the resulting number isn't a whole number, it is rounded up to the next whole number. For example, 3.3 is rounded up to 4 if the program's coursework is offered in whole credits. If the program's coursework is offered in fractions, the full-time enrollment status need not be rounded. For example, 3.3 would remain 3.3 as full-time, and a student taking 3.4 credits in the term would be full-time.

After you determine the number of credit-hours required for full-time enrollment, you can then determine the less-than-full-time status for the nonstandard term using the following formula:

$$\frac{\text{Credit-hours student takes in the nonstandard term}}{\text{Credit-hours required for full-time enrollment in the nonstandard term}}$$

Disbursing more than 1/2 the annual award and the 50% Requirement

If the disbursement for the payment period results in more than 1/2 of the annual award and occurs after half of the weeks of instructional time of the academic year have passed during the payment period, you can make a disbursement of the full payment for the payment period.

For example, your school has a program that must use Formula 3. The program has 3 terms with 17, 14, and 6 weeks of instructional time and defines its academic year as 30 weeks of instructional time and 24 semester hours. Debbie is attending half-time for all three terms. Her payments for each payment period are 17/30, 14/30, and 6/30 of her half-time annual award. For the first term, you may disburse 15/30 of her award at the beginning of the term and the final 2/30 only after the 15th week of instructional time in the term. However, if Debbie establishes eligibility in the 16th week of the term, you can make a disbursement of 17/30 of the annual award at that time. Her award for the 2nd and 3rd terms may be disbursed in a single disbursement. For more details, see 34 CFR 690.63(f).

Formula 3 regulatory citations

Formula 3 described: 34 CFR 690.63(a)(3)

Enrollment status for nonstandard terms: 34 CFR 668.2

Disbursement cannot exceed 50% of the annual award: 34 CFR 690.63(f)

Formula 3: Payments for standard terms

Montgomery College has a semester-based program with a 2-semester academic calendar that comprises 28 weeks of instructional time. The program's academic year is defined as 24 semester hours and 30 weeks of instructional time. If both semesters are 14 weeks in length, the Pell payment for a full-time student with a Scheduled Award of \$4,550 would be calculated as follows:

$$\frac{14 \text{ weeks* in term}}{30 \text{ weeks* in academic year}} \times \$4,550 = \$2,123.33$$

Formula 3: Payments for nonstandard terms of equal length

Just a few miles down the road from Montgomery College, Edwards University has a program that consists of four 8-week terms. Edwards University defines the academic year as 40 quarter hours and 32 weeks of instructional time. Because this program does not use standard terms (semesters, trimesters, or quarters), Edwards University must use Formula 3 to calculate Pell disbursements for students in the program. Let's use the example of a student who attends all four terms for 10 quarter-hours each term in the award year, and has a Scheduled Award of \$3,750.

Because the program has nonstandard terms, Edwards University must determine the number of credit-hours required for full-time enrollment in each term, as follows:

$$\frac{8 \text{ weeks* in term}}{32 \text{ weeks* in academic year}} \times 40 \text{ quarter hours} = 10 \text{ quarter hours}$$

A student enrolled for 7 hours could be paid as a half-time student ($7/10 = .7$, which is less than $3/4$ [.75] but greater than $1/2$ [.5]). Because the student in our example will be enrolled for 10 hours each term, she is a full-time student and her annual award is the same as her Scheduled Award. This is a term-based, credit-hour program, so the payment period is the term.

To determine the student's payment for each payment period, multiply her annual award by the length of the nonstandard term compared to the length of the academic year:

$$\frac{8 \text{ weeks* in term}}{32 \text{ weeks* in academic year}} \times \$3,750 = \$937.50$$

*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which will not necessarily be the same number as the calendar weeks in an academic year.

Formula 3: Payments for nonstandard terms of unequal length

Ryne is enrolled in a semester-hour program at Hendricks University that has a 10-week nonstandard term between two 12-week nonstandard terms. The terms do not overlap. The academic year for the program is defined as 34 weeks of instructional time and 24 semester hours. Courses are offered in whole credits. Hendricks must use Formula 3 to calculate Pell Grant payments for students in this program. He enrolls for 6 semester hours in each of the three terms. Because the program has nonstandard terms, Hendricks must determine the number of credit-hours required for full-time enrollment in each term, as follows.

For the first and third term:

$$\frac{12 \text{ weeks}^* \text{ in term}}{34 \text{ weeks}^* \text{ in academic year}} \times 24 \text{ semester hours} = 8.47 \text{ (round up to 9)}$$

For the second term:

$$\frac{10 \text{ weeks}^* \text{ in term}}{34 \text{ weeks}^* \text{ in academic year}} \times 24 \text{ semester hours} = 7.06 \text{ (round up to 8)}$$

A student must enroll in 9 semester hours (rounded up from 8.47) in the first and third terms, and 8 semester hours (rounded up from 7.06) in the second term, to be full-time. Ryne is enrolled half-time in the first and third terms (6 semester hours/9 semester hours = .67). He is enrolled three-quarter time in the second term (6 semester hours/8 semester hours = .75). The cost of attendance does not need to be prorated because the fall through spring terms provide the same number of weeks of instructional time as in the academic year definition. Further, the school has determined the costs for a full-time student for a full academic year.

The half-time payment schedule shows that Ryne is eligible for an annual award of \$2,075. Because this is a term-based credit-hour program, the payment period is the term. To calculate Ryne's payment for the first and third terms, the school uses the fraction 12/34:

$$\frac{12 \text{ weeks}^* \text{ in term}}{34 \text{ weeks}^* \text{ in academic year}} \times \$2,075 = \$732.35$$

Ryne's payment for each of the first and third terms will be \$732.35.

Because Ryne's enrollment status for the middle term is three-quarter time, the payment for that term is based on a three-quarter-time annual award of \$3,075. To calculate the payment for the middle term, the school uses the fraction 10/34:

$$\frac{10 \text{ weeks}^* \text{ in term}}{34 \text{ weeks}^* \text{ in academic year}} \times \$3,075 = \$904.41$$

Ryne's payment for the middle term (the second payment period) is \$904.41.

*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which will not necessarily be the same number as the calendar weeks in an academic year.

PELL FORMULA 4: CLOCK-HOUR AND NON-TERM CREDIT-HOUR PROGRAMS

Checking 1/2-time enrollment status

For clock-hour programs and for non-term credit-hour programs, enrollment status only makes a difference if the student is attending less-than-half-time. If that's the case, only certain components of the cost of attendance are used. (See discussion in *Chapter 2*.)

The annual award for a student in a clock-hour or non-term credit-hour program is taken from the full-time payment schedule, even if the student is attending less than full-time.

Calculating payment amounts

Pell Grants must be paid in installments over the course of the academic year or program of study to help meet the student's cost in each payment period. The payment period determines when Pell funds are disbursed and the exact amount to be disbursed. You must use the rules discussed in *Chapter 1* to determine the payment periods for clock-hour and non-term credit-hour programs.

In non-term programs, the student's Pell award is not reduced for part-time enrollment unless the student is enrolled less than half-time in which case the student's cost of attendance must be adjusted. However, if the program is less than an academic year (in either clock/credit-hours or weeks of instructional time), students enrolled in that program won't receive a full Scheduled Award.

As in the case of the other formulas, you must perform comparable prorations of the award for each payment period in the student's program. The calculation for the payment period prorates a student's Scheduled Award based on the number of credit or clock-hours in the payment period as they compare to the credit or clock-hours in the defined academic year or the number of weeks of instructional time in the payment period as they compare to the weeks of instructional time in the academic year. To determine the payment for a payment period, multiply the student's Scheduled Award by the lesser of:

$$\frac{\text{Number of credit/clock-hours in the payment period}}{\text{Number of credit/clock-hours in the program's academic year}}$$

or

$$\frac{\text{Weeks* in the payment period}}{\text{Weeks* in the program's academic year (at least 30 for credit-hour, at least 26 for clock-hour)}}$$

*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which are not necessarily the same number as the calendar weeks in an academic year.

Formula 4 requirements

All clock-hour and non-term credit-hour programs must use Formula 4. See 34 CFR 690.63(a) and (e).

Enrollment status standards for clock-hour and other non-term programs

For non-term programs, the enrollment minimums are:

- Full-time in credit-hours: 24 semester hours, 24 trimester hours, or 36 quarter hours per academic year.
- Less than 1/2-time status is defined as less than half of the workload of the minimum full-time requirement.
- Full-time in clock-hours: at least 24 clock-hours per calendar week.

Coursework completion requirement & withdrawal/re-entry

Students in non-term programs must successfully complete a payment period to receive subsequent payments. We'll discuss the effect of withdrawal and re-entry into a program in *Volume 5*.

FORMULA 5: CORRESPONDENCE STUDY

Formulas 5A & 5B are formulas that must be used for correspondence students. Because there are only a small number of Pell Grants made to correspondence students, the formulas for correspondence study programs are covered in *Appendix B* of this chapter.

Payments for credit-hour non-term program (Formula 4)

Chance is enrolled at Strasburg Technical Institute (STI) and has a Scheduled Award of \$4,250. His program is 24 quarter hours and 20 weeks of instructional time in length. The academic year for the program is defined as 36 quarter hours and 30 weeks of instructional time. STI has established two payment periods of 12 quarter hours and 10 weeks* each for Chance's program. To determine the disbursement for the payment period, STI must multiply the Scheduled Award by the lesser of: the fraction comparing the hours in the payment period to the hours in the academic year, or the fraction comparing the weeks in the payment period to the weeks in the academic year. The two possible calculations would be as follows:

$$1) \frac{12 \text{ quarter-hours in payment period}}{36 \text{ quarter-hours in academic year}} \times \$4,250 = \$1,416.66; \text{ or}$$

$$2) \frac{10 \text{ weeks}^* \text{ in payment period}}{30 \text{ weeks}^* \text{ in program's academic year}} \times \$4,250 = \$1,416.66$$

Since the two resulting fractions (12/36 and 10/30) are the same, there technically is no "lesser" fraction and you can use either to get \$1,416.66. Thus, Chance's payment for the first payment period will be \$1,416.66. Chance can receive this payment when he begins the program. STI can make the payments of \$1,416.66 for the second payment period after STI has determined that Chance has successfully completed 12 quarter hours and 10 weeks of instructional time of the program.

Payments for clock-hour program (Formula 4)

Chance is enrolled in a program 900 clock-hours and 22 weeks of instructional time in length at Evers Technical Institute (ETI) and is eligible for a Scheduled Award of \$2,650. ETI defines the academic year for the program based on the regulatory minimums: 900 clock-hours and 26 weeks of instructional time. To calculate Chance's payment, ETI calculates the payment for each payment period as follows: It multiplies the Scheduled Award (\$2,650) by the lesser of: the fraction comparing the hours in the payment period to the hours in the academic year, or the fraction comparing the weeks in the payment period to the weeks in the academic year. The two possible calculations would be as follows:

$$1) \frac{450 \text{ clock-hours in the payment period}}{900 \text{ clock-hours in the academic year}} \times \$2,650 = \$1,325; \text{ or}$$

$$2) \frac{11 \text{ weeks}^* \text{ in the payment period}}{26 \text{ weeks}^* \text{ in the program's academic year}} \times \$2,650 = \$1,121.15$$

Chance's payment for the first payment period will be \$1,121.15. He can get this payment when he begins the program. He can receive his second payment of \$1,121.15 after he successfully completes the 450 clock-hours in the first payment period.

*The fractions in these examples use weeks of instructional time as defined in *Chapter 1*, which will not necessarily be the same number as the calendar weeks in an academic year.

SUMMER TERMS & OTHER CROSSOVER PAYMENT PERIODS

Payment periods don't always fall neatly into one award year or another. When a payment period falls into two award years—that is, it begins before July 1 and ends on July 1 or later—it's called a "crossover payment period." The formula for calculating the payment for a crossover payment period is the same as that for any other payment period in the award year.

Crossover payment from the proper award year

For Pell purposes, you must consider a crossover payment period to occur entirely within one award year and calculate the student's Pell award and disburse Pell funds from the award year selected (if you only have a valid SAR/ISIR from one award year, you must rely on that record and the award year to which the valid SAR/ISIR pertains). Besides these considerations, the decision about which award year to use is based on the student's remaining eligibility in the earlier award year. This assessment is made according to your school's payment period policy, which for crossover Pell may apply to:

- an individual student;
- all students or a category of students without exception; or
- all students or a category of students with allowance for an exception for an individual student.

Although you may, within the limitations described below, assign the crossover payment period to either of the relevant award years, you must make the assignment as you determine will be most beneficial to students.

You may assign the Pell Grant award to a different award year than the rest of the student's Title IV aid. You can make a payment for a crossover payment period out of either award year, if the student has a valid SAR/ISIR for the award year selected. You may assign two consecutive crossover payment periods to the same award year. For example, you could treat summer 2019 and summer 2020 as both being in the 2019-20 award year. You may also source the Pell funds from different award years for different students, as their eligibility allows, depending on their remaining eligibility and financial need.

You may not make a payment which will result in the student receiving more than his or her Scheduled Award for an award year, unless the student is enrolled at least half-time and is eligible for a Year-Round Pell award (see Year-Round Pell & IASG section later in this chapter), in which case the student may be eligible to receive up to 150% of their Scheduled Award for the award year.

Term schools: Using the formula for summer session

If your school offers a summer term in addition to fall through spring terms that qualify for Formula 1 or 2, you will calculate the student's payment for the summer term using the same formula that you used to calculate payments for the other terms in the award year to which the summer term is assigned. If you use Formula 3 for Pell Grant calculations in

any of the terms in an award year, then you must use Formula 3 for *all* terms in that program that occur in that award year, including the fall through spring terms. (Note that if your program is a standard-term program in the fall through spring and does not define full-time enrollment in the summer as at least 12 credit-hours, you must use Formula 3 for Pell calculations for all terms in the award year.) **With regard to enrollment status, your school must apply its definition of full-time status for the summer term consistently for all FSA program purposes.**

COA for summer terms

Costs for summer terms are figured in the same way as for any other payment period; that is, the costs are based on a full-time student for a full academic year. If your school has fall and spring semesters that comprise an academic year, you can't add the costs for the summer term to the costs for the fall and spring semesters. The award for the summer term is still based on the costs for one academic year. However, if the academic year definition includes the summer term, then the costs for the summer term *must* be included in the cost for a full academic year.

If the student was previously enrolled in the award year, you may be able to use the same cost of attendance for the summer term that you used for the immediately preceding term that the student attended. However, this isn't possible if the costs are different from the fall through spring such as a different tuition charge per credit-hour or if you are required to recalculate the cost of attendance. See the end of this chapter for information on when recalculations are required. If it's necessary to base the student's cost of attendance on the summer term, you must prorate the summer costs to the length of an academic year to establish the cost for a full academic year. See *Chapter 2* on prorating costs in the Pell Grant program.

If the summer session is the first term in the award year for that student (for example, your school is paying a student for the summer 2019 term from the 2019-20 award year), you must establish the student's full-year cost based on the costs for the *summer* term. If the student enrolls in another term in that award year, you may have to recalculate the student's costs for the later term.

Receiving less than the Scheduled Award due to crossover

A student may also receive less than a Scheduled Award in an award year, if the program crosses award years and the student's Pell Grant award in one of the award years is for a portion of the program that is less than a full academic year.

Crossover Pell and withdrawal

For details on how to perform Return of Title IV Funds calculations in a crossover Pell situation, see *Volume 5, Chapter 2* of the *FSA Handbook*.

Summer minisessions

If a term-based school offers a series of minisessions that overlap two award years (by "crossing over" the June 30 end date for one award year), these minisessions may be combined and treated as one term. However, schools are not required to combine these minisessions unless they overlap each other.

When you combine minisessions into a single term (i.e., payment period), the weeks of instructional time in the combined term are the weeks of instructional time from the beginning of the first minisession to the date the last minisession ends. The student's enrollment status for the entire payment period must be calculated based on the total number of credits the student is projected to take for all sessions. You must project the enrollment status for a student on the basis of the credits the student has:

- Pre-registered or registered to take for all sessions;
- Committed to take for all sessions in an academic plan or enrollment contract; or
- Committed to take for all sessions in some other document.

When you combine the minisessions into a single term, a student cannot be paid more than the amount for one payment period for completing any combination of the minisessions. If the minisessions are not combined into a single payment period, you must treat each minisession as a separate nonstandard term and generally must use Formula 3 to calculate Pell Grant payments for the program. If, for each minisession, you define full-time as at least 12 credit-hours, you may be able to use Formula 1 or 2 if the program otherwise qualifies for one of these formulas.

If a combined minisession term crosses over the June 30-July 1 date, the combined term must be treated as a crossover payment period, regardless of what classes students attend. If your program has 2 summer sessions and only 1 of the sessions crosses over the award year date boundary and you do not combine the sessions into a larger term, then only the term that actually spans the award year boundary is considered a crossover payment period.

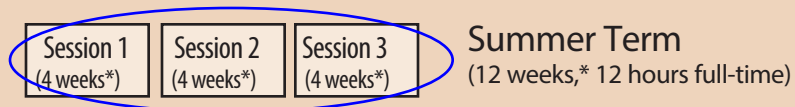
If the minisessions are combined in a single term and a student does not begin attendance in all of the minisessions that he or she was expected to attend, recalculation of prior disbursements is required based on the resulting changed enrollment status as discussed later in this chapter. Note that if you do not combine the minisession/intersession(s) to create a standard term and the intersession/minisession overlaps with the term to which it is attached, this creates overlapping terms, and the program must be considered a non-term program. Also, If you use Formula 3 for any of the summer minisessions, or any other nonstandard term (e.g., a winter intersession), remember that you must also use it for all other terms in the award year, including fall through spring.

Minisession enrollment status example

Billy is enrolled in a summer session with three-week minisessions that his school, Williams University, has combined into 1 term. Williams U. is using Formula 1 to calculate Billy's combined term, and knows it must define full-time enrollment as at least 12 credit-hours, even though the individual component minisessions may have originally considered full-time to be something less than 12 credit-hours. Billy is enrolled for 6 credits during the combined summer minisession term. Billy's enrollment status is equal to the proportion of his credits to the school's definition of full-time for the combined term. Therefore, Billy should be credited with half-time enrollment status for the combined summer term.

Combined minisessions into one term

Ron enrolls part-time at Santo University, which defines its academic year as 24 semester hours and 30 weeks of instructional time. In addition to fall and spring semesters, Santo offers three summer minisessions. Each minisession provides 4 weeks of instructional time. Santo can either combine the minisessions into a single nonstandard term, or treat each session as a separate nonstandard term. The school chooses to combine the sessions into a single payment period providing 12 weeks of instructional time with full-time enrollment in this period defined as 12 semester hours. If Santo meets the conditions for use of Formula 1 in its fall and spring semesters, it can use Formula 1 to calculate Pell Grant payments for this summer session.



Ron enrolls for 3 semester hours in each of the minisessions, so he's enrolled three-quarter time (9 hours total in the combined term). His applicable Scheduled Award is \$3,550 and his annual award (from the 3/4-time payment schedule) is \$2,663. To calculate Ron's payment, Santo simply divides the annual award by 2, the number of terms in the fall through spring: $\$2,663 / 2 = \$1,331.50$.

Minisessions treated as nonstandard terms

Suppose Santo didn't combine these minisessions. If it defined full-time enrollment for each 4-week minisession as less than 12 semester hours, it would have to calculate all Pell payments for the program using Formula 3. Because these are nonstandard terms, Santo would have to determine Ron's enrollment status for each minisession by prorating the standard for full-time enrollment in a full academic year (24 semester hours):

$$24 \text{ semester hours} \times \frac{4 \text{ weeks* in term}}{30 \text{ weeks* in academic year}} = 3.2 \text{ semester hours (round up to 4**)}$$

For each of the 4-week terms, a full-time student must enroll in 4 semester hours, and based on that standard, the 3 semester hours that Ron is attending in each minisession count as 3/4 time enrollment status. Note that Santo would use the Pell cost of attendance for a full-time student attending a full academic year. Santo would determine his payment for each minisession (assuming his Scheduled Award remains unchanged across both award years):

$$\frac{4 \text{ weeks* in term}}{30 \text{ weeks* in academic year}} \times \$2,663 = \$355.06$$

Ron would receive \$355.06 for each of the minisessions, for a total of \$1,065.18 for the summer. Again, these payments for one or more minisessions that are in the prior award year may need to be reduced if Ron had previously received payments for the fall and spring semesters in the same award year. Also, Santo must use Formula 3 for the fall through spring terms.

*These fractions use weeks of instructional time as defined in *Chapter 1*, which are not necessarily the same number as the calendar weeks in an academic year.

** Since Santo only offers courses in whole credits

Year-Round Pell & Iraq and Afghanistan Service Grant

Year-Round Iraq & Afghanistan Service Grants are calculated and disbursed in the same manner as Year-Round Pell Grant awards. Note that students eligible for Year-Round Pell awards are still subject to the normal Pell Grant duration of eligibility, sequester, and LEU limits (see DCL GEN-17-06 and Sec. 401(c) of the HEA, and EAs posted March, 14, 2019 and May 30, 2019).

Students may be eligible to receive up to 150 percent of their Scheduled Award for an award year. This provision is called Year-Round Pell (or Year-Round IASG), or additional Pell (or additional IASG). It's called "Year-Round" because it allows students to receive additional Pell/IASG funds, often in summer terms which are treated as either a header or trailer, whereas without the provision for Year-Round Pell/IASG, a student's remaining Pell eligibility would often be truncated for a summer term treated as a trailer when the student had already exhausted their Scheduled Award for an award year, or prematurely exhaust the student's Pell eligibility for an award year if the summer term was treated as a header. A student's additional aid eligibility is certified by the "Additional Eligibility Indicator" or AEI, in COD.

To be eligible to receive Pell/IASG funds in excess of 100% of their Scheduled Award during a single award year, students must be enrolled at least half-time. For Year-Round Pell (& Year-Round IASG), students do not receive more Pell/IASG funds in each payment period for the same enrollment status, Cost of Attendance, and EFC. Instead, the student receives the same amount as is normally calculated for a payment period, but a student who is enrolled at least half-time and is in all other ways Pell or IASG-eligible may receive Pell or IASG funds for an award year up to 150 percent of their calculated Scheduled Award (a student may receive funds from the initial Pell/IASG) award and from the Year-Round award in the same payment period).

For example, Bob has a Scheduled Award of \$5,000 for 2019-20. He attends fall and spring semesters, during which he receives awards of \$2,500 for each semester. He begins attendance in the summer 2020 term (which his school treats as a trailer) as a half-time student, and without Year-Round Pell, his Pell eligibility would be exhausted, but through Year-Round Pell, he'll receive his calculated award, up to \$2,500 in additional Pell funds for the summer term.

Year-round Pell & IASG

Consolidated Appropriations Act of 2017, GEN-17-06, COD Technical Reference

Crossover Payment Periods

34 CFR 690.64, DCL GEN-17-06

Year-Round Pell clock-hour example

Eugene enrolls in Springfield University for an 1125 clock-hour program (over 32.5 weeks, see graphic below). His program occurs entirely within the 2019-20 award year, and has an Academic Year of 900 clock hours and 26 weeks of instructional time. Eugene has a Scheduled Award of \$5550.

Springfield awards Eugene \$2775 in Pell after he completes each of the first two segments of 450 clock-hours and 13 weeks of instructional time. For the remaining 225 hours and 6.5 weeks of instructional time in the program, Springfield calculates that Eugene would be eligible to receive \$1,387.50 in Pell, if his Scheduled Award would allow it. Prior to Year-Round Pell, Eugene would be out of luck, as his Scheduled Award has been expended by the \$5550 he's already received for 2019-20, but with Year-Round Pell, if he is enrolled at least half-time and remains in all other ways Pell-eligible, Eugene is eligible to receive up to an additional 50% of his \$5550 Scheduled Award, for a maximum total of \$8325.

Adding \$1387.50 to the \$5550 Eugene has already received, Springfield sees that he will be awarded a total of \$6937.50 for 2019-20, which is within his \$8325 Year-Round Pell maximum. Note that Springfield does **not** increase his final award for the award year to match his Year-Round Pell maximum; Eugene's awards for each term are calculated according to the normal Pell rules.

450 hours/13 weeks	450 hours/13 weeks	225 hours/6.5 weeks
\$2,775	\$2,775	\$1,387.50

Year-Round Pell Grant semester example

Gaston attends Green State University. His enrollment begins in the summer, which Green treats as a header to the 2019-20 award year. Gaston is enrolled three-quarter-time in the summer term, and has a Scheduled Award for 2019-20 of \$5,645, and an EFC of 550, with a COA of \$10,590. Based on these figures, Gaston's three-quarter-time summer award is \$2,117, which is 37.5022% of his Scheduled Award (\$5,645).

After the summer term, Gaston continues in the fall and now has time to enroll full-time in Green's fall semester. His fall Pell award is \$2,822.50 (Green disburses 50% of a Scheduled Award for the fall semester). After receiving his fall Pell award, Gaston has received a total of 87.5022% of his Scheduled Award for 2019-20.

Continuing with his program in the spring semester, Gaston again enrolls full-time. Under normal Pell rules, Gaston only has 12.4978% of his Scheduled Award remaining, which would leave him only a maximum Pell award amount of \$705.50. However, since he is enrolled at least half-time and meets all of the other standard Pell eligibility criteria, Gaston is eligible for an additional Year-Round Pell award amount of up to 50% of his Scheduled Award. This would mean that he could receive a total of up to \$8,467.50 for the award year (though each term's payment would be calculated per the normal Pell rules, and he may receive less than this).

Since Green normally awards a student 50% of their annual award for a standard spring semester, and knows that their normal award calculation for the term is calculated for Year-Round Pell under the same method as for a student's initial Scheduled Award, they look at these numbers to see if they would fit within Gaston's expanded Year-Round Pell 150% Scheduled Award. To do this, they add \$2,822.50 for the proposed spring award to the \$4939.50 Gaston has already received for the award year. This totals \$7,762, which is within Gaston's 150% Scheduled Award for 2019-20 of \$8,467.50 (i.e. 137.5% of his annual award, lower than the 150% maximum), so Green is clear to award the spring Pell award of \$2,822.50 as calculated.*

<p>Summer 2019 (assigned to 2019-20) Three-quarter time</p> <p>Pell Award \$2,117, which is 37.5022% of the Scheduled Award</p>	<p>Fall 2019 Full-time</p> <p>Pell Award \$2,822.50, which is 50% of the Scheduled Award</p> <p>Total % of initial Scheduled Award received: 87.5022%</p>	<p>Spring 2020 Full-time</p> <p>Pell Award: \$2,685, which is 50% of the Scheduled Award**</p>
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*Note that although Gaston has a Year-Round maximum Pell Scheduled Award of \$8055, Green does not adjust his spring term Pell award upwards to meet this—the school must calculate and award Gaston's spring Pell as normal for the term. This also will leave Gaston some remaining Pell eligibility for the remainder of the award year, for example, if he decides to attend during a summer 2020 term.

**The Year-Round Pell Grant award cannot exceed 50% of a student's Pell grant Scheduled Award. In this example, the 50% is made up of 12.4954% (\$671) remaining from the initial Pell Grant Scheduled Award and 37.5046% (\$2,014) from the Year-Round Pell Grant award. The student has 12.4954% (\$671) remaining from the Year-Round Pell Grant award for the 2019-20 award year. If the student had used up 100% of his Pell Grant Scheduled Award for Summer 2019 and Fall 2019, the entire Spring 2020 award amount would be from the Year-Round Pell Grant award. Schools may combine the amounts from initial and Year-Round Pell Grant awards and must submit as one amount for reporting to COD.

CALCULATING AND AWARDING REMAINING ELIGIBILITY

The Pell payment for a transfer student is calculated in the same way as for any new student. That is, you must calculate payments for each payment period following the rules given in this chapter. However, a transfer student's remaining Pell eligibility at your school is reduced if the student received Pell funds for the same award year at any prior schools. You can identify the student's prior Pell disbursements when you review his or her Financial Aid History in NSLDS and COD.

Calculating remaining eligibility

Once you've identified the Pell amounts that a transfer student has already received for the ongoing award year, you must calculate the percentage of the Scheduled Award that has been used. This percentage is calculated by dividing the amount disbursed at the previous school by the student's Scheduled Award at that school (COD calculates this and you can refer to COD to see what the percentage of remaining eligibility will be for a student).

$$\frac{\text{Pell disbursed at prior school}}{\text{Scheduled Award at prior school}} = \% \text{ of Scheduled Award used}$$

Then subtract this percentage from 100 percent (or 150 percent, if the student is enrolled and eligible for a Year-Round award). The result is the maximum percentage of the Scheduled Award that the student may receive at your school. Note that a transfer student receives the same payments as any other student until the limit (up to 150 percent of a Scheduled Award, see Year-Round Pell & IASG section, previously in this chapter) is reached. **Give the student the full amount for each payment period, rather than trying to ration the remaining amount by splitting it evenly across the remaining terms.**

A transfer student must repay any amount received in an award year that exceeds his or her Scheduled Award (or in excess of 150% of his or her Scheduled Award, if enrolled and eligible for Year-Round Pell or IASG), unless the school that disbursed the award was at fault by failure to follow the administrative requirements in 34 CFR 668.

Payment period for a transfer student at a non-term school

When a student transfers into a non-term credit-hour or clock-hour program at a new school, that student is starting a new payment period. For non-term programs, you must use the payment period rules described in *Chapter 1* to determine the payment periods for the remainder of the student's program.

However, for a transfer student, the length of the program is the number of clock or credit-hours and the number of weeks of instructional time that the student will be required to complete in the new program. If the remaining clock or credit-hours *or weeks of instructional time* are half an academic year or less, then the remaining hours and weeks of instructional time constitute one payment period.

Transfer students and remaining eligibility

Consider a student who is eligible for Federal Pell Grant funds and who transfers from one school (school A) to another school (school B) within the same award year. Before paying any Pell funds to the student, school B must determine the percentage of eligibility remaining for the student. After transferring, a student's remaining Pell Grant eligibility for a Pell Scheduled Award during an award year is equal to the percentage of the student's Scheduled Award that remains unused, multiplied by the student's Scheduled Award at the new school.

School B may pay the student a Pell Grant only for that portion of an academic year in which the student is enrolled and in attendance at school B. The grant must be adjusted, as necessary, to ensure that the funds received by the student for the award year do not exceed the student's Scheduled Award for that award year or the student's maximum Lifetime Eligibility Used

The award for each payment period is calculated using the (full) Scheduled Award. The student receives a full award until the student has received 100 percent of the student's remaining eligibility for a Scheduled Award (or 150 percent, if the student is enrolled at least half-time and otherwise eligible for a Year-Round award) or 600% LEU. This avoids a school having to ration the remaining amount by splitting it evenly across the remaining terms.

To calculate a transfer student's remaining eligibility for a Scheduled Award, school B must first determine what percentage of the Scheduled Award the student used at school A. Check COD for the most up to date information on what aid has been disbursed to the student at all institutions.

The remainder is the unused percentage of the student's Scheduled Award—the percentage the student may receive at school B. (Use percentages rather than dollars because a transfer student may have different Scheduled Awards at the two schools; using percentages rather than dollars adjusts for this possible difference.) School B then multiplies the percent of eligibility remaining times the Scheduled Award at the new school. The result is the maximum amount of Federal Pell Grant funds the student may receive for his or her first Scheduled Award at school B during the balance of the award year.

For more details on transfers, see 34 CFR 690.65, and DCLs GEN-01-09 and GEN-00-12.

Why percentages are used

The reason for using percentages when calculating remaining eligibility is that a student may have different Scheduled Awards at different schools/programs, and using percentages ensures that a student does not receive more than 100 percent (or 150%, if enrolled and eligible for a Year-Round award) of the student's Scheduled Award. For example, the costs of attendance at the two schools may be different. The percentages are also used to compare the portions of a student's total eligibility that have been used at both schools. (If the student's Scheduled Award is the same at both schools, the financial aid administrator can find the amount of the student's remaining eligibility simply by subtracting the amount received at the first school from the Scheduled Award.)

Avoiding Pell Grant overawards

A Pell Grant overaward can be caused by a school making an error in reading the (correct) Pell payment schedule, for example, using the wrong EFC or COA. A Pell Grant overaward can also be caused by a school using the wrong payment schedule, as when it uses the full-time schedule to determine the award for a student who is not registered as a full-time student, or who reduced his/her enrollment schedule to less than full time before beginning attendance in all classes.

A Pell Grant overaward can also result if an applicant enters incorrect data on a FAFSA and the EFC derived from the incorrect data is smaller than it should be (for more detail about the FAFSA and EFC data, see the Application and Verification Guide). A Pell overaward also exists if the student scheduled to receive it fails to begin class or is otherwise determined to be ineligible for FSA assistance (for example, having exceeded the Lifetime Eligibility Used [LEU] in COD).

Finally, an overaward exists whenever a student is scheduled to or is receiving a Pell Grant for attendance at two or more schools concurrently. All of these Pell Grant overawards must be corrected (for more detail on the requirements and methods of resolving overawards, see Volume 5, Chapter 1).

This is not an exclusive list of all of the ways in which a Pell Grant may be overawarded. In addition to avoiding these mistakes, schools should also be sure to submit timely Pell actual disbursement records to COD, according to the Annual Deadline Date Notice Rules as published on IFAP. For more detail, see the following regulation: 34 CFR 690.79.

NSLDS financial aid history and transfer monitoring

Before disbursing FSA funds to a transfer student, you must obtain a financial aid history for the student and you must inform NSLDS about the transfer student so that you can receive updates through the Transfer Student Monitoring Process. The financial aid history will not only identify Pell Grant disbursements that the student received at other schools, but also tell you if the student is ineligible for any FSA aid due to default or overpayment, if the student has reached or exceeded the annual or aggregate loan limits, or if the student has reached the Pell Lifetime Eligibility Used limit (LEU). There are several ways for you to get a student's financial aid history from NSLDS. You can:

- Use the NSLDS Financial Aid History section of the ISIR;
- Log on to the NSLDS Professional Access website and access the data online for a student;
- For multiple students, use the FAT 001 Web report, which you submit from the Reports tab on the NSLDS site (you retrieve the results through SAIG); or
- Send a batch TSM/FAH Inform file to request aid history data for several students, which will be returned in either extract or report format through SAIG. The TSM/FAH processes and batch file layouts are posted on the IFAP website at the NSLDS reference materials link under Processing Resources.

Transfer Student Remaining Eligibility Example

On August 1, 2019, Ernie enrolled at Maddux Hair Academy. After completing 400 of the 900 clock-hours in his program, Ernie had to relocate, and he withdrew from school. On February 1, 2020, having settled into his new home, Ernie enrolled at Bryant Esthetics Institute (BEI) as a transfer student. Ernie was awarded 400 clock-hours of transfer credit in BEI's 1,000 clock-hour program (the program definition of an academic year is 900 clock-hours and 30 weeks of instructional time). Ernie's program is 600 clock-hours and 20 weeks of instructional time.

When the financial aid administrator (FAA) at BEI examined Ernie's 2019–2020 ISIR, he found the following entry:

%Sch. Used: 50.0 As Of: 01/28/2019 Pell Verification EFC: 0

The FAA subtracted the 50% used previously from 100% and found that the percentage of Ernie's Scheduled Award that remained unused was 50%*. Therefore, Ernie was eligible to receive 50% of his scheduled Pell award of \$4,850 during the balance of the award year. In addition, the FAA used the 600 hours and 20 weeks of instructional time remaining in Ernie's program to establish the appropriate two payment periods (per 34 CFR 668.4(b)), each of 300 clock-hours and 10 weeks of instructional time. The aid administrator performed the required multiplication and determined that Ernie could receive as much as \$2,425 ($.50 \times \$4,850 = \$2,425$) if he remained enrolled at BEI for the balance of the year.

During the first payment period, Ernie received \$1,617 ($\$4,850 \times 300 \text{ hours in the period} \div 900 \text{ hours in the academic year}$) in Pell funds. However, in the second payment period, Ernie could only receive funds until his total Pell at BEI reached \$2,425 (his total for the year reached \$4,850). Therefore, for the second payment period at BEI, Ernie could only receive \$808 ($\$2,425 - \$1,617 = \808).

It's important to remember that if Ernie received a Direct Loan at Maddux and now wishes to borrow a Direct Loan at BEI, there may be overlapping academic years between the two schools. When there are overlapping academic years, a student's eligibility for Direct Loan funds will usually be impacted. The method for determining the remaining eligibility for Direct Loan funds is calculated in a very different manner than how we calculated Ernie's remaining Pell Grant eligibility. Please refer to *Chapter 5* of this volume for a complete discussion of this issue.

Also note that when you have a transfer student with overlapping academic years who borrows Direct Loan funds at the second school, that student will have payment periods for most Federal Student Aid Programs (Federal Pell Grant, FSEOG, TEACH, Iraq & Afghanistan Service Grant, that do not align with the loan periods/payment periods in the Direct Loan Program.

* This assumes Ernie was not eligible for a Year-Round Pell or IASG. If Ernie was enrolled and eligible for a Year-Round Pell or IASG, he would be eligible to receive up to 150% of his Scheduled Award, in total. For more details, see the Year-Round Pell & IASG section earlier in this chapter.

Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU)

Per the Consolidated Appropriations Act of 2012 (CAA), a student's maximum duration of Pell eligibility is 6 Scheduled Awards, as measured by the percentage of "Lifetime Eligibility Used" (LEU) field in COD (one Scheduled Award equals 100% LEU). A separate maximum of 600% LEU also applies to Iraq & Afghanistan Service Grant awards. A student is ineligible to receive further Pell or Iraq & Afghanistan Service Grant funds if they have reached or exceeded the 600% limit for the applicable program (i.e., Pell or Iraq & Afghanistan Service Grant). For Pell, this limitation is not limited to students who received their first Pell Grant on or after July 1, 2008, as was the previous limit of 9 Scheduled Awards. Instead, it is tracked to the beginning of the program (1973-74).

The LEU levels for Pell and Iraq & Afghanistan Service Grants are separate and are tracked independently. For example, a student might have 400% Pell LEU and 300% Iraq & Afghanistan Service Grant LEU and still be potentially eligible for either program, or 600% Pell LEU and 400% Iraq & Afghanistan Service Grant LEU and be potentially eligible for only an Iraq & Afghanistan Service Grant award. Rounding rules do not apply if the amount disbursed would place the student's LEU over 600%.

The Department provides weekly Pell LEU reports through the SAIG Mailbox under Message Class PGLXOP (where XX = the year) for your Pell-eligible applicants (and students who listed your school code on their FAFSA) who have a Pell LEU greater than or equal to 450%. The COD website will show the current Pell LEU level for all aid recipients (updated as transactions are processed). COD also provides the LEU for the Pell Multiple Reporting Record (MRR), Pell Reconciliation Report, and Pell Year-to-Date file.

Students will fall into one of the following categories, which will have various effects:

- **Student not on report** (Code "N" on the student's ISIR under Lifetime Limit Flag) Students in this category have LEU of less than 400%. These students' Pell awards will be awarded as normal, since even if they receive a full Scheduled Award, they will not go over the 600% LEU maximum.
- **LEU greater than 400% but less than or equal to 500%** (Code "H" on the student's ISIR under Lifetime Limit Flag) Students in this category will likely have Scheduled Award eligibility for 2019-20. However, a student's 2019-20 Pell eligibility may be reduced if, for example, another Pell disbursement is reported after a report has been created, putting the student's 2019-20 baseline LEU over 500%.
- **LEU greater than 500% but less than 600%** (Code "C" on the student's ISIR under Lifetime Limit Flag) These students will not have full Pell eligibility for 2019-20, since their baseline LEU has less than 100% remaining.

- **LEU 600% or higher** (Code “E” on the student’s ISIR under Lifetime Limit Flag) These students will have no Pell eligibility remaining, as they have already exceeded the maximum lifetime eligibility used amount as defined in the CAA.

To aid in identifying students who are approaching their LEU limits, COD returns warning code 177 or 178 when a student’s Pell LEU is near or exceeds 600%. COD has a hard reject (Edit 201) for both Pell and IASG actual disbursements with a Pell or IASG LEU greater than 600%. Also, you will be able to see this data in the Common Record Response, and LEU is also visible in the NSLDS system. However, the Central Processing System (CPS) reports only the Pell Grant LEU limit flags and percentages on SARs and ISIRs. COD calculates a student’s LEU to 3 decimal places, and you may round awards as described earlier in this chapter in the “Ground rules for Pell Grants” graphic box, however, you may not round up if that would cause the student to exceed either their Scheduled Award or 600% LEU.

To calculate an award for a student whose LEU level will reduce their eligibility (i.e., an LEU greater than 400% but less than 600%; check levels in COD, first subtract their LEU % from 600%, then multiply the student’s Scheduled Award by the resulting percentage. For example, Jack has 534% LEU in COD. His school subtracts 534% from 600%, leaving him with 66% of a Scheduled Award remaining. His Scheduled Award is \$5,650, so his school multiplies \$5,650 by .66, which equals \$3,729, which is then disbursed per the normal Pell formula and payment period rules.

For students whose eligibility is less than a full Scheduled Award, you award the student a Pell or Iraq & Afghanistan Service Grant as you would for a transfer student who received Pell at another school during the same award year. That is, you determine the student’s remaining Pell or IASG eligibility, as a % of LEU, and then award each payment until that eligibility is used (see the earlier section in this chapter entitled “transfer students”).

Restoring Pell eligibility for students that attended closed schools

There is a limited circumstance in which Pell eligibility may be restored to certain students who attended schools which are now closed. Note that Total Eligibility Used (TEU) is capped at 100% (or 150% in the case of Year-Round Pell) and is the maximum Pell a student may receive during a single Award Year, whereas LEU is the student’s sum total of all Pell eligibility used, across all award years. A closed school may be considered for the Pell restoration process if all of the following are true:

- The school is officially closed with the Department
- The school closed after 1994 (i.e., 1995 to present)
- All final disbursements have been submitted to the COD system and accepted by the Department
- All final enrollment data has been submitted to NSLDS so that the Department may determine if students are eligible for restoration

- The school has completed the close-out process with the Department

A student may be eligible for Pell eligibility restoration if all of the following are true:

- Received a Pell Grant disbursement at an eligible closed school,
- Did not complete their program at the closed school, AND
- Had a valid enrollment status at the closed school within two years of the school's closure.

Students who are potentially eligible for additional Pell because some or all of their Pell eligibility has been restored are sent a targeted email. Schools are notified of Pell eligibility restorations for students associated with their school through a variety of sources, including:

- COD Warning Edit #221;
- targeted email with instructions to download a list of affected students from the COD web;
- updated LEU within response file; and
- details of the LEU adjustment(s) display on the Pell LEU History screen.

COD sends the updated LEU to NSLDS. For more detail on how this is handled in COD, please refer to the October 4th, 2017 EA.

Changes in LEU

A student's LEU changes whenever he or she receives a Pell or IASG disbursement (up or down), and may change any time a student's Scheduled Award is adjusted. It may also change through an LEU adjustment made based on an LEU Dispute, Closed School Restoration, or other adjustment type deemed necessary by the Department.

A student's Pell or IASG LEU can limit the student's Pell or IASG eligibility for an award year. For example, since the maximum LEU is 600%, if a student's Pell or IASG award originally was calculated based on an LEU of 550%, then that student's award would be limited to 50% of the Scheduled Award. A change to a disbursement in the current or previous award year may alter a student's LEU. For details on LEU limitations, see the Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used guidance earlier in this chapter.

When a school becomes aware that a student's LEU has been adjusted (after being notified by the student, or the Department through a pushed ISIR or a warning edit in COD, or through LEU Dispute communication), it should determine whether the adjustment affects the student's eligibility for Pell or IASG in the current or most recently completed award year.

If the student becomes eligible for additional Pell or IASG funds as a result of a change to the student's LEU, the school must make a correction to the student's award and make any disbursements of Pell or IASG funds for which the student is now eligible and that the school is permitted to make under the late and retroactive disbursement requirements (for more detail on disbursement requirements and timing, see *Volume 4, Chapter 2, Disbursing FSA Funds*). Note that, as with any retroactive or late disbursement of Pell Grant funds, the school should base its calculation of such disbursements on only the classes that the student completed for the earlier period.

Pell Total Eligibility Used (TEU) & Restoring Pell Eligibility for students who attended a closed school

The Department is working to update TEU/LEU data for eligible students who attended closed schools. You may receive Pell POP notifications for such students, and should review these reports carefully. The COD system will have the most current Pell LEU data, and you should look for Pell Restoration targeted emails, and review the weekly Pell LEU reports, especially for Pell recipients who have a Pell LEU of 450% or higher. For more details, see the following: December 21, 2016 EA, April 3, 2017 EA, and the October 4, 2017 EA.

NSLDS Reporting requirements

For details on NSLDS reporting requirements for Pell, including reporting of additional data, reporting at the academic program level, and more frequent reporting, see DCLs GEN-14-07 and GEN-14-17 and the EA posted February 11, 2015.

Declining and/or returning Pell funds

A student may decline or return all or part of a disbursement of Pell Grant funds that they are otherwise eligible to receive or have received (returns may only be made in the same award year as the funds were received). This should be a rare action on the part of students and need not be advertised as a possibility by your school. For more detail on the requirements of declining or returning Pell funds, see DCL GEN-12-18.

Pell Grant LEU Disputes

A school or student may dispute the accuracy of a student's Pell Grant data which resulted in the student's LEU percentage in COD. It is the responsibility of the student's current school to coordinate the resolution of the dispute. You may create, view, and edit Pell LEU disputes (including uploading documentation) using the COD Web Portal. For more detail, see the EAs posted June 27, 2013 April 18, 2014.

Pell & Iraq & Afghanistan Service Grants LEU

Consolidated Appropriations Act of 2012

HEA Section 401(c)

DCL GEN-12-01, DCL GEN-13-14

EA April 18, 2014

2019-20 ISIR Guide:

<https://ifap.ed.gov/sarcommcodes/txt/1920SARCommCodesTxt.html>

PELL RECALCULATIONS

Initial calculation

An initial calculation is the first calculation that is made on or after the date the school has received an ED-produced EFC (An ED-produced EFC may be an EFC from a SAR/ISIR, FAA Access, or FAFSA.gov) such as the student's initial SAR or ISIR with an official EFC, and uses the enrollment status at the time of the initial calculation. If you've estimated the student's eligibility prior to receiving a SAR or ISIR for the student, you must confirm prior estimated eligibility or determine the student's eligibility at the time the SAR or ISIR is received.

You should document the date that you initially calculate a student's Pell Grant. The earliest date is the date of receipt of an ED-produced EFC, such as on a SAR or ISIR (assuming the school has a documented or projected enrollment status for the student). If you fail to document the date of the initial calculation, you must use the later of (a) the date that the SAR or ISIR is first received and the student's enrollment status as of that date, or (b) the date the student enrolls.

Your school is considered to have received the ISIR on the date it was processed. This date is labeled "Processed Date" on the ISIR. In the case of a SAR, your school is considered to have received it on the date processed unless you document a later date. The processing date on a SAR is the date above the EFC and, on a SAR Acknowledgment, the "Transaction Processed Date."

Change in the EFC

If the student's EFC changes due to corrections, updating, or an adjustment, and the EFC change would change the amount of the Pell award, you must recalculate the Pell award for the entire award year. If, as a result of the recalculation, the student has received more than his or her award amount, then the student has received an overpayment. In some cases, you may be able to adjust an award) by reducing or canceling later payments to the student (see *Volume 4, Chapter 3, Overawards and Overpayments*, for more information).

A student selected for verification can be paid based on the corrected output document that you receive during the "verification extension" (120 days after the student's last day of enrollment, not to extend beyond the deadline date established by a Federal Register notice). For example, if you receive a reprocessed ISIR reflecting the results of the student's verification during the extension period and the ISIR has a lower EFC than the previous ISIR (increasing the student's eligibility), you calculate the student's Pell Grant based on the valid ISIR.

SAR/ISIR with different EFC

If you receive a SAR or ISIR with an EFC different from the one you used for the payment calculation, you must first decide which document is valid. If the new information is the correct information, the new SAR or ISIR is the valid record. In most cases, you must recalculate the student's Pell award for the entire award year based on the new EFC. For more information on SARs, ISIRs, and EFC, see the *Application and Verification Guide*.

Change in enrollment status

You must report changes to a student's enrollment status to NSLDS in a timely manner. Any change requiring a recalculation of award may also require an update to the student's enrollment status. If the student doesn't begin attendance in all of his or her classes, resulting in a change in the student's enrollment status, you must recalculate the student's award based on the lower enrollment status. A student is considered to have begun attendance in all of his or her classes if the student attends at least one day of class for each course in which that student's enrollment status was determined for Federal Pell Grant eligibility. Note that clock-hour and nonterm programs are always based on full-time enrollment status for Pell.

Your school must have a procedure in place to know whether a student has begun attendance in all classes for purposes of the Federal Pell Grant Program. The Department does not dictate the method a school uses to document that a student has begun attendance, however, a student is considered not to have begun attendance in any class in which the school is unable to document that attendance.

If you recalculate a Pell award because the student's enrollment status has changed, you must also take into account any changes in the student's costs at that time. For example, if a student enrolls full-time for the first semester and then drops to less than half time during that semester, the student's costs will change, because only certain cost components are allowed for less-than-half-time students. You must use the cost for a less-than-half-time student *for a full year* to calculate the student's less-than-half-time award. You must not combine the two costs or average them.

The regulations don't require any recalculation for changes in enrollment status **after the student has begun attendance in all of his or her classes**. However, your school **may** have a policy of recalculating an award if a student's enrollment status changes within a term. If such a policy is established, it must take into account any changes in the student's COA, and must be applied consistently to all students in a program. If your school chooses to recalculate for a student whose enrollment status increases from half-time to full-time, it must also recalculate for a student whose enrollment status decreases. If your school establishes a policy allowing optional recalculations for an educational program, this policy must be in writing.

Your school's policy may set a date after which Pell Grants will not be recalculated for enrollment status changes. For example, you could establish a policy that you will recalculate Pell awards only for enrollment changes that occur up to the "add/drop" date of a term. This policy is true regardless of whether there is compressed coursework.

The initial calculation of a student's Pell Grant may occur subsequent to the "add/drop" date of the term, including terms with compressed coursework. If that is the case, you must use the student's effective enrollment status on the date of the initial calculation, and there would be no recalculations of the student's Pell Grant for the term due to a subsequent change in enrollment status, assuming the student began attendance in each class. If the

student's payment for the term is being disbursed in a subsequent payment period, you may pay the student only for the coursework completed in the term.

If you don't establish a policy for recalculation within a term, a student who begins attendance in all classes would be paid based on the initial calculation, even if his or her enrollment status changes before the disbursement is made. If the student withdraws from all of his or her classes (or doesn't begin attending any classes), you must follow the procedures discussed in *Volume 5*.

In a term program that uses credit-hours, you must calculate a student's payment for each term based on the enrollment status for that term. If a student attended full-time for the first term and then enrolled half-time in the second term, you must use the half-time enrollment status to calculate the student's payment for the second term.

In the case of programs offered with compressed coursework or modules within the terms, your school may adopt a policy of setting the date based on the add/drop date of the last class in which the student enrolls, or is expected to enroll, for the term. In this circumstance, your school must take into account all adjustments to the enrollment status, both increases and decreases, up to the add/drop date of the student's last class.

Enrollment change within payment period example

Johnathan registers for a full-time course load at Coulton College, and Coulton initially calculates a full-time award for him. He begins attending all of his classes but subsequently drops to half-time. Depending on Coulton's recalculation policy, Johnathan may still be paid based on full-time enrollment as long as he's otherwise eligible for payment. On the other hand, if Coulton did not receive Johnathan's first processed valid SAR or ISIR with an official EFC until after he dropped to half-time enrollment, the Pell initial calculation would be based on his enrollment status at the time the output document was received (half-time).

Change in cost of attendance

When a student's COA changes during the award year, and his or her enrollment status remains the same, you may (but are not required to) establish a policy under which you recalculate the student's Pell Grant award. If you choose to establish a policy under which you recalculate Pell for changes in costs, you must consistently apply that recalculation policy to all students in the program.

Enrollment change recalculation example

Sammy registers for a full-time course load (15 credit-hours), and Danbury College makes a first-term disbursement on that basis 10 days before the term starts. When the term starts, Sammy only begins attendance in three classes (9 credit-hours). Danbury must recalculate Sammy's Pell award based on the lower enrollment status. Any difference between the amount Sammy received and his new recalculated award is an overpayment. See *Volume 4, Chapter 3, Overawards & Overpayments*, for more detail on overpayments.

Tuition and fee charges and recalculation

If the school recalculates a student's Pell Grant due to a change in enrollment status, continuing to charge tuition and fees for credit-hours no longer included in the student's enrollment status for Pell Grant purposes does not affect the requirement to recalculate the student's Pell Grant. For example, Jayson enrolls as a full-time student at Wilson University with 12 credits, but never starts attendance in a 3-credit class that starts after the school's "add/drop" date. Jayson's award must be recalculated as three-quarter-time even though the college charges tuition for any classes dropped after the "add/drop" date and continues to charge Jayson for 12 credits.

Pell Recalculations

34 CFR 690.80

Chapter 3 Appendices:

APPENDIX A— PELL FORMULA 2: CALCULATIONS FOR STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN FALL THROUGH SPRING

APPENDIX B—PELL FORMULA 5: CALCULATIONS FOR CORRESPONDENCE STUDY PROGRAMS

APPENDIX C— PELL FORMULA SUMMARIES

APPENDIX A

PELL FORMULA 2: CALCULATIONS FOR STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN FALL THROUGH SPRING

The regulations provide an option for standard-term programs whose fall through spring terms provide less than 30 weeks of instructional time. Formula 2 may be advantageous for your summer term calculations. You may use Formula 2 if the program:

- has an academic calendar that consists of two semesters or trimesters (in the fall through the following spring) or three quarters (in the fall, winter, and spring);
- does not have overlapping terms; and
- measures progress in credit-hours and defines full-time enrollment for each term in the award year as at least 12 credit-hours.

Formula 2 Alternate calculation

Under Formula 2, you can perform the same alternate calculation as performed under Formula 1 if the weeks of instructional time in the defined academic year are the same as the total number of weeks of instructional time in all the terms in the award year. See the example for alternate calculation under the discussion of Formula 1 earlier in this chapter. For more information, see 34 CFR 690.63(a)(2) and 690.63(c).

Formula 2: Calculation for standard terms with fall through spring terms less than 30 weeks

The regulations offer an alternative formula for standard-term programs with fall through spring standard terms that provide less than 30 weeks of instructional time. The significant effect of this formula is to allow you to pay the same Pell amount for the summer term as you would for one of your traditional fall through spring terms. To use this formula, the program must have two semesters or trimesters (in the fall through the following spring) or three quarters (in the fall, winter, and spring), with no overlapping terms, and define full-time enrollment for each term in the award year as at least 12 credit-hours.

Let's take the example of Javier, who is attending Heyward College, which has fall and spring semesters of 14 and 15 weeks, and a summer term of 10 weeks. Heyward defines the academic year of Javier's program as 24 semester hours and 30 weeks.* His Scheduled Award is \$3,390, and he is attending as a full-time student. Because the fall and spring terms provide less than the minimum 30 weeks of instructional time for an academic year, Javier's full-time award is prorated as follows:

$$\frac{29 \text{ weeks* in term**}}{30 \text{ weeks* in academic year}} \times \$3,450 = \$3,335$$

This prorated amount is then divided by the number of terms: $\frac{\$3,335}{2} = \$1,667.50$

Javier will receive \$3,335 for his attendance in both semesters. Note that this is less than his Scheduled Award; he may be able to receive the remainder of his Scheduled Award, plus up to an additional 50% of his Scheduled Award, if he enrolls at least-half time during the summer; see the Year-Round Pell & IASG section earlier in this chapter.

The difference between Formula 2 and Formula 3 lies in whether you must make a separate calculation for each term. Under Formula 2, you do not have to perform a separate calculation based on the length of each term. Javier's Pell eligibility as a full-time student would be \$1,667.50 under Formula 2. If Heyward College used Formula 3, the annual award would be prorated based on the length of each term: 14 weeks (14/30), 15 weeks (15/30), and 10 weeks (10/30), and Javier's payments for the payment periods would be \$1,556.33, \$1,667.50, and \$1,111.66, respectively.

Javier has remaining Pell eligibility for the summer term under both formulas. Javier may have additional eligibility for summer if he is enrolled at least half-time and eligible for Year-Round Pell or IASG; for more details, see the Year-Round Pell & IASG section earlier in this chapter.

*These fractions use weeks of instructional time as defined in *Chapter 1*, which are not necessarily the same number as the calendar weeks in an academic year.

**Fall through spring.

APPENDIX B

PELL FORMULA 5: CALCULATIONS FOR CORRESPONDENCE STUDY PROGRAMS

Students enrolled in correspondence courses are eligible for aid under FSA programs only if the courses are part of a program leading to an associate's, a bachelor's, or a graduate degree. Also, to be eligible, a correspondence program must meet the criteria for an eligible program (see Volume 2 of the FSA Handbook: Institutional Eligibility and Participation). The regulation pertaining to Pell for correspondence programs is found in 34 CFR 690.66.

Pell Cost of Attendance (Correspondence)

The cost of attendance for correspondence programs is limited to tuition and fees, and in certain cases, books and supplies. Traditionally, books and supplies have been included as part of the correspondence program's tuition. If books and supplies are not included in the program's tuition, they may be counted as costs, for either a residential or nonresidential period of enrollment. As always, the cost of attendance must be based on the costs for a full-time student for a full academic year for the relevant component (for correspondence COA, there would be no room and board, etc.). If the student's program or period of enrollment, as measured in credit-hours, is longer or shorter than an academic year as measured in credit-hours, the tuition and fees for the program or enrollment period must be prorated.

Because the correspondence study cost of attendance for the nonresidential component only includes costs associated with credit-hours, your school always uses the credit-hour-related fraction to prorate the cost of attendance as follows (because there are no costs associated with weeks of instructional time in the correspondence cost of attendance, your school has to prorate the cost only if the number of hours in the program is shorter or longer than in an academic year):

$$\frac{\text{Credit-hours in program's definition of an academic year}}{\text{Credit-hours to which the costs apply}}$$

The resulting amount is the full-time, full-academic-year cost used for calculating Pell Grant eligibility. **When there is a residential portion in a correspondence student's program, Formula 3 or 4 (whichever applies) is used to calculate the student's payment for a payment period for a residential portion.** Refer to Formula 3 or 4 guidelines, including cost of attendance determinations, for this circumstance.

Pell Enrollment Status (Correspondence)

Students enrolled in programs of correspondence study are considered to be no more than half-time students, even if they're enrolled in enough coursework to be full-time. However, if the correspondence study is combined with regular coursework, the student's enrollment status might be more than half-time.

A student enrolled only in a non-term correspondence program always has his or her award calculated based on the half-time payment schedule. For a student enrolled in a term-based correspondence program, your school must determine whether the student is enrolled half-time (6 or more credit-hours in a term) or less-than-half-time (less than 6 credit-hours in a term). Special rules are used to determine the student's enrollment status when the student is enrolled in a combination of regular and correspondence coursework.

Pell Correspondence Payment periods & timing of payments

For a *non-term* correspondence program, there must be two equal payment periods in each academic year. Each payment period is the lesser of half the academic year or half the program (measured in credit-hours). In addition, you can't disburse a Pell payment for the first payment period until the student has completed 25 percent of the work in the academic year or the program, whichever is shorter. You can't make the second payment until the student has completed 75 percent of the work in the academic year or program.

For a *term-based* correspondence program, as for other term-based programs, the payment period is the term. However, you can't disburse the Pell for a payment period until the student has completed 50 percent of the lessons or completes 50 percent of the work for the term, whichever is later.

If the correspondence program has a required period of *residential training*, you must treat the residential training as an additional payment period and determine the payment for that payment period using either Formula 3 or Formula 4. Note that the correspondence portion of the program is still treated as a separate portion of the program that's divided into two equal payment periods.

Pell Calculations in Correspondence Programs

Formula 5 is used for students enrolled only in correspondence courses (not including residential components of correspondence programs). There are two versions of Formula 5: Formula 5A (which is similar to Formula 4) is used for non-term programs, and Formula 5B (which is similar to Formula 3) is used for term-based programs. For a residential component of a correspondence program, your school must use either Formula 3 or Formula 4. If the residential component is a term, your school uses Formula 3; otherwise, it uses Formula 4.

For non-term correspondence programs, this step of the calculation is similar to the step under Formula 4. For term correspondence programs, this step is the same as under Formula 3.

For the Pell calculation, you are required to determine the number of weeks of instructional time in the program by preparing a written schedule for the lessons that the student will submit. A non-term correspondence program must require at least 12 hours of preparation per week. A term-based correspondence program must require at least 30 hours of preparation per semester hour or at least 20 hours of preparation per quarter-hour during the term.

Non-term correspondence program—Formula 5A

You first multiply the annual award (taken from the half-time payment schedule) by the lesser of:

$$\frac{\text{Number of credit-hours in the payment period}}{\text{Credit-hours in program's academic year definition}}$$

or

$$\frac{\text{Weeks* in the payment period}}{\text{Weeks* in program's academic year definition}}$$

Term correspondence program—Formula 5B

You multiply the annual award (taken from the half-time or less-than-half-time payment schedule) by the weeks of instructional time in the term divided by the weeks in the academic year:

$$\frac{\text{Weeks* in term}}{\text{Weeks* in program's academic year definition}}$$

A single disbursement for a payment period can never be more than 50 percent of the annual award. If the resulting amount is more than 50 percent of the annual award, your school must make the payment in at least two disbursements in that payment period. You may not disburse an amount that exceeds 50 percent of the annual award until the student has completed the period of time in the payment period that equals 50 percent of the weeks of instructional time in the program's academic year definition.

Correspondence multiple formulas exception

If a correspondence student has one or more payment periods in an award year that contain only correspondence study and one or more payment periods in the same award year that contain a residential portion, your school would use two different formulas for determining a student's payment for each payment period. This instance is the only one in which a school would use two different Pell formulas within the same award year for students in the same program.

Academic coursework

The term academic coursework does not necessarily refer to credits. If a student does not earn any credits until the end of the program, it may refer to the lessons or other measures of learning within a course or a program. For instance, if a course or program is made up of 40 equal lessons, the student reaches the halfway point as follows:

*Note: These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which are not necessarily the same number as the calendar weeks in an academic year.

- If the student successfully completes the first 20 lessons before the calendar midpoint of the academic year, the second payment period does not begin until the calendar midpoint.
- If the student completes the first half of the academic year before successfully completing the first 20 lessons, the second payment period does not begin until the student successfully completes the first 20 lessons.

Correspondence payment periods

Non-term — 34 CFR 690.66(b)

Term — 34 CFR 690.66(c)(3),(c)(4)

APPENDIX C PELL FORMULA SUMMARIES

Formula 1 Summary

Standard-term, credit-hour programs, with 30 weeks of instructional time (or waiver applies). For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs:

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and the students must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term.
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Step 1: Determine Enrollment Status

Full-time, three-quarter-time, half-time, or less-than-half-time

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2 time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

Annual Award

2 for programs with semesters or trimesters; 3 for programs with quarters

OR

For alternate calculation:

Annual Award

Number of terms in the award year

Formula 2 Summary

Standard-term, credit-hour programs, with fewer than 30 weeks of instructional time, and waiver does not apply.

- Enrollment for at least 12 credit-hours each term required for full-time status
- Program terms don't overlap
- Academic calendar includes 2 semesters/trimesters (fall and spring) or 3 quarters (fall, winter, and spring)
- Fall through spring terms are less than 30 weeks of instructional time

Step 1: Determine Enrollment Status

Full-time, three-quarter-time, half-time, or less-than-half-time

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Cost for fall through spring terms prorated. If fall through spring terms provide the same number of credit-hours as are in the academic year definition, prorated COA is the same as non-prorated COA.

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2 time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in fall through spring terms}}{\text{Weeks of instructional time in program's academic year definition}} \div \begin{matrix} 2 \text{ (if semesters} \\ \text{or trimesters)} \\ \text{OR} \\ 3 \text{ (if quarters)} \end{matrix}$$

OR

For alternate calculation:

$$\frac{\text{Annual Award}}{\text{Number of terms in the award year}}$$

Formula 3 Summary

Any term-based, credit-hour programs; may include those qualifying for Formulas 1 and 2.

Step 1: Determine Enrollment Status

Full-time, three-quarter time, half-time, or less-than-half-time.

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Cost for program or period not equal to academic year prorated. Two fractions are compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of I.T. in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2-time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

$$\frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in the program's academic year definition}}$$

A single disbursement can't exceed 50% of the annual award.

Formula 4 Summary

Clock-hour programs and credit-hour programs without terms, residential portion of non-term correspondence programs.

Step 1: Determine Enrollment Status

At least half-time or less-than-half-time.

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Cost for program or period not equal to academic year prorated. Two fractions compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

Step 3: Determine Annual Award

Always taken from full-time payment schedule (equal to Scheduled Award). Does not mean students are always considered full-time.

Step 4: Determine Payment Periods

Length of payment period measured in credit or clock-hours. Minimum of 2 equal payment periods required for programs shorter than an academic year, or 2 equal payment periods in each full academic year (or final portion longer than half an academic year) for programs longer than or equal to an academic year.

Step 5: Calculate Payment for a Payment Period

Annual award multiplied by the lesser of:

$$\frac{\text{The number of credit or clock-hours in the payment period}}{\text{The number of credit or clock-hours in the program's academic year}}$$

OR

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

Note: A single disbursement can't exceed 50% of the annual award.

Formula 5A Summary

Correspondence programs non-term correspondence component. For residential portion, use Formula 4 to calculate payment periods and amounts. The schedule for the submission of lessons must reflect a workload of at least 12 hours of preparation per week of instructional time.

Step 1: Determine Enrollment Status

Enrollment status is never more than half-time.

Step 2: Calculate Pell COA

Full-time, full academic year costs (for applicable components).

Cost for program or enrollment period not equal to academic year prorated according to the following formula for tuition and fees:

$$\text{Costs} \times \frac{\text{Credit-hours in program's definition of academic year}}{\text{Credit-hours to which costs apply}}$$

Step 3: Determine Annual Award

Annual award taken from half-time payment schedule

Step 4: Determine Payment Periods

Length of payment period measured in credit-hours.

The first payment period is the period of time in which the student completes the lesser of the first half of the academic year or the first half of the program. (First payment can be made only after the student has completed 25% of the lessons or otherwise completed 25% of the work scheduled, whichever comes last.)

The second payment period is the period of time in which the student completes the lesser of the second half of the academic year or the second half of the program. (Second payment may be made only after the student has submitted 75% of the lessons or otherwise completed 75% of the work scheduled, whichever comes last.)

Step 5: Calculate Payment for a Payment Period

Annual award is multiplied by the lesser of:

$$\frac{\text{Number of credit-hours in the payment period}}{\text{Number of credit-hours in the program's academic year}}$$

OR

$$\frac{\text{Weeks of instructional time in the payment period}}{\text{Weeks of instructional time in the program's academic year}}$$

Note: A single disbursement can't exceed 50% of the annual award.

Formula 5B Summary

Programs of study by correspondence, term correspondence component. During each term, the written schedule for the submission of lessons must reflect a workload of at least 30 hours of preparation per semester hour or at least 20 hours of preparation per quarter-hour.

Step 1: Determine Enrollment Status

Enrollment status is never more than half-time.

Step 2: Calculate Pell COA

Full-time, full academic year costs (for applicable components).

Cost for program or enrollment period not equal to academic year prorated according to the following formula for tuition and fees:

$$\text{Costs} \times \frac{\text{Credit-hours in program's definition of academic year}}{\text{Credit-hours to which costs apply}}$$

Step 3: Determine Annual Award

Annual award taken from half-time or less-than-half-time payment schedule.

Step 4: Determine Payment Periods

Length of payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

Annual award multiplied by:

$$\frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's academic year definition}}$$

When there is a residential portion in a term-based correspondence program, Formula 3 is used to calculate the student's payment for a payment period for the residential portion.

A single disbursement cannot exceed 50% of the annual award.

Calculating TEACH Grants

CHAPTER 4

In this chapter, we will illustrate the amounts a student may receive under the TEACH Grant program and show how to determine the correct grant award for each payment period. For more detail on TEACH Grant criteria and eligibility, see Volume 1, Student Eligibility. For more on payment periods, see Chapter 1 of this volume, and for cost of attendance, see Chapter 2 of this volume.

CHAPTER 4 HIGHLIGHTS

- Award amounts
- Calculating a TEACH Grant for a payment period
- Calculating TEACH for a payment period that occurs in two award years
- TEACH Grants for transfer students
- Correspondence study and TEACH
- Frequency of payment
- Recalculation of TEACH Grants

TEACH GRANT BASICS

The TEACH Grant program is a non-need-based grant program that provides up to \$4,000 per year* to students who are enrolled in an eligible program and who agree to teach in a high-need field, at a low-income elementary or secondary school** as a highly qualified teacher, for at least four years within eight years of completing the program for which the TEACH Grant is awarded. The student must sign a service agreement to this effect and complete all required counseling prior to receiving a TEACH Grant. If the student subsequently fails to meet the requirements of the service agreement, the TEACH Grant will be treated as a Direct Unsubsidized loan, and the student must repay the TEACH Grant funds, with interest accrued from the date of disbursement, through the Department's TEACH Grant Servicer. For more details on the TEACH Grant service agreement, eligibility, and conversion from a grant to a loan, see *Volume 1*.

With respect to enrollment status, the program must require an undergraduate student to enroll for at least 12 credit-hours in each term in the award year to qualify as full-time. For a graduate student, each term in the award year must meet the minimum full-time enrollment status established by your school for a semester, trimester, or quarter.

*See the subsection "the Sequester and TEACH Grants" later in this chapter for reductions to the maximum award amount due to the Sequester.

**For more information on "low-income" school eligibility and the Teacher Cancellation Low Income program, see the EA of August 15, 2017, and <https://studentloans.gov/myDirectLoan/tcli.action>

TEACH Grant Scheduled, Annual, and Aggregate Awards

The TEACH Grant award amounts are similar to Pell awards in that there is a Scheduled Award, which is the maximum that a full-time student would earn for a year, and an Annual Award, which is the amount a student would receive by enrolling for a year in an enrollment status (e.g., full-time, three-quarter-time, half-time, or less-than-half-time). The Scheduled Award for TEACH is \$4,000, and the annual awards are:

Full-time	\$4,000
3/4-time	\$3,000
1/2-time	\$2,000
less-than-1/2-time	\$1,000

A student may receive up to \$16,000 in TEACH Grants for undergraduate and post-baccalaureate study, and up to \$8,000 for a TEACH-eligible master's degree program.

TEACH Grant regulations

- Calculating TEACH for a payment period: 34 CFR 686.22
- Timing of payments & Lump sum payments: 34 CFR 686.33
- TEACH Grant Academic Year: 34 CFR 686.22(h)
- Crossover payment periods: 34 CFR 686.23
- Transfer students: 34 CFR 686.24

TEACH Grant Resources

COD School Relations Center: 1-800-848-0979

TEACH Grant home page: FAQs: <https://studentaid.ed.gov/sa/types/grants-scholarships/teach>

Low-income School Directory: <https://studentloans.gov/myDirectLoan/tcli.action>

Highly Qualified Teacher fact sheet: www.ed.gov/nclb/methods/teachers/hqtflexibility.html

Teacher nationwide shortage areas: <https://www2.ed.gov/about/offices/list/ope/pol/bteachershortageareasreport201718.pdf>

TEACH Grant servicing: MyFedLoan.org/TEACH

CALCULATING TEACH GRANT PAYMENTS FOR PAYMENT PERIODS

As for other FSA programs, for purposes of calculating a TEACH Grant for a payment period, the definition of an academic year must include, for undergraduate programs of study (including those post-baccalaureate programs that are TEACH Grant eligible), both the required credit or clock-hours and weeks of instructional time (see *Chapter 1*).

The formula you will use to calculate the amount of a student's TEACH Grant that will be awarded for a payment period depends on the academic calendar used by the student's program. These formulas are the same as for Pell Grants, with the exception of master's degree programs. For details on these payment formulas, see *Chapter 3* of this volume. For master's degree programs, a TEACH Grant eligible program's academic year must be defined as at least the required number of weeks of instructional time and the minimum number of credit or clock-hours that a full-time student would

be expected to complete in the weeks of instructional time. Note that no payment for a payment period may be less than \$25.

Crossover payment periods

If a student enrolls in a payment period that is scheduled to occur in two award years, the entire payment period must be considered to occur within one of those award years, and the school must report TEACH Grant payments to the student for that payment period as being made for the award year to which the crossover payment period was assigned. There is no requirement for a TEACH Grant crossover payment period to be placed in the same award year as Pell.

In most cases, it is up to the school to determine the award year in which the payment period will be placed. However, if more than six months of a payment period are scheduled to occur within one award year, you must place that payment period in that award year.

Payment for a payment period from two Scheduled Awards

When a student's payment period spans two different Scheduled Awards, the student's payment for the payment period is calculated based on the total credit or clock-hours and weeks of instructional time in the payment period, and is the remaining amount of the Scheduled Award being completed plus an amount from the next Scheduled Award, (if available) up to the payment for the payment period. For more details, see 34 CFR 686.22(i).

Payment within payment period & retroactive payment

Within each payment period, you may pay the student at such times and in such installments as you determine will best meet the student's needs. You may pay a student TEACH Grant funds in one lump sum for all prior payment periods for which the student was eligible within the award year, as long as the student has signed the agreement to serve prior to disbursement of the TEACH Grant (for more details on the agreement to serve and TEACH Grant eligibility, see *Volume 1*).

Transfer students

A student who receives a TEACH Grant at one institution and subsequently enrolls at a second institution may receive a TEACH Grant at the second institution if the second institution obtains the student's valid SAR or ISIR with an official EFC.

The second institution may pay a TEACH Grant only for that period in which a student is enrolled in a TEACH Grant-eligible program at that institution. The second institution must calculate the student's award using the appropriate formula, unless the remaining balance of the Scheduled Award at the second institution is the balance of the student's last Scheduled Award and is less than the amount the student would normally receive for that payment period.

A transfer student must repay any amount received in an award year that exceeds the amount which he or she was eligible to receive. A student may not receive TEACH Grant payments concurrently from more than one school.

Required TEACH Grant counseling

Before receiving a TEACH Grant, a student must, among other requirements, complete initial and subsequent counseling on the TEACH website. You must ensure that exit counseling is conducted with each TEACH Grant recipient when that student ceases to attend the school at a time determined by the school. The exit counseling must be in person, by audio-visual presentation, or by interactive electronic means (such as the TEACH Grant website).

In each case, you must ensure that an individual with expertise in the FSA programs is reasonably available shortly after the counseling to answer the grant recipient's questions. (In the case of a grant recipient enrolled in a correspondence program or a study-abroad program approved for credit at the home school, the grant recipient may be provided with written counseling materials within 30 days after he or she completes the program.)

It is the school's responsibility to see that TEACH recipients receive exit counseling when the student is no longer enrolled in the program. You will receive reports from the Department on all students who have completed counseling. If the student doesn't complete the exit counseling session on the TEACH website, you must ensure that exit counseling is provided either in person, through interactive electronic means, or by mailing written counseling materials (such as the PDF version of the exit counseling program on the TEACH website) to the grant recipient's last known address. In the case of unannounced withdrawals, you must provide this counseling within 30 days of learning that a grant recipient has withdrawn from school (or from a TEACH Grant-eligible program). For more details on TEACH Grant counseling requirements, see 34 CFR 686.32.

The Sequester and TEACH Grants

On August 2, 2011, Congress passed the Budget Control Act (BCA) of 2011, which put into place a federal budget cut known as the sequester. All TEACH awards first disbursed during the federal fiscal year 2019 (on or after October 1, 2018, and before October 1, 2019) must be reduced by 6.2% from the award amount the student would otherwise be eligible to receive. In FY 19 (beginning on October 1, 2019), the reduction is 5.9%. For more details on the sequester and TEACH Grants, see EA May 30, 2019.

TEACH GRANT FORMULAS

The requirements for calculating a TEACH Grant payment for a payment period are exactly the same as Federal Pell Grant program requirements and use the same formulas as the Pell Grant program. TEACH Grant formulas 1, 2, 3, 4, and 5 are identical to the corresponding Pell formulas. The school disburses a TEACH Grant, like Pell, over the hours and weeks of instruction in an eligible program's academic year, as defined by the school.

As with Pell Grants, TEACH Grant Scheduled Awards are divided into at least two payments based on the payment periods in a year. The calculation formula you use depends on the academic calendar of a student's eligible program and would be the same formula used to calculate payments

of Pell Grants for that academic program. For students ineligible for Pell Grants, such as master's degree students, you must use the calculation formula that corresponds to the academic calendar of the eligible student's program. Refer to *Chapter 3* of this volume on Pell Grants for a more detailed explanation of these formulas.

A student's payment for a payment period is calculated based on the coursework in the student's TEACH Grant-eligible program. For a TEACH Grant, the school must ensure that the student's courses are necessary for the student to complete the student's TEACH Grant-eligible program.

TEACH Grant Formulas

Formula 1: 34 CFR 686.22(a)(1),(b)

Formula 2: 34 CFR 686.22(a)(2),(c)

Formula 3: 34 CFR 686.22(a)(3),(d)

Formula 4: 34 CFR 686.22(a)(4),(e)

Formula 5: 34 CFR 686.25

PACKAGING TEACH GRANTS

The amount of a student's TEACH Grant, in combination with any Pell Grant or other estimated financial assistance, may not exceed the student's cost of attendance. However, TEACH Grants may replace the EFC for packaging purposes. See Chapter 7 of this volume for packaging rules.

RECALCULATING TEACH GRANTS

Recalculating for changes in enrollment status

If a student's enrollment status changes from one term to another within the same award year, you **must** recalculate the TEACH Grant award for the new payment period, taking into account any changes in the cost of attendance.

If a student's projected enrollment status changes during a payment period after the student has begun attendance in all of his or her classes for that payment period, you may (but are not required to) establish a policy under which you recalculate such a student's TEACH Grant award. Any such recalculations must take into account any changes in the cost of attendance. In the case of an undergraduate or post-baccalaureate program of study, if such a policy is established, it must match your Pell Grant recalculation policy, and you must apply the policy to all students in the TEACH-eligible program.

If a student's enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, you must recalculate the student's enrollment status to reflect only those classes for which he or she actually began attendance.

Recalculating for changes in cost of attendance

If a student's cost of attendance changes during the award year and his or her enrollment status remains the same, your school **may**, but is not required to, establish a policy under which you recalculate the student's TEACH Grant award. If you establish such a policy, you must apply it to all students in the program.

TEACH recalculations

34 CFR 686.35

Direct Loan Periods and Amounts

CHAPTER 5

The rules for awarding Direct Loans are different than for Pell Grants and other FSA programs. For Direct Subsidized/Unsubsidized Loans, there are annual loan limits that vary by grade level, and there are aggregate limits on the total (cumulative) loan amount that may be outstanding at one time. The loan period, payment period, and disbursements within that period may not always correspond to the payment periods you use for Pell Grants. The requirement to prorate Direct Subsidized/Unsubsidized Loan limits under certain circumstances is different than the requirements for calculating Pell Grants.

Chapter 5 Highlights

■ Measurements of academic and loan periods

- Loan periods, academic terms, & program length
- Scheduled Academic Year (SAY) may be used for credit-hour programs with standard terms and certain nonstandard term programs
- Borrower-Based Academic Year (BBAY) may be used as an alternative to an SAY for programs also offered in an SAY
- BBAY must be used for clock-hour, non-term, and nonstandard-term programs, and for standard-term credit-hour programs without an SAY
- "SE9W" (a program with terms substantially equal in length, with each term comprised of 9 or more weeks of instructional time)

■ Annual Loan Limits

- Direct Subsidized/Unsubsidized Loan limits
- Undergraduate limits based on grade level
- Undergraduate limits must be prorated for a program or remaining portion of a program less than an academic year
- Increased Direct Unsubsidized Loan limits for certain health professions students
- Direct Loan limits for transfer students, teacher certification coursework, and coursework necessary for enrollment in an eligible program

■ Aggregate Loan Limits

- Direct Subsidized/Unsubsidized Loan limits
- Loan information provided through "Financial Aid History" on SAR, ISIR, and on NSLDS website
- Enhanced Aggregate Information displays on the NSLDS website

To request Direct Subsidized or Direct Unsubsidized Loan funds for a student, a school must certify that the borrower is eligible for the loan award, and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct Loan is calculated differently than for a Pell Grant. There are no fixed tables such as the Pell Grant Payment and Disbursement Schedules that determine award amounts.

Direct Subsidized/Unsubsidized Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, you may not originate a loan for more than the:

- amount the borrower requests;
- borrower's cost of attendance (see *Chapter 2*);
- borrower's annual or aggregate limit, as described in this chapter); or
- borrower's unmet financial need (as determined using the rules in *Chapter 7* of this volume).

In Direct Loans, the loan certification is part of the loan origination record sent electronically to the Common Origination and Disbursement (COD) system.

You must provide this certification each time you make a loan under a Master Promissory Note (MPN). The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, the amounts of the disbursements (using the rules described in this chapter), and other information.

LOAN PERIODS, ACADEMIC TERMS, & PROGRAM LENGTH

It's important to define the loan period (sometimes referred to as the *period of enrollment*) at the beginning of the loan awarding process, because the length of the loan period will determine the timing and amount of disbursements. This discussion assumes that your school has already established its academic measurements. If you have not already done so, see *Chapter 1* of this volume for a discussion of eligible programs, academic years, payment periods, and conversion of clock-hours/credit-hours.

With the passage of the subsidized loan eligibility time limit (commonly referred to as the 150% subsidized loan limit), it is more important than ever that you accurately report academic year dates and loan period dates for all types of Direct Loans to COD. You must also update a loan's previously reported loan period dates or academic year dates if the borrower's actual attendance is different from the anticipated dates that were the basis for an initial reporting to COD. Some examples of when you must update loan data in COD include:

- If the borrower requests that a loan, or a disbursement of a loan be cancelled;

- When the borrower does not begin attendance, or does not begin attendance on at least a half-time basis, in a payment period that was included in the originally reported loan period and you did not make any disbursements for that payment period;
- When you determine that the borrower is not eligible to receive a Direct Loan for a payment period that was part of the originally reported loan period (for example, failure to meet Satisfactory Academic Progress standards, the borrower has an overpayment, or a change in circumstances makes the borrower ineligible for a subsidized loan);
- When the borrower withdraws during a payment period that was included in the originally reported loan period, and as a result, the entire amount of the loan that was intended for that payment period is returned under the Return of Title IV Aid (R2T4) calculation;
- For clock-hour programs, non-term credit-hour programs, and certain types of nonstandard term credit-hour program, the borrower fails to progress to the next payment period or academic year as scheduled.

For more detail on the requirements of the 150% subsidized loan limit, see the *Subsidized Loan Eligibility Time Limitation* section later in this chapter. For details on submitting date and academic year data to COD, see Dear Colleague Letter GEN-13-13 and the 150% FAQs on the topic, available on IFAP.

A credit-hour program uses standard terms (semesters, trimesters, or quarters), or has nonstandard terms that are substantially equal in length, with each term at least 9 weeks in length (see “Nonstandard SE9W terms” section later in this chapter). The *minimum* loan period is a single academic term (e.g., a semester).

As an example, if a student will be enrolled in the fall semester only and will skip the spring semester, you may originate a loan for that term alone. (Remember, however, that the loan amount must be based on the reduced costs and EFC for that term, rather than for the full academic year.) For all other programs, including clock-hour and non-term credit-hour programs, the minimum loan period is the lesser of:

- the academic year as defined by the school (see *Chapter 1*);
- the length of the student’s program (if the program is shorter than an academic year); or
- the remaining portion of the program (if the remaining portion of the student’s program is less than an academic year).

For these other programs, there are exceptions to the minimum loan period rule describe above, if:

- a student transfers into the school, and the prior school originated a loan for an academic year that overlaps the academic year at the new school; or
- a student completes a program at a school, where the student's last loan to complete that program had been for less than an academic year, and the student then begins a new program at the same school.

In these circumstances, you may originate an initial loan for a loan period that ends on the ending date of the academic year at the first school from which the student transferred, or on the ending date of the academic year associated with the prior program completed at your school. In either of these cases, the loan amount must not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program.

For all programs, the **maximum** loan period for annual loan limits is generally the school's academic year. However, the loan period may exceed the school's academic year if the annual loan limit is applied to a longer period of time (e.g., if the academic year is defined as 900 clock-hour, but a school applies the annual loan limit to the entire length of an 1100 clock-hour program).

Period of enrollment (loan period)

The period of enrollment for which a Direct Loan is intended must coincide with an academic period established by the school for which institutional charges are generally assessed (e.g., semester, trimester, quarter, length of the student's program, or academic year). The period of enrollment is also referred to as the loan period. For more details, see 34 CFR 685.102(b).

Minimum and maximum loan periods

Maximum: Generally the school's academic year. Greater than an academic year if the loan is for the length of a program that is longer than an academic year, and you apply the annual loan limit to that longer period.

Minimum in standard-term programs and SE9W programs: one academic term.

Minimum in all other programs; i.e., clock-hour, non-term, and non-SE9W nonstandard term: Except for certain transfer students, the lesser of the program length (or remainder of the program, if less than full program remaining) or the academic year. For transfer students whose period of enrollment overlaps a period of enrollment for which the student received a loan at a prior school, the remaining portion of the program or academic year.

For more details, see 34 CFR 685.301(a)(10).

Requirement to offer both subsidized and unsubsidized loans

Direct Subsidized and Direct Unsubsidized Loans are two components of a single loan program. A school may not choose to make only Direct Subsidized Loans or only Direct Unsubsidized Loans available to its eligible students. For more detail, see DCL GEN-11-07.

Direct Loans at multiple schools

Unlike Pell Grants, it is possible for a student who is separately enrolled and eligible at multiple schools to get a Direct Subsidized/Unsubsidized Loan (and for a graduate/professional student or parent to receive a Direct PLUS Loan) at more than one school for the same period. The schools that the student is attending are responsible for coordinating to make sure that the total amount of the loans the student receives does not exceed the applicable annual loan limit. In addition, the schools must ensure that there is no duplication of non-institutional costs when determining the student's cost of attendance. (Note that in this case, which is different than the consortium arrangements discussed in *Volume 2*, loan funds awarded at one school are not to be included as estimated financial assistance by any other school the student is attending when determining the student's loan eligibility for the same period.)

FSA Assessments

For a guide to reviewing and evaluating your procedures regarding Direct Loans, see the Direct Loans module of FSA Assessments:

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

DL Tools for Windows

Direct Loan Tools for Windows is *Volume IV* of the *COD Technical Reference*. It covers external import record layouts and other information for systems administrators and is available for download on IFAP. To access the COD Technical Reference and other FSA Download materials, go to the "Software and Other Tools" page on the IFAP homepage. FSA Download has moved from its previous webpage to IFAP.

Student Loan Support Center

1-800-848-0978

Originating a loan

A financial aid administrator should be aware of the responsibility incurred in originating and disbursing a loan. The school, not the Department, determines the borrower's eligibility for a Direct Loan. Schools that originate and disburse loans for ineligible borrowers, or for loan amounts that exceed loan limits or the borrowers' need, are subject to administrative actions such as a fine, limitation, suspension, and termination, as well as liabilities such as repayment to the government of interest and costs it has paid on the ineligible loans. A school may not originate a loan for a period that includes hours in an academic year in which the student is no longer enrolled (regardless of whether a student has ceased attendance or advanced to the next academic year). Similarly, you may not condition the disbursement of a loan on anything other than the eligibility criteria.

Refusing to originate a loan or originating for less than maximum eligibility

HEA Sec. 479(A)(c), 34 CFR 685.301(a)(8), DCL GEN-11-07

On a case-by-case basis, you may refuse to originate the loan for an individual borrower, or you may originate a loan for an amount less than the borrower's maximum eligibility. If you choose to exercise this discretion, you must ensure that your decisions are made on a case-by-case basis and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, or handicapped status. When you make a decision not to originate a loan or to reduce the amount of the loan, you must document the reasons and provide the explanation to the student in writing. Also note that your school may not have a policy of limiting Direct Loan borrowing on an across-the-board or categorical basis. For example, you may not have a policy of limiting borrowing to the amount needed to cover the school charges, or not allowing otherwise eligible students to receive the "additional" Direct Unsubsidized Loan amounts that are available under the annual loan limits.

Checklist for loan origination

For all Direct Loans, you must document the student's cost of attendance, expected family contribution (EFC), and estimated financial assistance (EFA) in the student's file. This information must be made available to the Department upon request.

The school must confirm that the borrower meets the definition of eligible borrower by doing the following:

- For parents receiving a Direct PLUS Loan, ensure the **student** has completed a FAFSA (review student's SAR/ISIR);
- Determine that the student is enrolled at least half-time and making satisfactory academic progress (see *Volume 1*);
- Review the NSLDS information on the ISIR to ensure that the student is not in default, does not owe an overpayment on a Title IV grant or loan (see *Volume 1*), and will not exceed the annual or aggregate loan limits (as described in this chapter);
- Ensure that the amount of the loan, in combination with other aid, will not exceed the student's financial need (see *Chapter 7* of this volume); and
- Ensure that the loan disbursement dates meet cash management and disbursement requirements.

For a Direct Subsidized/Unsubsidized Loan, the school must also:

- Determine the student's Pell Grant eligibility and, if eligible, include the grant in the student's aid package;
- For a Direct Unsubsidized Loan, first determine the student's eligibility for a Direct Subsidized Loan;
- Ensure that the amount of the loan will not exceed the student's annual or aggregate loan limit; and
- Prorate the annual loan limit for an undergraduate enrolled in a program or remaining period of study that is shorter than an academic year (as described in this chapter).

ANNUAL LOAN LIMITS

Direct Subsidized and Unsubsidized Loans have annual loan limits, based on the student's dependency status and grade level. There are higher Direct Unsubsidized annual loan limits for borrowers enrolled in certain health professions programs, and special loan limits for certain students who are not enrolled in a degree or certificate program. In some cases, for undergraduate students, the annual loan limits must be prorated (reduced). The annual loan limits are the maximum amounts that a student may receive for an academic year. The actual loan amount that a borrower is eligible to receive may be less than the annual loan limit.

Depending on the academic calendar of the program, a student who has reached the annual loan limit cannot receive another Direct Subsidized or Unsubsidized Loan until he or she either begins another academic year, or, in some cases, progresses within an academic year to a grade level with a higher annual loan limit.

Annual loan limits: Basic principles

Annual loan limits

- Direct Subsidized and Unsubsidized Loans have annual loan limits.
- There is an overall annual loan limit for Direct Subsidized and Unsubsidized Loans, of which not more than a specified amount may be comprised of subsidized loans.
- An undergraduate student who is ineligible for Direct Subsidized Loans may receive up to the total subsidized/ unsubsidized annual loan limit in Direct Unsubsidized Loans.
- The Direct Subsidized Loan annual loan limits are the same for both dependent and independent undergraduates.
- Dependent students have lower total subsidized/ unsubsidized annual loan limits than independent students; if a dependent student's parent(s) cannot borrow a Direct PLUS Loan, the student becomes eligible for the higher total subsidized/unsubsidized annual loan limits that apply to an independent student, allowing the dependent student to receive additional Direct Unsubsidized Loan funds.
- The annual loan limits apply to the academic year (that is, the annual loan limit is the maximum loan amount that a student may receive for one academic year).
- The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- For undergraduate students, the loan limit must be prorated if the student is attending a program (or remaining portion of a program) that is less than an academic year.
- Graduate/professional students are no longer eligible to receive Direct Subsidized Loans.

Annual loan limit progression: SAY/BBAY

- For Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, a school must use either a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY) to determine when a student is eligible for a new annual loan limit.
- An SAY generally begins/ends at the same time each year; a BBAY "floats" with the student's enrollment.
- A traditional calendar program or an SE9W program with a comparable calendar may use an SAY.
- A clock-hour or non-term program, or a program that does not have an SAY, must use a BBAY.
- In a clock-hour or non-term credit-hour program, or a program with nonstandard terms that are not SE9W, the borrower must successfully complete the credit/clock-hours and weeks of instructional time in the Title IV academic year before the borrower is eligible for a new annual loan limit.
- In a standard-term or SE9W program, it is possible for a student to advance a grade level and become eligible for a higher loan amount within an academic year.

Direct Subsidized and Unsubsidized Loan limits for a dependent undergraduate student

Dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain Direct PLUS Loans) are eligible for an additional \$2,000 in Direct Unsubsidized Loan funds each academic year.

For these students, the annual loan limits are:

- \$3,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent first-year undergraduates;
- \$4,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent second-year undergraduates; and
- \$5,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent third-, fourth-, or fifth-year undergraduates.

These loan limits represent the total of all Direct Subsidized and Unsubsidized Loans a dependent undergraduate student may borrow at each level of study for a single academic year. For example, a dependent first-year undergraduate may receive up to \$5,500 in Direct Subsidized and Unsubsidized Loans for a single academic year, but no more than \$3,500 of this amount may be subsidized. A dependent first-year undergraduate who has no subsidized loan eligibility could receive up to the full \$5,500 in Direct Unsubsidized Loans.

Increased Direct Unsubsidized limits for independent undergraduate students and dependent undergraduate students whose parents can't get Direct PLUS Loans

There are higher additional unsubsidized annual loan limits for independent undergraduate students. These higher additional Direct Unsubsidized Loan limits also apply to dependent undergraduate students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other documented exceptional circumstances.

- \$3,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$6,000 additional Direct Unsubsidized for independent first-year undergraduates;
- \$4,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$6,000 additional Direct Unsubsidized for independent second-year undergraduates; and
- \$5,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$7,000 additional unsubsidized for independent third-, fourth-, or fifth-year undergraduates.

As with the loan limits for dependent undergraduates, these loan limits represent the total of all Direct Subsidized and Unsubsidized Loans that an independent undergraduate student (or a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan) may borrow at each level of study, for a single academic year. For example, an independent, first-year undergraduate may receive up to \$9,500 in Direct Subsidized/Unsubsidized Loans for a single academic year, but no more than \$3,500 of this amount may be subsidized.

Note that a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan is not eligible to receive both the \$2,000 in additional Direct Unsubsidized Loan funds described here, and the additional \$6,000 or \$7,000 in Direct Unsubsidized Loan funds that are available to independent undergraduates and dependent undergraduates whose parents are unable to obtain Direct PLUS Loans. For more detail on increased unsub for these students, see 34 CFR 685.203(c)(1)(ii).

Direct Unsubsidized Loan limits for graduate and professional students

The annual loan limit for graduate or professional students is \$20,500 in Direct Unsubsidized Loans per academic year. The regulations define a graduate/professional student as a student who is enrolled in a program or course above the baccalaureate level or in a professional program and has completed the equivalent of 3 academic years of full-time study either prior to entering the program or as part of the program itself. Also, a student who is receiving Title IV aid as an undergraduate student can't be considered a graduate/professional student for that same period of enrollment.

To satisfy the requirement that a graduate student has completed 3 academic years of full-time study, a student must have completed a minimum of at least 72 credit/semester hours, or the equivalent number of quarter hours (at least 108). You may also assign a higher number of credits required to satisfy the credit requirement component to be considered a graduate student at your school, for example, 90 credit/semester hours (which may match your school's grade level progression standard for Direct Loans). Note that these three academic year's worth of credits may be taken over a longer or shorter period of time than three calendar years in the program.

Note that a student in an undergraduate program can't get the graduate loan limits based on taking graduate coursework as a part of the undergraduate program. In contrast, a graduate student who is taking some undergraduate coursework is eligible for the graduate loan limits if the student is enrolled at least half-time in courses (either graduate or undergraduate) that can be applied to the graduate program requirements. However, the student must already be admitted into the graduate program. A borrower with a bachelor's degree who is taking preparatory work for graduate school (or whose full admission to the graduate program is contingent upon completion of certain undergraduate courses) is not eligible for graduate loan limits.

Direct PLUS Loan amounts for parents & graduate/professional students

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. A graduate or professional student may be awarded a Direct PLUS Loan for up to the student's COA minus other EFA (see *Chapter 7* for packaging rules). Therefore, a graduate/professional student may have additional PLUS eligibility beyond the maximum unsubsidized loan limits. Similarly, the total Direct PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent on behalf of a dependent student (including a non-custodial parent) may not exceed the student's estimated cost of attendance minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for Direct PLUS Loans. For more on borrower eligibility, see *Volume 1, Chapter 6*.

Requirement to offer Direct PLUS Loans to both parent and student borrowers

If your school chooses to participate in the Direct PLUS Loan Program and has both undergraduate and graduate/professional students, you must make Direct PLUS Loans available to both the parents of your dependent undergraduate students and to your graduate/professional students. You may not limit Direct PLUS Loan borrowing only to parents or only to graduate/professional students. For more details, see DCL GEN-11-07.

Direct PLUS Loans for graduate/ professional students

Direct PLUS Loans for graduate/professional students were authorized by the Higher Education Reconciliation Act of 2005, effective July 1, 2006. Previously, Direct PLUS Loans were only available to parents of dependent undergraduates. For more details, see DCL GEN-06-02 and DCL GEN-11-07.

Who can take out parent PLUS loans?

In addition to the parent(s) whose resources are taken into account on a student's FAFSA, any otherwise eligible biological or adoptive parent of the dependent undergraduate student can also take out a parent PLUS loan on the student's behalf, even if that parent's information is not reported on the FAFSA.

Increased unsubsidized eligibility for health professions students

Certain health professions students may borrow increased Direct Unsubsidized Loan amounts. Schools may award the increased unsubsidized amounts to students who are enrolled at least half-time in certain health professions programs. The program must be accredited by specific accrediting agencies (see chart). The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular annual loan limits.

The disciplines that are eligible for the increased Direct Unsubsidized Loan amounts and the approved accrediting agencies for these disciplines are shown in the loan limit chart for the increased unsubsidized amounts at the end of this section. A chart at the end of this section shows the annual loan limits for the increased unsubsidized loan amounts, which vary by discipline and academic year length. The combined subsidized/unsubsidized aggregate

loan limit for graduate and professional health professions students who are eligible to receive the increased unsubsidized amounts is \$224,000. Not more than \$65,500 of this amount may be in subsidized loans, for those students who may have received subsidized loans for graduate/professional study prior to July 1, 2012, or for undergraduate study.

If a student receives the additional Direct Loan amounts on the basis of study in a health profession program but then leaves that program and enters a program in a different non-health professions field, the student is no longer eligible for the increased Direct Loan limits. However, the additional loan amounts received on the basis of health professions study are not counted toward the normal aggregate loan limit for that student.

Using school's definition of academic year if longer than the Title IV minimum

A school may choose to define its academic year as longer in weeks or hours than the minimum statutory requirements. If so, then it's the school's standard – not the statutory minimum – that applies when determining whether a program or a final period of study is shorter than an academic year.

Direct Loans for students whose parents have ended financial support and refuse to file a FAFSA

Schools may offer a dependent student a Direct Unsubsidized Loan if the student's parents have ended financial support and refuse to file a FAFSA. For more detail, see *Chapter 5* of the *Application and Verification Guide* and DCL GEN-08-12.

Example: Additional Unsubsidized for independent undergraduate

Dottie is a first-year independent undergraduate student at Russell's Institute. Her COA is \$14,500, her EFC is 1800, and she is receiving a \$2,981 Pell Grant. Dottie qualifies for a Direct Subsidized Loan of \$3,500. She may also receive the maximum additional Direct Unsubsidized Loan amount of \$6,000 to cover most of her unmet need. Her total loan amount in Direct Subsidized and Unsubsidized Loans is \$9,500. (Note that Dottie's loan eligibility would be the same if she were a dependent undergraduate whose parent was unable to obtain a Direct PLUS Loan.)

Increasing the loan amount when student changes dependency status during the academic year

For any type of educational program (whether term-based or non-term, credit-hour or clock-hour), a dependent student who has already borrowed up to the annual loan limit within an academic year may be eligible to receive additional loan funds if his or her dependency status changes to independent during that same academic year.

Subsidized and Unsubsidized Direct Loans

The federal government does not charge interest on a Direct Subsidized student loan during: in-school status, deferment periods, and (except for Direct Subsidized Loans first disbursed on or after July 1, 2012 and before July 1, 2014) the grace period. The student is responsible for paying the interest on a Direct Unsubsidized student loan during all periods. For more details, see DCL GEN 12-01.

Minimum Direct Loan amount

When originating Direct Loans in the COD system, there is no minimum loan amount.

Entrance counseling requirements for Graduate/Professional PLUS borrowers

For entrance counseling requirements for Graduate/Professional PLUS—see *Volume 2, Chapter 6, Providing Consumer Information*.

Same-sex parent Direct PLUS Loan eligibility

DCL GEN-14-14

A same-sex married parent may apply for a Direct PLUS loan if the parent was legally married in a location which recognizes the marriage as valid, regardless of where the couple resides.

Foreign schools and increased Direct Unsubsidized Loan amounts

Foreign schools may not award the increased Direct Unsubsidized Loan amounts to health profession students.

Graduate student criteria

34 CFR 668.2(b), DCL GEN 11-07

Direct Loan annual loan limits

34 CRR 685.203

Annual Limits for Sub/Unsub Loans

	<i>Subsidized</i>	<i>Total (subsidized & unsubsidized)</i>
Dependent undergraduates (excluding dependent students whose parents can't get PLUS)		
First Year	\$ 3,500	\$ 5,500
Second Year	\$ 4,500	\$ 6,500
Third Year and Beyond.....	\$ 5,500	\$ 7,500
Independent undergraduates & dependent students whose parents can't get PLUS		
First Year	\$ 3,500	\$ 9,500
Second Year	\$ 4,500	\$ 10,500
Third Year and Beyond.....	\$ 5,500	\$ 12,500
Graduate & Professional Students (all years).....	\$ 0.....	\$20,500

Note: All undergraduate annual loan amounts are subject to proration.

Aggregate Limits for Sub/Unsub Loans

	<i>Subsidized</i>	<i>Total (subsidized & unsubsidized)</i>
Dependent undergraduates (excluding those whose parents can't borrow PLUS)	\$ 23,000	\$ 31,000
Independent undergrads & dependent students whose parents can't get PLUS.....	\$ 23,000.....	\$ 57,500
Graduate & Professional students.....	\$ 65,500**.....	\$ 138,500*

See guidance later in this chapter on additional unsubsidized eligibility for students in certain health professions programs, special loan limits for preparatory & teacher certification coursework, and the 150% subsidized eligibility limitation.

Graduate and professional students are no longer eligible for Direct Subsidized Loans.

* Note that graduate and professional students are no longer eligible for Direct Subsidized Loans, but may have existing balances on such loans, which count toward the student's aggregate loan limit.

**Aggregate loan limits for graduate and professional students include loans received for undergraduate study. The \$65,500 subsidized aggregate loan limit shown here for graduate and professional students includes subsidized loans received before subsidized loan eligibility was eliminated for those students and prior subsidized loans received for undergraduate study.

Effect of the Sequester on Loans

EA May 30, 2019

The Budget Control Act (BCA) put into place an automatic federal budget cut known as the sequester. The sequester has the following effects on the Direct Loan program:

For Direct Subsidized and Unsubsidized Loans: Under the sequester, when the first disbursement of the loan is made after October 1, 2019, and before October 1, 2020, the loan fee (also known as the origination fee) will be 1.059 percent of the amount of each disbursement.

Direct PLUS Loans: For both student and parent borrowers, when the first disbursement of the loan is made after October 1, 2019, and before October 1, 2020, the loan fee will be 4.236 percent of the amount of each disbursement.

Loan fee calculations that result in more than two decimal places must be truncated (not rounded) to two digits after the decimal point (cents). For more detail on sequester-required reductions, see GEN-16-11.

Programs Eligible for

Additional \$20,000 in Unsubsidized Loans for an Academic Year Covering 9 months

Additional \$26,667 in Unsubsidized Loans for an Academic Year Covering 12 months

Program	Approved Accrediting Agency
Doctor of Allopathic Medicine	Liaison Committee on Medical Education
Doctor of Osteopathic Medicine	American Osteopathic Association, Bureau of Professional Education
Doctor of Dentistry	American Dental Association, Commission on Dental Accreditation
Doctor of Veterinary Medicine	American Veterinary Medical Association, Council on Education
Doctor of Optometry	American Optometric Association, Council on Optometric Education
Doctor of Podiatric Medicine	American Podiatric Medical Association, Council on Podiatric Medical Education
Doctor of Naturopathic Medicine, Doctor of Naturopathy	Council on Naturopathic Medical Education

Programs Eligible for

Additional \$12,500 in Unsubsidized Loans for an Academic Year Covering 9 months

Additional \$16,667 in Unsubsidized Loans for an Academic Year Covering 12 months

Doctor of Pharmacy	Accreditation: Accreditation Council for Pharmacy Education
Graduate in Public Health	Accreditation: Council on Education for Public Health
Doctor of Chiropractic	Accreditation: Council on Chiropractic Education, Commission on Accreditation
Doctoral Degree in Clinical Psychology	Accreditation: American Psychological Association, Committee on Accreditation
Masters or Doctoral Degree in Health Administration	Accreditation: Commission on Accreditation of Healthcare Management Education

Students in all of the programs on this page are also eligible for a higher aggregate limit for combined subsidized/unsubsidized loans: \$224,000.

Proration of annual loan limit for academic year covering 10 or 11 months: For programs with an academic year covering 10 or 11 months, the annual additional unsubsidized loan limit must be prorated. If the academic year covers 10 or 11 months, the prorated annual loan limit is determined by dividing the applicable loan limit for an academic year covering 9 months by 9, and then multiplying the result by 10 or 11.

Example of annual loan limit: The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular Direct Unsubsidized annual loan limits. For example, a student enrolled in a 9-month Doctor of Dentistry program is eligible for the regular Direct Unsubsidized annual loan maximum for a graduate/professional student (\$20,500 in unsubsidized), plus the maximum increased unsubsidized amount of \$20,000, for a total Direct Unsubsidized Loan maximum of \$40,500.

ANNUAL LOAN LIMIT PROGRESSION

Academic Year & Loan Limits

The academic year is used as the basis for the student's annual loan limits. (The award year concept for Pell and the Campus-Based Programs is not a factor for Direct Subsidized/Unsubsidized Loans.) The loan period is often equivalent to an academic year, but there are also many situations where this is not the case. In this section, we'll discuss how you can match the student's loan periods to his/her enrollment and your school's academic calendar. (If you are not familiar with the definition of an academic year, see *Chapter 1* of this volume.)

Two types of academic years for monitoring annual loan limits: Scheduled Academic Year (SAY) and Borrower Based Academic Year (BBAY)

There are two types of academic years that may be used to monitor annual loan limits for Direct Subsidized/Unsubsidized Loans: a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY). (Note that although there is no annual loan limit for Direct PLUS Loans, Direct PLUS Loans are awarded for the same SAY or BBAY period that is used for Direct Subsidized/Unsubsidized Loans.)

An SAY corresponds to a traditional academic year calendar that is published in a school's catalogue or other materials, and is a fixed period of time that begins and ends at the same time each year. Examples of SAYs for a standard term program are fall and spring semesters, or fall, winter, and spring quarters. For a nonstandard SE9W program, an SAY could consist of two or more SE9W nonstandard terms running from fall through spring. For both standard term and SE9W nonstandard term programs, the number of credit hours and weeks of instructional time in the fall through spring SAY period must meet the regulatory requirements for an academic year.

A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's (or group of students') attendance and progression in a program of study. There are 3 types of BBAY, described below.

If a program is offered in an SAY calendar, you have the option of using either an SAY or BBAY 1 to monitor the annual loan limits for students in that program. You **must** use a Borrower Based Academic Year (BBAY) to monitor the annual loan limits for any academic program that does not meet the definition of a program allowed to use an SAY. However, there are significant differences between the different types of BBAY:

- BBAY 1, for credit-hour programs using an SAY with standard terms or nonstandard SE9W terms.
- BBAY 2, for credit-hour programs not using an SAY, with standard terms or nonstandard SE9W terms.
- BBAY 3, for clock-hour programs, non-term programs, programs with nonstandard terms that are not SE9W, or programs with standard and nonstandard terms not described above.

We will describe the differences between the SAY, BBAY 1, BBAY 2, and BBAY 3 in more detail in the following pages.

Credit-hour programs with traditional calendar using standard terms or nonstandard SE9W terms with a comparable calendar: may use SAY

As noted previously, an SAY corresponds to a traditional academic year calendar, and usually begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of the spring semester). An SAY must meet the FSA requirements for an academic year (as defined in *Chapter 1*). An SAY may include one or more terms that a student does not attend.

Standard terms are semesters, trimesters, or quarters. See *Chapter 3* of this volume for more detail on standard terms. A standard-term program may use an SAY if it has a traditional academic calendar (i.e., has terms that start at about the same time each year, where, for example, the fall and spring semesters or the fall, winter, and spring quarters normally make up the academic year).

Summer terms are generally not considered to be part of the SAY, but for loan limit purposes they may be treated as a “trailer” to the preceding SAY or as a “header” to the following SAY. Your school has the option to establish a policy that designates its summer term as either a trailer or header to the SAY for all students. You can also choose to make different designations for different educational programs, or for different students, as long as you ensure that there is no overlap in academic years. Note that a fixed designation of the summer term can limit a student’s eligibility. For instance, if you always treat your summer term as a trailer to a preceding fall-spring SAY, a student who receives the full annual loan limit for fall-spring would have no remaining loan eligibility for summer.

Summer minisessions must be grouped together as a single trailer or header term if the program is to have a BBAY, or they can be treated separately and assigned to different SAYs. If the summer minisessions are grouped and treated as a single term, the summer COA cannot include costs for a minisession for which the student is not expected to be enrolled.

The annual loan limit applies to the SAY, plus the summer trailer or header. Once the calendar period associated with all of the terms in the SAY and the summer header or trailer (if any) has elapsed, a student regains eligibility for a new annual loan limit.

Nonstandard “SE9W” terms for SAY

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to throughout this chapter as “SE9W.”

The length of terms is measured in weeks of instructional time, as defined in *Chapter 1*. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

A nonstandard program with SE9W terms may use an SAY if all of the following requirements are met:

- it has a fixed academic calendar comparable to a traditional academic calendar (i.e., terms that start at about the same time each year, where 2 or more nonstandard terms normally make up the academic year in the fall through spring);
- all of the nonstandard terms, including any summer term, are SE9W; and
- the number of credit hours and weeks of instructional time in the comparable fall-spring academic calendar meet the regulatory requirements for an academic year.

SE9W SAY Example

Baez Business College has programs with an academic calendar using semester hours with three quarters, each 12 weeks of instructional time in length, offered over the fall through spring (comparable to a traditional academic year calendar) and a 10 week term offered in the summer. Baez defines its academic year as 36 weeks of instructional time and 24 semester hours. As “quarters” using semester hours, the terms are nonstandard terms.

Because these terms are nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), and are offered in a fixed schedule that encompasses the Title IV academic year (plus the summer term), with an academic calendar comparable to a traditional calendar, Baez may use an SAY (with the summer term treated as a trailer or header) or BBAY 1 (consisting of any three consecutive terms) for these programs.

Credit-hour programs with an SAY: may use BBAY 1

If a program is offered in a SAY, you have the option of using a BBAY as an alternative to the SAY for monitoring annual loan limit progression. Unlike an SAY, a BBAY is not a fixed period that begins and ends at the same time each year. Instead, a BBAY’s beginning and ending dates depend on the individual student’s enrollment.

For programs with an SAY, a BBAY must include the same number of terms as the SAY that would otherwise be used (not including any summer “trailer” or “header”). For example, if the SAY includes three quarters (fall, winter, spring), a BBAY would consist of any three consecutive terms. A BBAY may include terms the student does not attend if the student could have enrolled **at least half-time** in those terms, but (unlike an SAY) it must begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-half-time for the first term and not eligible for a loan for that term). Also, any minisessions (summer or otherwise) that run consecutively within a term **must** be combined and treated as a single term.

Like an SAY, a BBAY must meet the minimum FSA requirements for an academic year. However, a BBAY that includes a summer term may include

fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY. This is because a summer term may be shorter than a standard term in an SAY, but is recognized as academically equivalent to a standard term when used as one of the terms in a BBAY. (Note: This exception applies only to a BBAY used as an alternative for a program with an SAY.)

You may use BBAYs for all students, only for students in certain programs, or on a student-by-student basis. For example, you could use a BBAY for students enrolled in a program that begins in a term other than the first term of the SAY. You can even alternate BBAYs and SAYs for a student, provided the academic years don't overlap. This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard.

As with an SAY, the annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

Alternating SAY/BBAY 1

This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard. For instance, if you normally use an SAY consisting of fall and spring semesters with a summer trailer, a student who received the maximum annual loan limit for fall-spring could not receive another loan until the start of a new SAY in the fall. If the student enrolls for summer and wants a loan, you could choose to switch the student to a BBAY consisting of the summer and fall terms. The student could then receive a loan for the summer term, since summer would be the start of a new academic year. A school that has these choices for academic year standards must have a written policy that explains how it applies these options when calculating loan eligibility.

Standard-term programs and nonstandard term SE9W programs without an SAY: BBAY 2

If a program with standard terms or nonstandard SE9W terms is not offered in a traditional academic year calendar (SAY), a BBAY **must** be used. If the program uses semesters or trimesters, a BBAY generally consists of any two consecutive terms (similarly, with quarters, any three consecutive terms). If the program uses SE9W nonstandard terms, a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program's academic year.

As with the optional BBAY that may be used for programs with an SAY, the BBAY may include terms that a student does not attend (as long as the student could have enrolled at least half-time in those terms), but it must begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-full-time for the first term and not eligible for a loan for that term). Unlike the optional BBAY for programs offered in an SAY, there is no exception to the minimum requirements for a BBAY that includes a summer term: the BBAY for standard-term programs that

are not offered in a traditional academic calendar, or a comparable calendar if SE9W nonstandard terms, must always include enough terms to meet the minimum Title IV academic year requirements for weeks of instructional time.

The annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

Standard term, credit-hour programs not using a traditional academic year calendar: BBAY 2

Soler Academy also has a program that measures academic progress in credit-hours and uses 15-week semesters, but is not offered in a traditional academic year calendar (SAY). New students begin the program each month, and a 15-week semester begins at that time for that cohort of students. The school must use a BBAY to monitor annual loan limits. A BBAY consists of any two consecutive semesters, beginning with a semester in which a student is enrolled:

Semester #1 (begins program)	Semester #2	Semester #3	Semester #4 (not enrolled)	Semester #5	Semester #6
Year 1: BBAY		Year 2: BBAY		Year 3: BBAY	

Clock-hour, non-term credit-hour, and nonstandard-term programs that are not SE9W: BBAY 3

All clock-hour programs, non-term credit-hour programs, and nonstandard-term programs with terms that are not SE9W must use a BBAY that meets the minimum requirements for an academic year. That is, the BBAY must contain at least 30 (or, for clock-hour programs, 26) weeks of instructional time and at least the minimum number of credit or clock-hours: for undergraduate programs, 24 semester or trimester hours, 36 quarter-hours, or 900 clock-hours; for graduate programs, the number of hours a student would complete under the school’s full-time standard in the weeks of the Title IV academic year, which must be a minimum of 30 weeks of instructional time, or, for clock-hour programs, at least 26 weeks of instructional time. This requirement also applies to a program that consists of both standard and nonstandard terms and that does not qualify to use an SAY. The BBAY begins when a student enrolls and does not end until the later of the date the student successfully completes the hours in the academic year or the number of weeks of instructional time in the academic year.

Because a student must successfully complete the minimum number of hours or weeks of instructional time in an academic year (whichever comes later) before a new BBAY begins, a student's enrollment status may affect how soon the student regains eligibility for a new annual loan limit. For example, a student who is attending part-time will take longer to complete a BBAY than a full-time student. (In contrast, an SAY or BBAY for a standard-term program, or a nonstandard SE9W program, ends when the *calendar period* associated with the terms in the SAY or BBAY has elapsed, regardless of how many credit-hours or weeks of instruction the student completed during the SAY or BBAY.)

Individual academic progress in BBAY 3

In many clock-hour, non-term, and nonstandard-term programs, students are allowed to progress at an individual pace. For example, a school that defines its academic year as 900 clock-hours and 26 weeks of instructional time offers a 900 clock-hour program that most students complete in 26 weeks. However, one student might complete 900 clock-hours in 22 weeks, and another in 30 weeks. You do not have to prorate the loan limit for the occasional student who completes the program in less than 26 weeks. (Note that this policy applies only to programs that are exactly one academic year in length. If a program is longer than an academic year, proration may be required for a loan covering the remaining portion of the program if a student completes more than the minimum number of hours during the first 26 weeks of instructional time. See loan limit proration example 3 later in this chapter).

BBAY 3 and programs with standard terms

If a program has standard terms and nonstandard terms and does not qualify to use an SAY, the program must use BBAY 3. One common example is a program with a 4-1-4 calendar (2 semesters of 4 months each, with a 1 month winter intersession in between) where the winter intersession is not combined with either the fall or spring semester. It is not permissible to ignore a student's enrollment in a winter intersession.

Another common example is a degree-completion program with 20-week nonstandard terms where students must also attend regular semesters to complete their degree.

Monitoring Annual Loan Limits with an SAY or BBAY

<p>Credit-hour programs offered in a Scheduled Academic Year (SAY) An SAY uses 1) a traditional academic calendar with at least two semesters or trimesters or three quarters in the fall through spring; or 2) a comparable academic calendar with nonstandard SE9W terms, if a) all of the nonstandard terms, including the summer term, are SE9W, and b) the number of hours/weeks in the comparable fall-spring academic calendar meets the regulatory requirements for an academic year.</p>	<p>Credit-hour programs not offered in a Scheduled Academic Year, but with 1) standard terms, or 2) nonstandard SE9W terms</p>	<p>Clock-hour programs, non-term programs, and programs with nonstandard terms that are not SE9W</p>
<p>May use SAY</p>	<p>Must use BBAY 2</p>	<p>Must use BBAY 3</p>
<p>1) An SAY generally begins/ends at same time each year.</p> <p>2) The student does not have to be enrolled in the first term of the SAY.</p> <p>3) An SAY for a program must at least meet the program's Title IV academic year in weeks/hours.</p> <p>4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit.</p> <p>5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed.</p> <p>6) After original loan, student may receive additional loans during same SAY if:</p> <ul style="list-style-type: none"> • Student did not receive maximum annual loan amount and has remaining eligibility; • Student progresses to grade level with higher annual loan limit; or • Student changes from dependent to independent. <p>7) Summer term may be "trailer" or "header" per:</p> <ul style="list-style-type: none"> • Strict policy; • By program; or • Case by case, by student. 	<p><i>May use BBAY 1 for all students; certain students; or certain programs</i></p> <p><i>May alternate SAY and BBAY 1 for a student provided academic years do not overlap</i></p> <p>1) BBAY1 "floats" with the student's enrollment.</p> <p>2) Student must be enrolled in first term of the BBAY1 (less-than-1/2-time enrollment is acceptable).</p> <p>3) Length of BBAY1 must equal the number of terms in the program's SAY, excluding the summer trailer/header.</p> <ul style="list-style-type: none"> • Number of hours/weeks in BBAY1 need not meet the regulatory requirements for an academic year if the BBAY1 includes summer term. • May include terms student does not attend if student could have enrolled at least 1/2--time. <p>4) Total of all loans received within BBAY1 may not exceed annual loan limit.</p> <p>5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed.</p> <p>6) After original loan, student may receive additional loans during same BBAY1 if:</p> <ul style="list-style-type: none"> • Student did not receive maximum annual loan amount and has remaining eligibility; • Student progresses to grade level with higher annual loan limit; or • Student changes from dependent to independent. <p>7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term (affects all FSA programs).</p> <ul style="list-style-type: none"> • Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term. 	<p>1) BBAY2 floats with student's enrollment.</p> <p>2) Student must be enrolled in first term of the BBAY2 (less-than-half-time enrollment is acceptable). The BBAY2 may include terms student does not attend if student could have enrolled at least half-time</p> <p>3) The BBAY2 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year, and it must consist of:</p> <ul style="list-style-type: none"> • at least 2 consecutive semesters or trimesters; • at least 3 consecutive quarters; or • at least the number of consecutive SE9W terms covered by the program's Title IV academic year. <p>4) Total of all loans received within a BBAY2 may not exceed annual loan limit.</p> <p>5) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed</p> <p>6) After original loan, student may receive additional loans during same BBAY2 if:</p> <ul style="list-style-type: none"> • Student did not receive maximum annual loan amount and has remaining eligibility; • Student progresses to grade level with higher annual loan limit; or • Student changes from dependent to independent. <p>7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term (affects all FSA programs)</p> <ul style="list-style-type: none"> • Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term
<p><i>BBAY3 also applies to programs that mix nonstandard terms and standard terms that do not have an SAY</i></p> <p>1) BBAY3 floats with student's enrollment.</p> <p>2) The BBAY3 begins with student's enrollment on at least a half-time basis.</p> <p>3) BBAY3 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year.</p> <p>4) Total of all loans received within a BBAY3 may not exceed annual loan limit.</p> <p>5a) Student becomes eligible for new annual loan limit only after successfully completing the clock or credit-hours AND weeks of instructional time in the BBAY3.</p> <p>5b) A student may not become eligible for next grade level annual loan limits until after completion of a BBAY3.</p> <p>6) After original loan, student may receive additional loans within BBAY3 only if:</p> <ul style="list-style-type: none"> • Student did not receive maximum annual loan amount and has remaining eligibility; or • Student changes from dependent to independent. 		

Graduate vs. Undergraduate limits: Special cases

- **Combined undergraduate/graduate programs**

Some programs combine undergraduate and graduate study, where the first years of the program are undergraduate study and the final years of the program are graduate study. For instance, in a 5-year program leading to a graduate or professional degree, the school may define the first 3 or 4 years of study as being at the undergraduate level, but after year 4, it must be treated as graduate level.

- **Students returning for second baccalaureate degree**

If a student with a baccalaureate degree enrolls in another baccalaureate program, his/her grade level for loan limit purposes would be based on the amount of work that the school counts toward satisfying the requirements of the new program. For instance, if your school accepts 30 semester hours of a student's work in a previous baccalaureate program toward the requirements for a BS in Chemistry at your school and, on that basis, classifies the student at the second-year level, then the student would be eligible for second-year undergraduate loan limits (see below for the loan limit that applies when a student is required to have a prior associates or baccalaureate degree as condition for being admitted to an undergraduate program).

- **Transfer from graduate to undergraduate program during an academic year**

If a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate annual loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. However, the total amount awarded for the academic year may not exceed the higher (grad/professional) annual loan limit.

- **Baccalaureate or associate degree required for admission to an undergraduate program**

A student who has an associate or baccalaureate degree that is required for admission into a program, but is not a graduate or professional student, may borrow up to the highest undergraduate annual loan limit (\$5,500 for a dependent student; additional \$7,000 in Direct Unsubsidized for an independent student or a dependent student whose parent is not eligible for PLUS), subject to the undergraduate aggregate loan limits.

- **Undergraduate student with graduate degree**

In some cases, a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program. Only the loans that the student received for the first undergraduate program are included in determining the student's remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits. Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits. (See example below.)

Example: Graduate student returning to undergraduate program

An independent student has received the following loan amounts for a first undergraduate program and a graduate program:		Subsidized:	Unsubsidized:	Total
	Undergraduate	\$20,500	\$10,000	\$30,500
	Graduate*	\$45,000	\$40,000	\$85,000
	Total	\$65,500	\$50,000	\$115,500

The student has now enrolled in a second undergraduate program. Only the loans received for the first undergraduate program are counted toward the student's undergraduate aggregate loan limit. Because the total amount received for the first undergraduate program (\$30,500) does not exceed the aggregate loan limit for an independent undergraduate (\$57,500, maximum \$23,000 subsidized), the student has remaining loan eligibility for the second undergraduate program.

However, the loans received for the graduate program must still be considered to ensure that the student does not exceed the total aggregate loan limits. In this case, the total subsidized amount already received (\$65,500) is the maximum subsidized amount that a student may receive for undergraduate and graduate study combined. Therefore, the student may receive only unsubsidized loans for the second undergraduate program. The student may not exceed the combined undergraduate/graduate aggregate loan limit of \$138,500. This means that the student's remaining loan eligibility for the second undergraduate program is \$23,000 in unsubsidized loans (\$138,500 minus \$115,500 already received for the first undergraduate program and the graduate program).

*This example assumes that the student received the \$45,000 in subsidized loans for graduate study for periods of enrollment that began before July 1, 2012.

Standard term, credit-hour programs using a traditional academic year calendar: BBAY 1

1. BBAY where SAY contains 2 semesters

Examples 1a through 1c illustrate the optional use of a BBAY for a program that is offered in an SAY consisting of two semesters, fall and spring, each 15 weeks of instructional time in length. (Note that in each example, the first BBAY is the same as the SAY.)

In example 1a, the initial fall and spring terms could be considered either an SAY or BBAY. If the student attends the summer session at the school, the aid administrator can elect to treat the summer term and the next fall as a BBAY for the student. In that case, the following spring and summer would also constitute a BBAY. The maximum loan limit for an academic year applies to each BBAY. If these were the first three years of study for a dependent student and the student progressed a grade level each academic year, he/she would be eligible for up to the applicable annual loan limits for the respective academic years.

1a.	Fall	Spring	Summer	Fall	Spring	Summer
	Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. In example 1b, the student is not enrolled in the second term (fall) of year 2.

In example 1c, if the student does not attend a term that otherwise would have been the beginning of a BBAY (in this case, spring), then the student's next BBAY cannot begin until the next term that the student attends. As with example 1a, the annual loan limit applies to each BBAY.

1b.	Fall	Spring	Summer	Fall	Spring	Summer
	Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	
				(not enrolled)		

1c.	Fall	Spring	Summer	Fall	Spring	Summer	Fall
	Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY		
					(not enrolled)		

2. BBAY where SAY contains 3 quarters

The same concepts apply to quarter-term programs. For instance, in example 2, the fall, winter, and spring terms constitute the school's SAY. If the student attends the summer session at the school, it can be the first term of a BBAY that includes the following fall and winter terms.

Fall	Winter	Spring	Summer	Fall	Winter
Year 1: SAY or BBAY			Year 2: BBAY		

Direct Loan limits for preparatory coursework & teacher certification

In *Volume 1, Chapter 1*, we discussed three instances in which a student may receive a loan for coursework that is not part of an eligible program. If the student and the academic coursework meet the conditions described in that volume, the annual loan limits are:

Preparatory coursework (not to exceed 12 consecutive months)

For undergraduate degree/certificate coursework:

Direct Subsidized & Unsubsidized Loans	\$2,625**
Additional unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$6,000**

For graduate or professional coursework:

Direct Subsidized & Unsubsidized Loans	\$5,500**
Additional Direct Unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$7,000**

State-required teacher certification coursework

Direct Subsidized & Unsubsidized Loans	\$5,500**
Additional Direct Unsubsidized Loans for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$7,000**

No additional Direct Unsubsidized Loan amount is available to dependent undergraduate students who are enrolled in preparatory coursework or teacher certification coursework (except for dependent undergraduates whose parents can't get Direct PLUS).

** Loan limit is not prorated if the coursework lasts less than an academic year. See *Volume 1, Chapter 6, FSA Handbook* for more information on Title IV eligibility for this coursework.

Criteria for additional Direct Unsubsidized Loans

Dependent students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other exceptional circumstances may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students. The increased loan amounts may not substitute entirely for the amount a parent may borrow under the PLUS program, which may be up to the difference between COA and EFA. As a result, you should determine whether the parents may be able to borrow a Direct PLUS Loan using an endorser who does not have an adverse credit history before originating additional unsubsidized loan amounts for the dependent student.

Before originating a loan for increased loan amounts, you must document the basis of the dependent student's eligibility. Some basic guidelines for making this determination include:

- None of the following, by themselves, are sufficient to make a dependent student eligible for additional unsubsidized loans: the parent's unwillingness to borrow a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan program, or the aid administrator's belief that a parent should not borrow a Direct PLUS Loan.
- If only one of a student's two parents has applied for a Direct PLUS Loan and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the additional unsubsidized loan amounts.
- The dependent student may become eligible at any time during an academic year if a parent has first been approved and then later denied a Direct PLUS Loan based on a subsequent application. Under these circumstances, any previous Direct PLUS Loan funds received during the same period of enrollment are treated as estimated financial assistance in determining the student's remaining eligibility for additional unsubsidized loan amounts.

In addition to cases in which a parent has been denied a Direct PLUS Loan due to adverse credit, a dependent undergraduate student may also be eligible for increased unsubsidized loan amounts if you determine and document that other

exceptional circumstances exist that will prevent a parent from borrowing a Direct PLUS Loan. Examples of such exceptional circumstances include, but are not limited to, the following:

- The parent is incarcerated.
- The parent's whereabouts are unknown.
- The parent has filed for bankruptcy and has provided a letter from the bankruptcy court stating that as a condition of the bankruptcy filing, the parent may not incur any additional debt.
- The parent's income is limited to public assistance or disability benefits, and you have documented that the parent would not be able to repay the Direct PLUS Loan.
- You have examined the family financial information and documented the parent's likely inability to repay the Direct PLUS Loan due to an existing debt burden or the parent's expected income-to-debt ratio.
- The parent of a dependent student is not a U.S. citizen or permanent resident or is not able to provide evidence from the U.S. Citizenship and Immigration Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Before originating a loan for the increased Direct Unsubsidized Loan amounts based on a parent's ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.

A determination that a parent is ineligible for a Direct PLUS Loan in one academic year based on adverse credit or other exceptional circumstances does not automatically support the dependent student's additional unsubsidized loan eligibility in subsequent years. If a dependent student is determined to be eligible for additional unsubsidized loan amounts in one academic year, you must re-examine and document that the basis for the student's eligibility continues to exist before originating additional unsubsidized loan amounts for the dependent in a subsequent year.

Clock-hour, non-term, and nonstandard-term programs (other than SE9W programs): BBAY 3

Example 1: Non-term credit-hour program

A school offers a 48 semester hour, 60 weeks of instructional time program with a defined academic year of 24 semester hours and 30 weeks of instructional time. A student could receive two loans for this program. The period of enrollment for the first loan would be the time needed for a student to successfully complete the first 24 hours and 30 weeks of instructional time. The period of enrollment for the second loan would be the time needed to complete the remaining hours and weeks of instructional time of the program.

A student does not become eligible for the second loan until the later of the date that he/she successfully completes (passes) both 24 semester hours and 30 weeks of instructional time.

Example 2: Nonstandard term, credit-hour program, terms not substantially equal in length

A school offers a 72 quarter-hour program with 60 weeks of instructional time and a defined academic year of 36 quarter-hours and 30 weeks of instructional time. Courses are offered in 2-week and 5-week terms. A student could receive two loans, one for the period in which the student successfully completes the first 36 hours and 30 weeks, and another for the remaining hours and weeks of the program.

Although this program uses terms and measures academic progress in credit hours, the terms are nonstandard terms that are not substantially equal in length. A student does not become eligible for the second loan until he or she has completed 36 quarter hours or 30 weeks of instructional time, whichever comes later, regardless of the number of terms that have elapsed. For instance, a student who successfully completes (passes) 33 quarter hours in the first 30 weeks of instructional time must complete an additional three quarter hours before receiving the second loan. Generally, a school would originate a loan through the term in which the student is expected to complete the hours and weeks of instructional time of the academic year.

Example 3: Clock-hour program

Soler Academy has an 1,800 clock-hour program with 52 weeks of instructional time, and defines its academic year as 900 clock-hours and 26 weeks of instructional time. The initial BBAY always begins with the student's actual enrollment date. An enrolling student may receive two Direct Loans during the program (provided all eligibility criteria are met) because the program exceeds one academic year. The period of enrollment for the first loan would be the time it will take the student to successfully complete (pass) either 900 clock-hours or 26 weeks of instructional time, whichever comes later. The period for the second loan would be the time it takes to successfully complete the final 900 hours and 26 weeks of instructional time. Note that the student cannot receive the second loan until he/she has successfully completed the first 900 hours of the program or 26 weeks of instruction, whichever comes later.

A student who completes the first 900 hours in less than 26 weeks must still complete 26 weeks of instructional time before a new BBAY begins and the student becomes eligible to receive another loan. In this case, the second loan period would be for the clock-hours remaining and the weeks of instructional time to complete those hours. Similarly, a student who has completed fewer than 900 clock-hours after 26 weeks of instructional time must successfully complete 900 hours before receiving another loan.

GRADE LEVEL PROGRESSION

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in his/her studies. Generally, a student's grade level for loan limit purposes is set according to the school's academic standards. Progression to a higher grade level does not always coincide with the beginning of a new academic year. For example, a student in a standard term program (or a borrower in a program using nonstandard, substantially equal-terms of 9 or more weeks [SE9W]) who completes only 12 semester hours during the first academic year could receive another loan when the calendar period associated with that academic year has elapsed. However, the borrower would still be classified as a first-year undergraduate at the start of the second academic year.

While the law defines minimum coursework for an academic year, it doesn't define how much coursework a student must complete to progress from one grade level to another. Unless a student's program of study or a school's academic standards clearly specify when this grade-level progression takes place, a reasonable approach would be to base grade levels on the number of credits required for the program, divided by the number of academic years it takes a typical student to earn that number of credits. For instance, if your school has a baccalaureate program that requires 120 semester hours of work and is typically completed in four academic years, then you might use a standard of 30 hours completed at each grade level.

Grade level progression within the same academic year

In standard term programs or nonstandard SE9W programs, a student who has already borrowed up to the annual limit within an academic year can receive additional loan funds if the student progresses to a grade level with a higher annual loan limit during that same academic year. See Volume 3, Chapter 1 for a discussion of academic year requirements.

For instance, if a dependent student was classified as a 2nd-year undergraduate in the fall, he/she might have received a first disbursement of up to \$3,250 in Direct Subsidized/Unsubsidized Loan funds for the fall-spring loan. If the student achieved 3rd-year academic status based on the coursework completed in the fall semester, the student would now be eligible for the \$7,500 Direct Subsidized/Unsubsidized annual limit that applies to 3rd year and beyond dependent undergraduates. If the student had sufficient financial need, you could disburse the difference between the amount the student already received and the new annual limit in the spring term (\$7,500 minus \$3,250 = \$4,250).

In all cases, the borrower may borrow the difference between the amount already borrowed within the academic year and the student's new loan limit. Usually, the increase in the loan amount can be made as an adjustment to the student's existing loan rather than making a new loan. For a clock-hour program, non-term program, or nonstandard-term program that is not SE9W, the borrower will never progress to a higher grade level within an academic year. In a clock-hour program, non-term program, or

nonstandard-term program that is not SE9W that is longer than an academic year, the borrower moves to a higher grade level only when he or she completes the credit or clock-hours and weeks of instructional time in the BBAY.

Grade level progression: clock-hour, non-term credit-hour, and other non-term programs

In contrast, progression to a higher grade level and the beginning of a new academic year for loan limit purposes always happens at the same time for a student in a clock-hour program, non-term program, or nonstandard-term program in which the terms are not substantially equal in length or one or more terms have less than nine weeks of instructional time. In order to advance to the next grade level in such a program, for annual loan limit purposes, a student must successfully complete both the weeks and hours in the program's Title IV academic year; that is, at least 30 weeks of instructional time (or, for clock-hour programs, at least 26 weeks) and the credit or clock-hours in the academic year, whichever comes later. For instance, a first-year student in a 2-year non-term program who earns 36 quarter-credits over 24 weeks of instructional time cannot progress to the next grade level until another 6 weeks of instructional time are completed (the point at which the loan period for that academic year will be completed).

If a program can normally be completed in one year of full-time study, a student in that program can never receive more than the 1st-year annual loan limit in any given year, no matter how long it takes the student to finish. (Similarly, a student in a two-year program can never receive more than the 2nd-year annual loan limit for an academic year.)

Increasing the loan when grade level changes during academic year

There are two options for increasing the amount of an existing loan when a student's grade level changes during an academic year:

1. Originate a new loan at the new grade level for the applicable amount (the difference between the new loan limit and the amount of the first loan). The loan period for the new loan must correspond to the term(s) during which the student qualifies for the higher loan limit. You could also choose to cancel any pending disbursements of the first loan and originate a new loan for an amount equal to the canceled disbursements of the first loan plus the additional amount for which the student is eligible due to the grade level change.
2. Adjust the amount of the current loan. Change the grade level in the loan record and increase the amount of the existing loan to the new amount.

With either option, the student's remaining loan eligibility must be calculated using only the costs and estimated financial assistance for the term(s) during which the student qualifies for the higher loan limit.

As a reminder, a student can progress to a higher grade level during an academic year only in a program with standard terms or non-standard terms that are SE9W.

New annual amount for same grade level

For both standard-term programs and SE9W programs, if a student is enrolled at the same grade level after a full academic year has elapsed, the student may be eligible for a new annual maximum amount. For instance, if the student maintains satisfactory academic progress, he or she could conceivably receive two Direct Subsidized/Unsubsidized Loans at the maximum annual loan limit for a first-year undergraduate while completing the first year of the program.

If the student is maintaining satisfactory academic progress, your school is not permitted to have a general policy that limits the number of times the student can receive the maximum annual loan limit at one grade level. A school may refuse to originate a loan or may originate a loan for an amount less than the borrower's maximum eligibility only on a case-by-base basis.

Remedial work & grade level

Remedial coursework can be counted towards the student's grade level progression, but only if the school's written and officially approved academic grade level progression policy specifies that remedial coursework can be counted for this purpose. Example: A school requires that the student complete 30 semester hours to progress to second-year grade level, and specifies that up to 10 of the hours may be in the form of remedial coursework.

Transfers & grade level

If you're awarding a Direct Loan to a student who is transferring from a program at another school to a program at your school that is greater than one academic year in length, you may use the loan limits for a student in the 2nd-year or higher level of study if your school classifies the student at that level based on the number of academic credits it accepts from the prior school, or based on the granting of advance standing in the new program. Note, however, that if an associate or bachelor's degree is required for entry into a program at your school, you *must* use the 3rd-year loan limits for a student who transfers to that program.

The "Eligibility and Certification Approval Report" (ECAR) lists "one-year" as the highest educational program offered by the school if its longest program is one year or more, but less than two years in length. Students in programs longer than one year can be paid as 2nd-year students even though the ECAR lists the school's highest offering as "one-year." For instance, if a student is enrolled in a 1,500 clock-hour program, he/she would be eligible for the 2nd-year loan limits after completing 900 clock-hours and 26 weeks of instructional time. However, the loan limit would have to be

prorated for the remaining hours of the student's program (see next section).

Loan limits and work in a prior certificate program

A school may not link two stand-alone 1-year programs by making one a prerequisite for admission to the other so that students beginning the second 1-year program could be classified as second-year students for loan limit purposes. However, hours or credits earned in a prior certificate program could be used to classify a transfer student at a grade level higher than grade level 1, if the student transfers into a program that is greater than one academic year in length and the new school accepts a year's worth of credits/hours from the prior program. For instance, if a school admits a transfer student from a certificate program and accepts 900 clock-hours that the student earned toward its 1,500-hour program, the student could be eligible for the 2nd-year loan limits if other students in the program are eligible for 2nd-year loan limits after completing the first 900 hours of the program.

PRORATING ANNUAL LOAN LIMITS FOR DIRECT SUBSIDIZED/UNSUBSIDIZED LOANS (UNDERGRADUATE ONLY)

The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is:

- enrolled in a program that is shorter than a full academic year; or
- enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

Direct Subsidized/Unsubsidized Loans are prorated only in these two situations. Loan limits are not prorated based on a student's enrollment status, such as when a student is enrolled less than full-time or is enrolled for a period of less than a full academic year that is not a remaining period of study. In addition, Direct Loan limits are not prorated for students enrolled in graduate or professional level programs.

Loan proration requirements also do not apply to loans made to students taking preparatory coursework or coursework necessary for teacher certification. The annual loan limit must be prorated only when a student is enrolled in a program or remaining portion of a program that is shorter than an academic year. For purposes of awarding Title IV aid, students taking preparatory coursework or coursework needed for teacher certification are not considered to be enrolled in a program.

Bear in mind that loan limit proration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually receives. In some cases, the actual loan amount that a student is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit.

Prorating loan limits for programs of study shorter than a full academic year

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser* of —

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

or

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

The result is the prorated annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.)

Prorating loan limits for remaining periods of study shorter than an academic year

You must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year. Proration is required only when it is known in advance that a student will be enrolled for a final period of study that is shorter than an academic year. If a student originally enrolls for a final period of study that is a full academic year in length, but completes the program early in less than a full academic year, it is not necessary to retroactively prorate the annual loan limit.

In a *standard term program, or a credit-hour program using nonstandard SE9W terms*, a remaining period of study is considered shorter than an academic year if the remaining period contains fewer terms than the number of terms covered by the school's Title IV academic year. For programs that are offered in a Scheduled Academic Year, the number of terms covered in the school's Title IV academic year usually does not include any summer "header" or "trailer" term.

In a *clock-hour program, non-term program, or a program with nonstandard terms that are not SE9W*, a remaining period of study is considered less than an academic year for this purpose if the remaining period consists of fewer clock or credit hours than the program's defined Title IV academic year.

For all types of programs, where there is a remaining portion less than an academic year, the annual loan limit for the student's grade level is multiplied by the following fraction to determine the prorated loan limit:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

Unlike proration for programs that are shorter than an academic year, there is no comparison of weeks and hours. *Only the credit or clock-hours that the student is scheduled to attend or is actually attending at the time of origination are used in the calculation.*

Prorating loan limits for additional unsubsidized amounts

For students in a program of study of at least one academic year but less than 2 academic years in length, the additional \$2,000 in Direct Unsubsidized Loan eligibility is multiplied by the following ratio:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

For students in a program of study of less than an academic year in length, the additional \$2,000 is multiplied by the lesser of the following 2 ratios:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

or

$$\frac{\text{Weeks in program}}{\text{Weeks in academic year}}$$

Prorating annual loan limits for borrowers in remaining portions of term-based programs

A student who is enrolled in a 4-year program that is offered in a Scheduled Academic Year consisting of three quarters plus a summer “trailer” has completed four academic years of study and received four Direct Loans. The student needs to attend an additional quarter term to complete the program requirements. The final quarter term would fall in a new academic year, and thus the annual loan limit would have to be prorated, because the remaining period of study (a single quarter) is less than a full academic year.

A student who is enrolled in a 2-year program without a Scheduled Academic Year where the Title IV academic year covers two 15-week semesters has completed two academic years of study, but needs to return for an additional semester to complete the program requirements. Again, the loan limit would have to be prorated if the student receives a loan for the final semester.

Note on fractions and decimals for prorating Direct Loans

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this conversion is not a requirement. You may still choose to multiply the annual loan limit by the original fraction. However, you should be consistent in the method you use, since the fraction and decimal calculations sometimes result in slightly different prorated loan limits. The decimal method will generally result in an amount that is equal to or slightly higher than the amount calculated using the original fraction.

Loan proration

Direct Loans: 34 CFR 685.203(a),(b),(c)

Proration examples for programs shorter than an academic year

Example 1

Program = 400 clock-hours, 12 weeks of instructional time
Academic year = 900 clock hrs, 26 weeks of instructional time

Jill is a dependent student enrolled in a 12-week program at Epstein Career College (ECC). ECC defines the academic year for this program as 900 clock-hours providing 26 weeks of instructional time. Measured in clock-hours, Jill's program is 400 clock-hours long.

To determine the maximum loan amount she can borrow, convert the fractions based on weeks ($12/26 = .46$) and hours ($400/900 = .44$) to decimals. Multiply the smaller decimal (.44) by the first-year annual loan limits for a dependent undergraduate: \$3,500 combined subsidized/unsubsidized and \$2,000 additional unsubsidized.

$$\$3,500 \times .44 = \$1,540 \text{ combined subsidized/unsubsidized}$$

$$\$2,000 \times .44 = \$880 \text{ additional unsubsidized}$$

The maximum combined Direct Subsidized and Unsubsidized loan amount Jill can borrow for the program is \$2,420, but no more than \$1,540 of this amount may be in subsidized loans.

Example 2

Program = 24 quarter hours; 20 weeks of instructional time
Academic year = 36 credit hrs, 30 weeks of instructional time

Morgan is an independent student enrolled in a program at Epstein Career College that provides 24 quarter-hours and 20 weeks of instructional time. ECC defines the academic year for this program as 36 quarter-hours and 30 weeks of instructional time. To determine the maximum loan amount she can borrow, convert the fractions based on weeks ($20/30 = .67$) and quarter-hours ($24/36 = .67$) to decimals. Multiply the smaller decimal (in this case, both are .67) by the first-year annual loan limits for an independent undergraduate.

$$\$3,500 \times .67 = \$2,345 \text{ total Direct Loan}$$

$$\$6,000 \times .67 = \$4,020 \text{ subsidized}$$

The maximum combined Direct Subsidized and Unsubsidized Direct Loan amount Morgan can borrow for the program is \$6,365, with the subsidized loan amount limited to \$2,345.

Proration examples for remaining period of study shorter than an academic year

Example 1: Academic year contains 3 quarters
Remaining period = 1 quarter

Fall	Winter	Spring
Fall	Winter	Spring
Fall	Winter	Spring

Chuck has attended 6 quarters in a 2-year program at Hartlieb Community College (HCC), but to finish the program, he needs to attend an additional quarter as a half-time student (6 quarter hours). Chuck is a dependent undergraduate student, and HCC defines its academic year (covering three quarters) as 36 quarter hours and 30 weeks of instructional time.

To determine the prorated Direct Loan limit for Chuck's remaining period of study, convert the fraction based on the hours that Chuck is expected to attend and the hours in the academic year to a decimal ($6/36 = .17$).

Multiply this decimal by the second-year dependent undergraduate annual loan limits: $\$4,500$ (subsidized) $\times .17 = \$765$ combined subsidized/unsubsidized; $\$2,000$ (unsubsidized) $\times .17 = 340$ additional unsubsidized. Total prorated Direct Loan limit $\$1,105$, of which $\$765$ may be subsidized.

Example 3: Academic year contains 900 clock-hours and 26 weeks. Program = 1,800 clock-hours

Year 1: Student completes 1,040 clock-hours in 26 weeks

Year 2: 750 clock-hours remaining in program

Bulaga Career College has an 1800 clock-hour program and defines its academic year as 900 clock-hours and 26 weeks of instructional time. Sally, a dependent undergraduate student, successfully completes the first 900 clock-hours of the program in 22 weeks of instructional time. However, she must complete an additional four weeks of instructional time before she may receive a second loan. After 26 weeks of instructional time have elapsed, Sally has successfully completed 1040 clock-hours. She may then receive a second loan, but the loan limit must be prorated based on the number of clock-hours remaining in her program at this point. To determine the prorated loan limit for Sally's second loan, convert the fraction based on the number of clock-hours remaining to a decimal ($760/900 = .84$). Multiply this decimal by the second-year dependent undergraduate annual loan limits:

$\$4,500 \times .84 = \$3,780$ combined subsidized/unsubsidized, $2,000 \times .84 = \$1,680$ additional unsubsidized

The total prorated loan limit for the remaining period of study is $\$5,460$, not more than $\$3,780$ of which may be subsidized.

Example 5: Remaining period of study shorter than an academic year, with less than half-time enrollment in one of the terms.

Fall	Winter	Spring (not enrolled)
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Turner College has an academic year that covers three quarters: fall, winter, and spring. Linda, a dependent fourth-year undergraduate, will be enrolling in the fall and winter quarters, but not the spring quarter, and will graduate at the end of the winter term. Linda will be enrolled for 12 quarter hours (full-time) during the fall quarter, but will be enrolled for only 3 hours (less than half-time) in the winter quarter. Turner defines its academic year as 36 quarter hours and 30 weeks of instructional time.

Linda's final period of study (two terms) is shorter than an academic year, so the annual loan limit must be prorated. However, because Linda will be enrolled less than half-time during the winter quarter (and therefore ineligible to receive Direct Loan funds for that term), the loan period will cover the fall quarter only, and only the 12 quarter hours for the fall term are used to determine the prorated annual loan limit.

To determine the prorated loan limit for Linda's final period of study, convert the fraction based on the hours that Linda is expected to attend in the fall quarter and the hours in the academic year to a decimal ($12/36 = .33$). Multiply this decimal by the fourth-year dependent undergraduate annual loan limit: $\$5,500 \times .33 = \$1,815$ combined subsidized/unsubsidized prorated annual loan limit, plus $\$2,000 \times .33 = \660 prorated additional unsubsidized annual loan limit, for a total prorated annual loan limit of $\$2,475$, not more than $\$1,815$ of which may be subsidized.

Example 2: Academic year contains 2 semesters
Remaining period = 1 semester

Fall	Spring
Fall	Spring

Chuck transfers to a BA program at Reiff College. By taking 18 hours a semester, he will be able to graduate in the Fall term of his second year. Chuck is a dependent undergraduate student, and Reiff defines its academic year (covering two semesters) as 24 credit hours and 30 weeks of instructional time. To determine the prorated Direct Loan limit for the remaining period of study, convert the fraction based on credit hours to a decimal ($18/24 = .75$). Multiply this decimal by the fourth-year dependent undergraduate annual loan limits:

$\$5,500$ (subsidized) $\times .75 = \$4,125$ combined Direct Sub/Unsub; $\$2,000$ additional unsubsidized $\times .75 = \$1,500$. Total prorated Direct Loan limit $\$5,625$, of which $\$4,125$ may be subsidized.

Example 4: Remaining period of study with scheduled period of non-enrollment

Fall	Winter	Spring
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McNutt Institute has an academic year that covers three quarters: fall, winter, and spring. Bob will be enrolling in the fall and spring quarters, but not the winter quarter, and will graduate at the end of the spring quarter. Because the fall quarter is in the same academic year as Bob's final quarter, it is part of the final period of study, even though there is a term between the final quarter and the fall quarter in which he will not enroll. McNutt Institute must award Bob separate loans for fall and spring. The annual loan limit must be prorated (because Bob's final period of study, two terms, is shorter than an academic year). If Bob decided to enroll for the winter quarter on a less-than-half-time basis, his remaining period of study (three terms) would be equal to a full academic year and proration would not be required, even though he would have no loan eligibility for the winter quarter.

REMAINING LOAN ELIGIBILITY FOR STUDENTS WHO TRANSFER OR CHANGE PROGRAMS

The annual loan limits are based on an academic year. If a student transfers from one school to another school or changes to a different program at the same school and there is an overlap of academic years, this overlap may affect the amount that the student is eligible to borrow at the new school or for the new program.

An overlap in academic years exists at the new school if the academic year at the new school (or the academic year for the new program at the same school) begins before the calendar end date of the academic year at the prior school or program. In the case of a transfer student from another school, you may obtain documentation from the prior school of the specific beginning and ending dates for the prior academic year or look for the academic year dates of Direct Loans originated by the prior school on the “award detail information page” in the Common Origination and Disbursement (COD) Web interface.

Prior guidance permitted schools, when information about the prior school’s academic year was unavailable, to assume the academic year of the prior school was the beginning date of the loan period of the prior loan through 30 calendar weeks after the beginning date of the loan period. Because the academic year dates for Direct Loans are readily available in COD, a school may no longer make this assumption regarding academic year dates.

The same principles for students who transfer from one school to another school would apply in the case of students who change programs within the same school.

For programs with standard terms or nonstandard SE9W terms (use SAY, BBAY 1, or BBAY 2)

If a student enrolls in a program with standard terms (or nonstandard SE9W terms) after already having taken out a loan at another school with an overlapping academic year, the student initially may not receive more than the annual loan limit minus the amount received at the prior school.

However, the student may borrow again for a subsequent term within the same academic year at the new school if the term begins after the end of the academic year at the prior school. For a subsequent term that begins after the end of the prior school’s academic year, but within the initial academic year at the new school, the student may borrow up to the difference between the applicable annual loan limit and the amount already received for the new school’s academic year, if the student’s COA supports that amount.

For clock-hour and non-term programs, and programs with nonstandard terms that are not SE9W (use BBAY 3)***Transfers between schools:***

If a student who enrolls in a clock-hour or non-term program (or a program with nonstandard terms that are not SE9W) after already having taken out a loan at another school with a period of enrollment that overlaps the period of enrollment at the second school, then the student is restricted to the remaining balance of the student's annual loan limit until the completion of the academic year, which had begun at the first school and continues at the new school. The new school may originate an initial loan for the remaining portion of the program or academic year that began at the prior school. For more information, see the discussion under "Direct Loan periods when student transfers to a new school" later in this chapter.

Transfers between programs at the same school

For a transfer between programs at the same school, you would look to the requirements for payment periods. There would be a new loan period with new payment periods or, if you choose to consider the student to be in the same payment period, there would be no new loan period.

Same payment period and same loan period: At your option, you can consider a transferring student to be in the same payment period if:

- The student is continuously enrolled at the school;
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers in the new program;
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock-hours, as applicable;
- There are little or no changes in school charges associated with the payment period to the student; and
- The credits or clock-hours from the payment period the student is transferring out of are accepted toward the new program.

If the student is kept in the same payment period, the original loan period should remain the same. However, you should take into account any changes as to when the student would complete the hours and weeks of instructional time of the academic year and make adjustments such as the ending date of the loan period or the date of the second (or any subsequent) disbursement(s). Any adjustments that have a direct effect or influence on 150% subsidized loan limits must also be updated/reported to COD.

New payment period and new loan period

If a transferring student is placed, or must be placed, in a new payment period, you would perform a Return of Title IV calculation for his or her withdrawal from the payment period in the old program (assuming that the student did not complete that payment period without starting a new one before transferring into the new program if the return of Title IV funds is done on a payment period basis, or assuming the student did not complete the loan period if the R2T4 is done on a period of enrollment basis). That calculation would close out the original loan period. Then the student would start over with a new loan period for his new program that uses the remaining annual loan limit eligibility from the prior loan period.

The new loan period would be for an academic year using the remaining annual loan limit eligibility if the student's new program is at least an academic year in length. If the new program is less than an academic year, the student's annual loan limit is the lesser of the remaining annual loan limit eligibility or the prorated annual loan limit based on hours to be completed in the new program. For guidance on loan periods for transfer students, see the minimum/maximum loan period section earlier in this chapter.

Student completes a program and starts another at the same school

If a student completes a program at your school and then begins a new program at your school, and the student's last loan for the completed program is for less than an academic year, you may originate an initial loan for the new program with an abbreviated loan that ends on the calendar period ending date of the academic year associated with the prior program. For more detailed information, see the discussion under "Loan periods for a student starting a new program at the same school in the same academic year" later in this chapter.

Transferring from a closed school and the 150% limit

When a student transfers to your school from another school, remaining eligibility period (REP) data may need to be updated and revised before REP calculations at your school can be properly made and submitted for Direct Loan awarding and disbursing purposes. The Department is working with closed schools to make award and disbursement adjustments to update student's REP status. Pending disbursements of a Direct Loan awarded at the closed school with disbursement dates after the school's closure date will not be made. You can ignore any pending disbursements when awarding the student Direct Loan funds at your school, and you don't need to wait for pending disbursements to be reduced to zero before submitting a Direct Loan origination to COD. For more details, see the Sept 21, 2016 EA and the December 7, 2016 EA.

Direct Loan transfer loan periods

34 CFR 685.301(a)(10)(ii),(iii)

Direct Loan periods when student transfers to a new school

If a student transfers into a program at a new school, and the program is not offered in either standard or "SE9W" terms, the new school may originate an initial loan for a loan period that covers the remaining portion of the academic year that began at the prior school, if the academic year for the loan at the first school overlaps the period of enrollment at the new school. The loan period for this initial loan is often called an "abbreviated loan period," because it is shorter than the loan period that would otherwise be required under the normal minimum loan period requirements.

The new school may originate a loan for an abbreviated loan period regardless of whether or not the new school accepts transfer hours from the prior school. The abbreviated loan period begins with the date of the student's enrollment at the new school, and ends on the calendar period ending date of the academic year that began at the prior school, without regard to the number of credit/clock-hours or weeks of instructional time that the student has completed during the abbreviated loan period. After the abbreviated loan period is completed, the student would progress to a new loan period and academic year, and a new annual loan limit.

If the new school accepts credits/hours from the prior school, this may give the student advance standing that reduces the length of time it will take to complete the program at the new school. If the remaining portion of the program at the new school following the completion of the abbreviated loan period is shorter than an academic year, the annual loan limit for the next loan must be prorated.

Generally, the loan amount for the abbreviated loan period at the new school may not exceed the remaining balance of the full annual loan limit applicable to the student at the new school, minus the loan amount the student received at the first school for the same academic year. However, if the program at the new school is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the program at the new school, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the program or remaining portion of the program.

When an abbreviated loan period is created where there is an overlap of academic years:

1. The abbreviated loan period starts when the student starts at the new school.
2. The abbreviated loan period ends when the academic year would have ended at the old school and it does not matter how many hours or weeks of instructional time the student has completed at the new school.
3. The maximum loan amount that can be borrowed in the abbreviated loan period is the difference between the full annual loan limit applicable to the student at the new school and the loan amount that was disbursed at the old school during the overlapping academic year.
4. The first disbursement of the loan for the abbreviated loan period at the new school will be made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.
5. The next loan period at the new school would begin the day after the last day of the abbreviated loan period.
6. The next loan period would be subject to the normal BBAY3 rules in that the student must complete hours and weeks of instructional time before qualifying for the second disbursement and to progress to the next academic year for annual loan limit purposes.

Direct Loan periods when student transfers to a new school (continued)

Loan periods for a student starting a new program at the same school in the same academic year:

When a student completes a program, and the student's last loan to complete that program was for coursework less than an academic year in length, and the student then begins a new program at the same school that is not offered in either standard or "SE9W" terms, the school may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program. Note that this exception to the normal minimum loan period rule that allows for an initial abbreviated loan period applies only if the student completed the first program before beginning the new program.

Generally, the maximum loan amount that the student may receive for the abbreviated loan period may not exceed the full annual loan limit applicable to the student for the new program, minus the loan amount the student received during the same academic year for the prior program. However, if the new program is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the new program, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the new program or remaining portion of the program.

The first disbursement of the loan for the abbreviated loan period associated with the new program will be made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.

Transfer student with overlapping academic years

James transfers on September 15 into Hammett Technical College, entering a 3-year program that has an academic year of 26 weeks and 900 clock-hours.

James received a Direct Loan at the prior school. The financial aid administrator at Hammett determines that the academic year for the most recent loan James received at his previous school began July 15 and was scheduled to end January 15. The aid administrator at Hammett may originate a loan for the period during which James would have completed the academic year at the prior school, which was scheduled to end on January 15th. The dates for the abbreviated loan period will be September 15 to January 15. During this period, James will be eligible to receive up to the difference between his annual loan limit at Hammett and the loan amount he received at the prior school for the overlapping academic year period.

Unless Hammett qualifies for the exemption from the multiple disbursement requirement based on its cohort default rate, the loan must be disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period, regardless of how many clock-hours or weeks of instructional time James has completed.

The next loan period at Hammett would begin the day after the last day of the abbreviated loan period. On January 16th, James will be able to start a new BBAY and loan period at Hammett with a new annual loan limit. Note that the payment periods for the new BBAY will be 450 clock-hours and 13 weeks of instructional time.

Remaining loan eligibility on transfer/program change

Standard-term program

A student receives a \$2,000 Direct Subsidized Loan at School A for a loan period from May 1 to August 31. The student, a dependent undergraduate, transfers to a program at School B in September and is admitted at grade level 2. The student requests a loan for the fall and spring semesters (September-May). School B checks COD to find the ending-date of the academic year began at the prior school, which is November 27.

Because the academic year at School B begins before the end of the academic year at School A, the student may initially receive only up to a maximum of \$4,500 for the fall semester at School B, not more than \$2,500 of which may be subsidized. This amount represents the difference between the annual loan limit of \$6,500 (maximum \$4,500 subsidized), and the amount received at School A (\$2,000 subsidized) for the overlapping academic year period.

The initial loan period at School B corresponds with the fall term. Assuming that the student receives the maximum of \$4,500 for the fall semester, at the start of the spring semester in January, the student may borrow up to an additional \$2,000 (the difference between the 2nd year dependent undergraduate annual loan limit and the amount already borrowed for the fall-spring academic year at School B). If the student received the maximum \$2,500 in subsidized loan funds for the fall term, the additional \$2,000 would be limited to unsubsidized.

As an alternative, School B could choose to place the student on a BBAY schedule beginning with the Spring semester. The student would then be eligible to borrow up to the full annual loan limit for a spring--summer BBAY.

Clock-hour program

Example 1

A student receives the first disbursement (\$2,750) of a Direct Unsubsidized Loan at School A. The loan period and academic year dates are April 1 to December 31. For purposes of this example, assume that the student has no financial need for a Direct Subsidized Loan; all loan amounts here represent Direct Unsubsidized Loans. The student, a dependent

undergraduate, leaves School A June 18 and transfers to an 1,800 clock-hour program at School B, and begins attendance at School B on June 25th.

The student's first loan period at School B will be from June 25th through December 31st (the beginning of attendance at School B through the date the academic year would have ended at School A). The student could begin the next loan period and receive a full annual loan limit beginning on January 1.

For the initial loan period, School B may originate a loan for the difference between the student's annual loan limit and the loan already received at School A for the overlapping loan period. This is \$2,750. After this loan period is completed, the student would progress to a new annual loan limit.

Example 2

A first-year dependent undergraduate student receives the first disbursements (\$2,750) of a Direct Subsidized Loan (\$1,750) and Direct Unsubsidized Loan (\$1,000) at School A. The loan period and academic year dates are January 26 to July 31.

The student leaves School A and transfers into a 300 clock-hour/12-week program at School B on June 15. School B defines its Title IV academic year as containing 900 clock-hours and 26 weeks of instructional time. The prorated annual loan limits for the 300-hour program at School B are \$1,167 subsidized and \$667 additional unsubsidized.

For the abbreviated loan period at School B (June 15 to July 31), a transfer student would normally be eligible to receive the difference between the full first-year annual loan limit and the loan amount received at School A (that is, \$1,750 subsidized and \$1,000 additional unsubsidized). In this example, however, the student may not receive those amounts, because they would exceed the prorated annual loan limits for the 300 clock-hour program. Therefore, the maximum loan amounts the student may receive for the abbreviated loan period at School B are \$1,167 subsidized and \$667 unsubsidized (the prorated loan limits for the program). Because the student has received the maximum prorated loan limit for the program, there is no remaining loan eligibility for the program following the completion of the abbreviated loan period.

AGGREGATE LOAN LIMITS

To ensure that a student doesn't exceed the aggregate (and annual) loan limits, the student's FAFSA data is matched with the National Student Loan Data System and the student's loan history is included in the ISIR. If a student transfers to your school, you must inform NSLDS so that it can begin the Transfer Student Monitoring process.

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans. The maximum outstanding **total subsidized and unsubsidized** loan debt, excluding capitalized interest, is:

- \$31,000 for a dependent undergraduate student (no more than \$23,000 of this amount may be in the form of subsidized loans).
- \$57,500 for an independent undergraduate student (or a dependent undergraduate student whose parents do not qualify for Direct PLUS Loans). No more than \$23,000 of this aggregate amount may be in the form of subsidized loans.
- \$138,500 for a graduate or professional student (including loans for undergraduate study). No more than \$65,500 of this aggregate amount may be in the form of subsidized loans.

The loan amounts counted towards these maximums include any outstanding amounts borrowed in the form of Direct Subsidized/Unsubsidized Loans, and Unsubsidized Federal Stafford Loans previously borrowed under the FFEL program. In the case of a Direct Consolidation Loan (or FFEL Consolidation Loan made prior to July 1, 2010), the outstanding amount of the Consolidation Loan representing any underlying Direct Subsidized/Unsubsidized Loans that were paid off by the Consolidation Loan is counted toward the aggregate Stafford Loan limits.

Checking loan amounts on NSLDS

If a student at your school has Title IV loans that were received at other schools, you may need to check the National Student Loan Data System (NSLDS) website to make sure the student still has remaining eligibility under the aggregate loan limits. As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as the NSLDS website) and the Transfer Student Monitoring process to tell you if a student is about to exceed the aggregate loan limits. (The NSLDS financial aid history may affect eligibility for other FSA programs, so it is discussed in more detail in *Volume 1, Chapter 3*.)

The aggregate loan limits do not include accrued or capitalized interest or other charges. To avoid counting interest and other charges when determining a student's remaining loan eligibility using NSLDS, use the *aggregate outstanding principal balance (Agg. OPB)* shown in NSLDS for each of the student's outstanding loans. For instance, suppose a student has a Direct Unsubsidized Loan disbursed in the amount of \$5,000. Over time, \$200 in interest accrues and is capitalized. The total outstanding balance on the loan will be \$5,200, and the aggregate outstanding principal balance will

be \$5,000. It is the last figure, the aggregate outstanding principal balance—as displayed in the student’s NSLDS Loan Detail—that you should use to determine remaining loan eligibility under the aggregate loan limits.

For Consolidation Loans (both Direct Consolidation Loans and Consolidation Loans made under the FFEL program), which may include Direct Subsidized and Unsubsidized Loans and subsidized/unsubsidized Federal Stafford Loans, NSLDS will now show separate totals for the *Subsidized Agg OPB* and *Unsubsidized Agg OPB*. In addition, NSLDS will show a total for “Unallocated” loan amounts for loans that cannot be identified. You are not responsible for reviewing these unallocated loans to determine their origin.

Treatment of consolidated Perkins Loans

A consolidated Perkins Loan is not counted toward the aggregate Direct Loan limits.

Revised formula for calculating unsubsidized aggregate loan amounts

NSLDS utilizes a revised formula to calculate aggregate loan limit amounts. NSLDS no longer includes Direct PLUS Loan amounts that can be attributed to having been consolidated into a Direct Unsubsidized Consolidation Loan when calculating a borrower’s unsubsidized aggregate loan amount and combined loan limit amount. This change will be reflected in the NSLDS Professional Access website as well as on ISIRs. For more details on this change, see the EA of August 13th, 2012.

Handling unallocated amounts in NSLDS

You do not have to review unallocated amounts in NSLDS. NSLDS does not add the amount of unallocated loans when triggering the “close to or exceeds aggregate limits” flags. See NSLDS Newsletter 11, February 2006.

Resolving conflicting information in NSLDS

If you can document that the student is eligible for FSA funds despite the information shown on NSLDS, you may award and disburse aid. An example would be if the NSLDS Financial Aid History page of the SAR or ISIR shows that the student has a defaulted loan, but you have obtained documentation from the holder of the loan that the borrower had made “satisfactory arrangements to repay.” For more details, see GEN-96-13, Q&A #37.

NSLDS Reporting requirements

For details on NSLDS reporting requirements for loans, including reporting of additional data, reporting at the academic program level, and more frequent reporting, see DCLs GEN-14-07 and GEN-14-17, the FSA Handbook, Volume 2, Chapter 3, and the May 13, 2016 EA. Technical assistance for NSLDS is available by emailing: nslds@ed.gov, or calling 1-800-999-8219. You can review the complete student loan history for your students and generate reports on the NSLDS Professional Access website: <https://nsldsfap.ed.gov/>

Aggregate loan limits

DL: 34 CFR 685.203(d), (e)

DCL GEN-08-08

Subsidized Loan Eligibility Time Limitation (150% rule/SULA)

In addition to the aggregate loan limit, which limits loan eligibility based on the amount of funds received over a student's academic lifetime, there is also a loan eligibility limitation based on the passage of time. First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are **currently** enrolled (including all past subsidized loans the student has received; see “**subsidized usage periods**” below).

This length of time is also known as the “**maximum eligibility period**” (or MEP). For example, a first-time borrower in a 4-year program would have six years of Direct Subsidized Loan eligibility, and a borrower in a one-year program would have 1.5 years of Direct Subsidized Loan eligibility. COD will edit and reject awards that would exceed 150% subsidized usage for a student (Reject Edit 206). **This is also known as a “Subsidized Usage Limit Applies” situation, or SULA flag, in COD.**

If the program's published length is in months or weeks, COD and NSLDS converts the length to years using one of the following formulas:

$$\frac{\text{Program length in weeks}}{\text{Weeks in program's acad. year}} = \frac{\text{program length}}{\text{in years}}$$

$$\frac{\text{Program length in months} \times 30}{\text{Weeks in program's acad. yr} \times 7} = \frac{\text{program length}}{\text{in years}}$$

There are two exceptions to the maximum eligibility period: First, for bachelor's degree completion programs, the maximum eligibility period is 6 years. Note that not every bachelor's degree-granting program is a bachelor's degree *completion* program—For purposes of the subsidized loan time limitation (also known as the 150% rule), bachelor's degree completion programs are defined as a 2-year program that require an associate degree or the successful completion of at least two years of postsecondary coursework as a prerequisite for admission to the program. For such programs, schools will report a program length of 4 years (even though the actual length of the program is 2 years) and a “Special Program Indicator” of “B” in COD and NSLDS.

Secondly, for special admission associate degree programs, the maximum eligibility period is 6 years. For these purposes, a special admission associate degree program is an associate degree program that:

- Requires an associate degree, or the successful completion of at least two years of postsecondary coursework as a prerequisite for completion;
- Admits only a selected number of applicants based on additional competitive criteria, which may include entrance exam scores, class rank, grade point average, written essays, or recommendation letters; and
- Provides the academic qualifications necessary for a profession that requires licensure or certification by the State in which the coursework is offered.

For such programs, schools will report a program length of 4 years (even though the real length of the program is 2 years) and a “Special Program Indicator” of “A” in COD and NSLDS.

Subsidized Usage Periods (SUP)

A first-time borrower’s progress toward expending his or her maximum eligibility period is measured in “subsidized usage periods” (SUP). Subsidized usage periods are calculated by the following formula, the result of which is rounded up or down to the nearest tenth of a year (for example, a SUP of .44 would be rounded to .40, and a SUP of .45 would be rounded to .5):

$$\frac{\text{Number of days in the borrower's loan period for a Direct Subsidized Loan}}{\text{Number of days in the academic year for which the borrower receives the Direct Subsidized Loan}}$$

The academic year referenced above is the scheduled academic year (SAY) or borrower-based academic year (BBAY) dates to which the annual loan limit applies. **There are two exceptions to this calculation:**

1. Annual loan limit: When a first-time borrower receives a Direct Subsidized Loan equal to the annual loan limit for a loan period that is less than a full academic year in length, the borrower’s subsidized usage period is one year; and
2. Enrollment status proration: For a first-time borrower who is enrolled for three-quarter or one-half-time, the calculated subsidized usage period is prorated by .75 or .5, respectively.

If a borrower meets the criteria for both exceptions described above, the annual loan limit exception will be applied, and then the enrollment exception will be applied.

A loan disbursement which is returned within 120 days of the disbursement date, for example, when the school adjusts that disbursement down to zero, returns the funds, and removes the corresponding term from the loan period, will no longer be included in that term/payment period for purposes of calculating SUP. On the other hand, a loan that has been paid off does NOT remove that loan’s portion of SUP.

A **borrower's Remaining Eligibility Period (REP)** is calculated by subtracting the sum of all prior subsidized usage periods from the borrower's **current** maximum eligibility period. Include **all** subsidized loans received over the student's entire history of higher education, with the exception of teacher-certification programs. Subsidized usage periods for teacher-certification programs do not count against maximum eligibility periods for non-teacher certification programs, and subsidized usage periods from non-teacher certification programs do not count against the maximum eligibility period for teacher certification programs. If the loan/loan disbursement's SUP exceeds the REP, COD will reject the loan (edit code 206). The REP cannot be used to award subsidized loan funds unless the loan can be reconfigured to not exceed the REP (unsubsidized can still be awarded). Note that a borrower may regain eligibility for a subsidized loan if their **current** MEP is higher than a previous MEP under which they lost subsidized loan eligibility.

For example, Bob currently has a subsidized usage period of two years, then transfers to a four-year program. Because the remaining eligibility period is calculated as the difference between the borrower's current maximum eligibility period and the sum of all subsidized usage periods, Bob has a remaining eligibility period of four years (a 6-year maximum eligibility period for the new program, minus the existing subsidized usage period of 2 years).

Loss of subsidized loan subsidy For borrowers who have a remaining eligibility period that is less than an academic year, the borrower can only receive a Direct Subsidized Loan if the school can properly originate a Direct Subsidized Loan that creates a subsidized usage period (see "SUP" description and formula, above) that is equal to or less than the borrower's remaining eligibility period (REP).

In COD, there will be a "SULA" flag indicating the student's status. For example, if a borrower has a remaining eligibility period of .2 years, and is enrolled full-time in a semester-based credit-hour program with a need that supports receiving \$4,000 in Direct Subsidized Loans, the minimum period for which the school could originate a loan is a term.

Because the number of terms in a semester-based program's academic year is generally two semesters, the subsidized usage period for the shortest loan that the school could award would be 0.5 years, which is greater than the student's remaining eligibility period. Therefore, the student is not eligible for the subsidized loan.

If a first-time borrower exhausts his or her maximum eligibility period (has a remaining eligibility period of zero or less), or has a remaining eligibility period that is so short that the school cannot originate another Direct Subsidized Loan to the student, the borrower may not receive a Direct Subsidized Loan, but may receive a Direct Unsubsidized Loan in an amount that is equal to the amount that the borrower always could have received in Direct Unsubsidized Loans, plus the amount the borrower otherwise could have received in Direct Subsidized Loans.

A borrower loses the interest subsidy on any outstanding Direct Subsidized Loans (including a Direct Consolidation Loan that repaid a Direct Subsidized Loan) if the borrower attends any undergraduate program (or preparatory coursework necessary for enrollment in an undergraduate program) on at least a half-time basis, at a school that participates in the Title IV programs, while having a remaining eligibility period of zero or less. When interest subsidy is lost it is not retroactive. Rather, the borrower is only charged interest from the date the borrower loses the interest subsidy (by exceeding the 150% limit).

Exception for borrowers who graduate before losing subsidy

Borrowers who graduate before losing the interest subsidy on their Direct Subsidized Loans will never lose the interest subsidy on the loans that were outstanding at the time that they graduated from their program of study.

When to update loan periods and academic years

In light of SULA concerns, it's very important to update loan periods and academic years in the following situations:

- Student requests the loan/disbursement be cancelled;
- Disbursement was not made for a term/payment period included in the loan at origination;
- An actual disbursement was made but later zeroed out;
- Student enrolled in a non-term or clock-hour program and has failed to progress from one payment period to another as originally scheduled;
- Summer is not a required term and student attends the summer term and requests a loan for summer.

Subsidized loan eligibility time limitation (150% rule)

First Time Borrower: 34 CFR 685.200(f)(1)(i)

Maximum Eligibility Period: 34 CFR 685.200(f)(1)(ii)

Subsidized Usage Period: 34 CFR 685.200(f)(1)(iii)

Remaining Eligibility Period: 34 CFR 685.200(f)(iv)

Moving Ahead for Progress in the 21st Century Act (MAP-21), HEA Sec. 455(q)

Jan 17, 2014 EA

For more information about the 150% limit, see the [150% limit Q&A](#) on IFAP.

Reporting and tracking the 150% limit

The Department will track, calculate, and inform borrowers and schools of borrower eligibility for subsidized loans and loss of subsidy benefits based on program length information that schools report to COD and NSLDS. It is essential that any changes in enrollment or program be reported to NSLDS in a timely manner to ensure correct calculation of subsidy periods. For each loan origination record, COD will send a disclosure statement which will include the SUP for that loan, the sum of the student's SUPs, and the REP. There are several common mistakes in tracking and reporting students' progress towards the 150% limit:

- For standard term (and non-standard SE9W term) programs, **reporting academic year dates that are the length of a single term**—All BBAY & SAY academic years for these terms consist of more than one term;
- **Misreported program length for students in bachelor's degree completion programs**—They should be reported as 4 year programs.
- For non-term, non-standard-term SE9W, and clock-hour programs, **reporting academic year dates that result in periods shorter than what is permitted**; (“see common reporting issues” below)
- **Reporting “weeks” or “months” instead of years**—Years is the measure. Report 1.5 for one year and 6 months, for example.
- **Accidentally reporting inappropriately short program lengths**—Program length is a 6 digit field in NSLDS, with an implied decimal point in between the third and fourth digits. A four-year program is reported as “004000.” Reporting “000400” is a program length of just .4 years.
- **Reporting too high a loan amount.** A loan which is at the student's annual loan limit (\$3,500, \$4,500, or \$5,500) triggers a full year of SUP to be reported, but the correct SUP for the loan may be shorter. You should reduce the loan amount to the total of actual disbursements (and zero out any related pending disbursements).
- **Reporting too much SUP for a loan period which contains terms/ payment periods in which a disbursement wasn't made** (or was made but later zeroed out). The SUP calculation takes all terms into account, so for SUP calculation & reporting purposes, remove from the loan period any terms/payment periods where a disbursement isn't made/retained.
- **Reporting dates of terms/payment periods which don't coincide with the dates of the loan period.** Either the entire term is in the loan period or none of it is. The loan period end date should not be shortened to the last date of attendance. If the loan can't be re-configured correctly, the remaining eligibility simply can't be used. If this happens, the student can only be awarded unsubsidized loans.
- **Academic year reported as single term, so the excessively short academic year causes SUP to be too high.** Report your school's defined academic year (regulatory minimum is 26 or 30 weeks of instructional time; see Chapter 1 of this volume for weeks of I.T. requirements).

Common reporting issues

These programs must define their academic years as at least 900 clock-hours and 26 or 30 weeks of instructional time (see *Chapter 1* of this Volume for requirements when defining the academic year), even when the program is shorter than this. When the program is shorter than the academic year, the student is considered to have a loan period equal to the length of time needed to complete the credit/clock-hours in the program and an academic year equal to the school's Title IV Academic year, which must adhere at least to the minimum standard (24 semester hours or 900 clock-hours and 26/30 weeks of instructional time). For more detail, see the EAs of April 20, 2015 and May 13, 2016.

Exceptions for borrowers who are enrolled in teacher certification programs

There are special rules for borrowers who are enrolled in teacher certification programs where the school awards no academic credential and where the program leads to a teaching certification from the state that is required by the state before the borrower may teach elementary or secondary education in the state.

Direct Subsidized Loans received for enrollment in such a teacher certification program only count against a borrower's maximum eligibility period for enrollment in other teacher certification programs. When a borrower enrolls in an undergraduate program, the Direct Subsidized Loans received for enrollment in the teacher certification program will not count against the borrower's maximum eligibility period for enrollment in the undergrad program.

In addition, enrollment in a teacher certification program will never result in the loss of interest subsidy—either on Direct Subsidized Loans received for prior undergraduate enrollment or on Direct Subsidized Loans received for enrollment in a teacher certification program.

SULA and preparatory coursework

The regulations provide varying SULA treatment for borrowers who are enrolled in preparatory coursework necessary for enrollment in an undergraduate program or a graduate/professional program. For more detail, see the regulation on this issue, 34 CFR 685.200(f)(6).

Effect of change in student status on aggregate loan limits

In some cases, a student may qualify for higher loan limits, but then lose the eligibility for the higher limits. This situation could occur because a dependent student's parent received a Direct PLUS Loan after having been denied in previous years, and the student therefore could no longer borrow at the independent student loan levels, or because a student with a graduate degree entered an undergraduate degree program. In these cases, you only count the loan amounts that the student would have received under his or her current eligibility as an undergraduate or dependent student against the applicable undergraduate aggregate loan limit.

The NSLDS website displays undergraduate and graduate aggregate amounts in the Aggregate Loan Information section for subsidized, unsubsidized, combined, and unallocated portions of consolidated loans. The undergraduate aggregate section will display only if the student has undergraduate loans and the graduate aggregate section will display only if the student has graduate loans. Also on the NSLDS website, the Exceeds Loan Limits warning symbols provide automatic filters to display the Loan Summary list on the Loan History web page to show those loans that were attributed to the applicable loan limit overage. These website tools will assist with separating undergraduate, graduate, and overall loan totals, and will aid in eligibility determinations.

COD SULA edit codes

Edit 046: Academic year less than 26 weeks

Edit 219: Loan amount is greater than sum of disbursements

Edit 220 if \$0 disbursement has a payment period start date (PPSD) within the loan period

150 Percent Rule: Calculation, reporting, loss of subsidy example

Kirk is enrolled in a 4 year semester-based bachelor's degree program at McCaffrey University. Since his program is 4 years, under the 150% rule, Kirk has a "maximum eligibility period" of 6 years.

McCaffrey measures Kirk's progress towards expending his maximum eligibility period by adding up all of Kirk's "subsidized usage periods," or SUPs. Kirk is in his third year of study, so McCaffrey looks at the SUPs that COD has previously calculated for Kirk, and finds that his Sum Actual Subsidized Usage Period is 2 years.

Kirk has 6 years of eligibility for his 4 year program under the 150% rule, and so his remaining eligibility period is 4 years. Because his remaining eligibility period is at least 1 year, McCaffrey awards a Direct Subsidized Loan to Kirk like it normally would. After McCaffrey submits records to COD indicating that Kirk is in a 4-year program, it receives a response from COD stating Kirk's SUP for the loan McCaffrey just submitted, the sum of all of Kirk's SUPs, and Kirk's remaining eligibility period (REP). Once McCaffrey disburses the new Direct Subsidized Loan to Kirk, his remaining eligibility period will be 3 years.

Between his third and fourth year, Kirk decides to change to a new (also semester-based) program. His new program is a 2.5 year program, so his 150% limit is now 3.75 years. Even though he is studying in a different program, Kirk's existing SUPs are taken into account when measuring his 150% progress. Since Kirk already has 3 SUPs, his remaining eligibility period is now just .75 years. Since Kirk will need to attend for 2.5 years to complete his new program, the final 1.75 years of his program will be cut off from subsidized loan eligibility.

So, when exactly does Kirk get cut off from subsidized loans? Kirk can only receive Direct Subsidized Loans if McCaffrey can properly originate a loan that creates a SUP that is equal to or less than Kirk's remaining eligibility period (REP). In this case, McCaffrey can originate a Direct Subsidized Loan for Kirk's first fall semester, which consists of .5 SUP, but cannot include his spring semester if Kirk attends full-time, as Kirk only has .25 SUP remaining, and the spring semester is .5 SUP. McCaffrey must originate only unsubsidized loans for Kirk beginning with the spring semester. COD will send a response to its records listing Kirk's remaining eligibility when McCaffrey originates a loan.

150 Percent Rule: Remaining eligibility period of less than one year

An eligible student can receive a Direct Subsidized Loan when their Remaining Eligibility Period (REP) is less than one year. In this case, the student can receive a Direct Loan if the school can originate a Direct Loan in compliance with all of the requirements in 34 CFR 685.301 (pay particular attention to minimum loan period, which varies by program type), and the loan's loan period, academic year, enrollment status, and loan amount result in a Subsidized Usage Period (SUP) that is equal to or less than the student's REP.

For example, Kris attends a credit-hour, semester-based program at Sandburg College, has a REP of .5 years, and is full-time. Kris will be able to receive a single-term subsidized loan if he's otherwise eligible, because the minimum loan period for his circumstance is a semester, and the academic year will be at least two semesters. This loan for one semester (with a two-semester academic year) would create a .5 SUP, and will expend his .5 REP.

But consider if Kris was enrolled in a clock-hour program which is 1 year in length and had a REP of .5 years. Kris would not be able to receive another Direct Subsidized Loan because the minimum loan period must be, per the regulations, one year and since the academic year would also be one year, the SUP would be one year, which is greater than Kris's REP of .5 years.

As noted in the main body text section on the 150% limit, SUPs are prorated for enrollment status—multiply by .75 or .5 for three-quarter time or half-time. As such, even when a borrower has only a small remaining SUP, it may still be possible for them to receive a Direct Subsidized Loan if they are enrolled less than full-time.

The following three scenarios present three different loan awarding scenarios that Sandburg College faces with its various students. Sandburg wonders if each loan will be accepted or rejected by COD due to the limitations related to the 150% limit. For each case, we give the loan period, academic year, and SUP, as measured in days. Will COD accept or reject each loan award?

Award Scenario 1

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 5/10/17 (244 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP: $244/244 = 1$ year

COD **rejects** the loan, because the SUP is 1 year, exceeding the student's REP of .8 years.

Award Scenario 2

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 12/20/16 (102 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP: $102/244 = .4$ years (.418 to be precise, but this is rounded to the nearest tenth—see the rounding guidance in the body text section on SUP calculation)

COD **accepts** the loan, because the SUP is .4 years, which is less than the student's REP of .8 years.

Award Scenario 3

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 5/10/17 (244 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP: $244/244 = 1$ year

Enrollment status: half-time

COD **accepts** the loan, because the SUP is 1 year, multiplied by .5 for half-time enrollment status, resulting in .5 SUP, which is less than the student's REP of .8 years.

Example: Aggregate loan limits with additional Direct Unsubsidized when parents are denied Direct PLUS Loans

A dependent student is treated as an independent student for loan limit purposes and receives additional Direct Unsubsidized Loan funds (up to the additional amounts available to independent undergraduates) for the first 3 years at your school because a parent was denied a Direct PLUS Loan for each of those years, but a parent was eligible to borrow a Direct PLUS Loan for the student's fourth year. The student would be eligible for the following Direct Loan amounts:

1st year (independent student loan limit) = \$9,500 (maximum \$3,500 subsidized)
2nd year (independent student loan limit) = \$10,500 (maximum \$4,500 subsidized)
3rd year (independent student loan limit) = \$12,500 (maximum \$5,500 subsidized)

For each of the first three years, the student receives the maximum subsidized amount and the maximum additional unsubsidized amount. In the 4th year, the parent is eligible to borrow a Direct PLUS Loan, so the student is then subject to the annual and aggregate loan limits for a dependent undergraduate. Although it might appear that the student would have no remaining loan eligibility for year 4 because the total amount received for years 1-3 exceeds the \$31,000 dependent undergraduate aggregate loan limit, the additional Direct Unsubsidized Loan amount that the student received as a result of the parent Direct PLUS Loan denials in the first three years of the undergraduate program does not count against the \$31,000 dependent aggregate limit.

The student received a total of \$19,000 in additional Direct Unsubsidized Loan funds for the first three years (\$6,000 each in years 1 and 2, and \$7,000 in year 3). Of this total additional unsubsidized amount, the student would have been eligible to receive \$6,000 (\$2,000 each year) as a dependent undergraduate if the student's parent had qualified for a Direct PLUS Loan. The extra \$13,000 in unsubsidized funds that the student received as a result of the parent being unable to obtain a Direct PLUS Loan for the first three years (\$4,000 in years 1 and 2, and \$5,000 in year 3) is not counted against the \$31,000 dependent undergraduate aggregate when determining the student's loan eligibility for year 4. Excluding this amount, only \$19,500 of the total \$32,500 the student received for the first three years counts against the \$31,000 dependent undergraduate aggregate loan limit. This means that for year 4, the student is eligible to receive up to the full annual loan limit for a dependent undergraduate:

4th year (dependent student loan limit) = \$7,500

MANAGING DIRECT LOANS IN MODULES AND INTERSESSIONS

Direct Loans and modules

You may award Direct Loans to borrowers for enrollment in modules (which are usually 1-8 weeks in length). Modules may use standard, non-standard, or non-term academic calendars. Modules and the courses offered as modules may overlap terms, and enrollment may begin at the beginning of any module. You award loans for modules based on courses for which the student is enrolled. If a student doesn't remain enrolled at least half-time, their subsequent loan disbursements are cancelled.

For Title IV aid purposes, students are allowed to skip one or more modules, however, COA for such a period of enrollment may not include costs for a period in which the student is not expected to be enrolled. For modules, the loan period includes the entire term (which may be comprised of several combined modules, or modules combined with other full-term length courses).

A student's payment period for a module begins with the module in which they first attend (you may not schedule a disbursement during a period of non-attendance. The structure of a modular term can transform a standard term into a non-standard term if the begin/end dates are not within 2 weeks of a standard term.

Direct Loans and intersessions

When offering an intersession between two standard terms (for example, 3 weeks of instructional time between two 15-week semesters), or a shorter summer term (for example, 12 weeks of instructional time with a 12-semester hour full-time standard), you must offer aid to eligible students. You may either combine intersessions with standard terms, or treat them as a separate term.

When awarding aid for intersessions, you must apply the same awarding and packaging treatment to all students enrolled in the program, and if merged, you must merge the same term in the same manner for all students in the program (and whether merged or not, you must not include costs in a student's COA for a period of non-attendance during a period of intersessions for which the student is not expected to be enrolled).

Intersessions combined with a standard term:

You may combine an intersession with a standard term. This may allow an otherwise ineligible term to support potential Direct Loan eligibility (by supporting half-time or greater enrollment status, for example). Combining an intersession with a standard term may cause the earliest disbursement date (in spring, for example), to change.

When combined with a standard term, for Direct Loans, you have a choice of using either a SAY with summer as the header or trailer, as a standard term BBAY, or as a term with one loan. The loan period, payment periods, disbursement, and loan limit progression is based on standard term, traditional calendar treatment, with a higher limit gained after completion of the SAY or standard term BBAY, and one disbursement made per term.

Intersessions treated as a separate term:

If an intersession is treated as a separate term (i.e., not merged with a preceding or following standard term), the program is treated the same as a non-term or non-standard term non-SE9W program, and Direct Loans are to be awarded and disbursed based on BBAY 3 only. For Direct Loans, this means that the following rules apply:

- Loan period: minimum is the lesser of the academic year, the length of the program, or the remaining balance of the academic year.
- Payment periods: The first payment period is the period of time during which the student successfully completes half the number or credit/clock-hours and half the number of weeks of instructional time in the academic year; the second payment period is the period of time in which the student successfully completes the academic year.
- Annual loan limit progression: A student progresses to the next annual loan limit when he/she successfully completes both the weeks of instructional time and the hours/credits in the academic year.

COA for intersessions and modules

Whether or not you merge an intersession or module with a standard term, you must not include costs in a student's COA for an intersession or module period of enrollment for which the student is not expected to be enrolled.

RECALCULATION AND DIRECT LOANS

A change in enrollment status to less than half time as a result of the failure to begin attendance in all scheduled classes would not affect the student's eligibility for any Direct Loan funds previously disbursed because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. However, a student who is no longer enrolled at least half time may not receive as a late disbursement any second or subsequent disbursement of the loan.

Section 34 668.164(j)(3)(iii), which permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw but ceased to be enrolled as at least a half-time student, does not apply to a student who dropped all future classes or modules because the student never really began classes as a half-time student.

Moreover, Title IV program funds are disbursed to a student on the presumption that he or she will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of Title IV program funds until a student has begun attendance in enough hours to qualify for the enrollment status for which the funds were awarded. However, if a school is recalculating a student's eligibility because a student has dropped classes and the student has not begun attendance in enough courses to establish a half-time enrollment status, the presumption that the student will attend the hours for which aid has been awarded is no longer valid. Therefore, a school may not make a first disbursement of a Direct Loan to a student who never began attendance in enough courses to establish a half-time enrollment status.

Likewise, if a school is recalculating aid for a student who was enrolled in a series of modules and who dropped all future classes before beginning attendance in enough classes for half-time enrollment status, the school may not disburse the Direct Loan for the payment period because the school knows the student never began attendance on at least a half-time basis (34 CFR 685.303(b)(3)(i) and (iv)).

If the student resumes enrollment on a half-time basis during the payment period or period of enrollment, the school may make the disbursement if the school documents (1) the student's revised COA, and (2) that the student continues to qualify for the entire amount of the loan, despite any reduction in the student's cost of attendance caused by the student's temporary cessation of enrollment on at least a half-time basis. (HEA Sec. 471, Part F) (34 CFR 685.303(b)(3)(iv)(A) through (C)).

EFFECT OF OVERBORROWING THEN REGAINING ELIGIBILITY

A student who has inadvertently received more than the annual or aggregate loan limits is ineligible to receive *any* FSA funds until the overborrowing is resolved. The student can regain eligibility for aid by repaying the amount that exceeded the annual or aggregate loan limits, or by making satisfactory arrangements with the loan servicer to repay the excess amount. The loan servicer will allow a borrower to “reaffirm” that he or she will repay the excess according to the terms and timing of the original promissory note. For more details on the various steps involved in reaffirmation, see Dear Colleague Letter GEN-13-02 and 34 CFR 668.35(d).

If the inadvertent overborrowing occurred at your school, you should work with the student and the loan holder to ensure that the necessary actions are taken to restore the student’s eligibility. Overborrowing is not considered inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the school that determined the borrower’s eligibility for the loan, or on the part of the borrower who received the loan. If you determine that the overborrowing was the result of deliberate action on the part of another school or the borrower, you must notify your FSA School Participation Team and provide evidence.

Once you have documented that the student has either repaid the excess loan amount or has made satisfactory arrangements with the loan holder to repay the excess amount, you may award additional aid. However, the student may or may not be eligible to receive additional loan funds, depending on the circumstances. For example, a dependent undergraduate who inadvertently exceeded the \$23,000 (subsidized) aggregate limit could not receive any additional Direct Subsidized Loan funds as a dependent undergraduate unless the outstanding debt was paid down below the \$23,000 limit.

However, the student could potentially receive additional Direct Unsubsidized Loan funds, up to the \$31,000 aggregate loan limit, or non-loan aid. An independent undergraduate who inadvertently exceeded the \$23,000 subsidized limit (but who has not reached the \$57,500 combined aggregate loan limit for independent undergraduates) could borrow additional Direct Direct Unsubsidized Loan funds once he or she makes satisfactory arrangements to repay the subsidized amount that exceeds \$23,000. For more on overborrowing and overawards, see *Volume 5*.

The effective date when a student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq & Afghanistan Service Grant programs begins with the payment period in which the overborrowing was resolved, and for Direct Loans, eligibility is retroactive to the beginning of the academic year in which the overborrowing was resolved.

Correcting Direct Subsidized Loan or Direct Unsubsidized Loan awarding errors

If you discover that, due to an error, a student has received Direct Subsidized Loan funds in excess of their financial need, and the student is still enrolled for the loan period, you must return the ineligible subsidized loan amount and ask the borrower if they wish to replace it with a Direct Unsubsidized Loan. If the borrower gives their consent to replace the Direct Subsidized Loan overage with Direct Unsubsidized Loan funds, you may replace it with Direct Unsubsidized Loan funding in the amount of the overage. If the borrower does not wish to take out Direct Unsubsidized Loan funds in this case, you must still return the ineligible Direct Subsidized Loan amount. If the student is no longer enrolled for the loan period, you are not required to take any action to eliminate the excess subsidized loan amount.

If you discover that, due to an error, a borrower has received a Direct Unsubsidized Loan, but was, in fact, eligible for a Direct Subsidized Loan, you must correct this error (even if the loan period has ended) by submitting a downward adjustment to reduce or eliminate the Unsubsidized Loan, as appropriate, and replace this with the same amount of Direct Subsidized Loan funds, by either adjusting an existing Direct Subsidized Loan upwards, or, if the borrower does not have an existing Direct Subsidized Loan, by originating a new Direct Subsidized Loan. Replacing a Direct Unsubsidized Loan with a Direct Subsidized Loan in this circumstance does not require obtaining the borrower's consent.

Consolidation of loan amounts that exceed the annual or aggregate loan limit

If a borrower who inadvertently received more than the annual or aggregate loan limits has consolidated the loan(s) that caused the borrower to exceed the loan limit, the consolidation loan is considered to be a satisfactory arrangement to repay the excess amount that restores the borrower's eligibility for FSA aid. (Note, however, that consolidation of an amount that exceeded the aggregate Direct Subsidized/Unsubsidized Loan limits does not automatically make a student eligible for additional Direct Loan funds.)

Review of the Direct Loan process

The process for completing the Master Promissory Note (MPN) for a Direct Loan and making the initial loan includes the following elements, though some school procedures may be in a slightly different order. In completing several of these steps, the website www.studentloans.gov/myDirectLoan/index.action may be helpful.

1. Student applies for aid.

The student fills out the FAFSA (or a renewal FAFSA).

2. School determines eligibility and loan amount.

The school confirms the student's eligibility for federal student aid, determines the loan period and loan amount, and packages the loan(s) requested.

3. Origination.

The school originates the loan.

- * In the Direct Loan Program, the school submits an origination record to COD and receives an acknowledgment from COD.

4. Student completes MPN.

The student fills out an MPN for the initial loan.

- * The *Borrower's Rights and Responsibilities Statement* is included in the MPN.

5. Disclosure & entrance counseling.

First-time Direct Subsidized/Unsubsidized Loan and Direct Grad PLUS borrowers must complete entrance counseling before a disbursement can be made. (See *Volume 2, Chapter 6.*)

The borrower must be given a disclosure statement (usually provided by the Department) with specific information about the types of loans the borrower is getting, anticipated disbursement amounts, anticipated disbursement dates, and instructions on how to cancel the loans. This statement must be given either:

- prior to disbursement (up to 30 days prior to the first disbursement); or

- at the time of the first disbursement (and no later than 7 days after disbursement/crediting the student's account, if you don't obtain the borrower's affirmation/authorization for the loan); or
- no later than 30 days after disbursement/crediting the student's account if you do obtain the borrower's affirmation/authorization for the loan).

6. Disbursement to the borrower.

The school (after checking that the borrower is still eligible) disburses the loan funds to the student's account or directly to the borrower, and notifies the borrower of each disbursement.

7. Making subsequent loans.

If the MPN is used as a multi-year note, a new MPN is not required for subsequent loans. However, your school must use a confirmation process (either active or passive) for subsequent loans, and the borrower must receive a Plain Language Disclosure, at or prior to the disbursement of any subsequent loans provided under an existing MPN. (The Plain Language Disclosure is usually sent to the borrower by the Department.) If the MPN is not used as a multi-year note, a borrower completes a new MPN for each subsequent loan period. Note that one common reason a multi-year MPN may be changed to a single-year note is the case of a Direct PLUS Loan that has an endorser.

For your reference, refer to the EAs of December 15, 2016 and June 6, 2018. Sample copies of the MPN and related materials are available online.

There are three methods of MPN processing: regular mail, overnight/express mail, and online submission.

Send express and overnight mail to:

U.S. Department of Education
2429 Military Road
Suite 200
Niagra Falls, NY 14304

Send regular mail submissions to:

U.S. Department of Education
P.O. Box 9002
Niagra Falls, NY 14302

For online submissions, see:

<https://studentloans.gov/myDirectLoan/launchMpn.action?mpnType=subUnsubMpn>

Awarding Campus-Based Aid

CHAPTER 6

Your school has some latitude in selecting recipients of its Campus-Based funds. This chapter discusses the criteria that you must consider when selecting Campus-Based recipients and the amounts that you may award to them. In addition, the student must meet the general eligibility criteria discussed in Volume 1, and your Campus-Based awards may not exceed the Campus-Based aid recipient's financial need, as described in Chapter 7 of Volume 3.

Chapter 6 Highlights

■ FSEOG:

- Undergraduate only — see Volume 1 for rules.
- Maximum \$4,000, Minimum \$100.
- Priority order for FSEOG recipients is based on Pell Grant eligibility and lowest EFCs.

■ FWS:

- Undergraduate/graduate eligibility.
- Awards based on academic workloads & other factors, packaged based on net earnings, after taxes and job-related costs are subtracted.
- Student may be employed during certain periods of nonattendance.

■ Related Information:

- See *Chapter 7* of this volume for a discussion of packaging Campus-Based aid so as not to exceed the student's financial need.
- See *Volume 1* for rules on undergraduate vs. graduate status.
- See *Volume 4* for rules governing timing of disbursements & general FSA funds management.
- See *Volume 6* for information on operating an FWS program, including allowable types of employment, JLD and Work College

GENERAL CAMPUS-BASED PROGRAM RULES

Selecting independent & part-time students

If any part of a school's FSEOG or FWS allocation is directly or indirectly based on the financial need of independent students or students who are attending part-time, then you must offer a *reasonable proportion* of the FSEOG allocation and the FWS allocation to such students. This requirement includes part-time students at eligible additional locations, as well as part-time students on the main campus. A policy that excludes part-time or independent students is not acceptable.

“Part-time students” also includes correspondence students. To be considered enrolled in a program of correspondence study, the student must be enrolled in a degree-seeking program and must have completed and submitted the first lesson. For more details on selecting independent and part-time students, see 34 CFR 674.10(b), 675.10(c), and 34 CFR 676.10(b).

Uneven costs/unequal disbursements

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, you may make unequal disbursements of FSEOG. There is no explicit provision for unequal disbursements in FWS. However, because FWS wages are disbursed as work is performed, usually on a weekly or biweekly schedule, total disbursement amounts are likely to be different from one payment period to the next. In addition, as we'll discuss in the FWS section, a student may be paid for work performed during certain periods of nonattendance.

Summer school and special sessions

A student who enrolls as a regular student in an eligible program during summer school or a special session may receive Campus-Based aid if he or she meets the same general eligibility requirements that apply to a student enrolled in a regular session. If a student is not enrolled during the summer or special session, the student is not eligible to receive Campus-Based aid during the period of **nonattendance**, except in the case of an FWS job. (See FWS discussion in this chapter.)

Campus-Based FSA Assessments

To assess your school's compliance with the provisions of this chapter, see the FSA Assessment modules: Awarding & Disbursement, FSEOG and FWS programs under the "Campus-Based Programs" category, at:

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

No New Perkins Loans

No Perkins disbursements of any type are permitted under any circumstances after June 30, 2018. If you accidentally awarded a Perkins Loan after September 30, 2017, or made a disbursement after June 30, 2018, the award or disbursement was made in error. The school who made the erroneous award or disbursement must reimburse the Perkins Loan Revolving Fund for the amount of the loan(s), correct the FISAP, notify the borrower, and update NSLDS accordingly. See E-Announcement December 20, 2018 for more information on Perkins Loans awarded or disbursed after the expiration of the authority to award new Perkins Loans. For more details, see DCL GEN-17-10 and the EA of Dec 20, 2018.

Underuse of funds

If your school does not use all of its Campus-Based funds annual authorization, this is called "underutilization." Schools with an underutilization of over 10% of their annual authorization will have their annual authorization for the following year reduced by the dollar amount of the underutilization. For more details, see 34 CFR 674.3(d)(3).

AWARDING FSEOG

Award amounts

The maximum Federal Supplemental Educational Opportunity Grant (FSEOG) for a full academic year is usually \$4,000. However, you may award as much as \$4,400 to a student participating in a study-abroad program that is approved for credit by the home school. The minimum FSEOG amount is \$100, but you may prorate this amount if the student is enrolled for less than an academic year.

The FSEOG maximum award for a student applies to both the federal share and the required non-federal share. However, when your school has a waiver of the non-federal share, the FSEOG maximum applies to just the FSEOG federal funds. When there is no waiver, the FSEOG federal dollars awarded to a student are considered to be 75 percent of that student's total FSEOG award, and the school must account for the remaining 25 percent non-federal share, regardless of the type of school resources used and the method used to match. For more detail on the requirements of federal and non-federal shares, see *Volume 6, Chapter 1*.

Selecting FSEOG recipients

When awarding FSEOG funds for an award year, you must first select students with the lowest Expected Family Contribution (EFC) who will also receive Pell Grants in that award year. This group is known as the FSEOG first selection group. A student who will receive a Pell Grant in the award year is a student who has demonstrated Pell Grant eligibility for the same award year based upon an EFC that you have calculated for the student or the EFC on the student's valid SAR or ISIR.

A student who receives a Pell Grant at any time in the award year may be awarded an FSEOG for that award year; the student does not have to receive a Pell Grant in the same payment period as the FSEOG. For example, in the case of a student who receives a Pell Grant for the fall semester only due to reaching his lifetime eligibility used (LEU), the student may be awarded an FSEOG for both the fall semester and subsequent spring semester.

You must keep documentation of the eligible EFC that was calculated for the student, and you must confirm Pell Grant eligibility prior to disbursement of the FSEOG. If the FSEOG recipient does not actually receive a Pell Grant during the award year, but the documentation shows that the FSEOG award and disbursement was made in good faith, you are not required to recover the FSEOG funds. If the student loses Pell Grant eligibility prior to disbursement of the FSEOG, you must cancel the FSEOG award.

If you have remaining FSEOG funds after making awards to all Pell Grant recipients for that award year, you must next select students with the lowest EFCs who are not receiving Pell Grants. This group of students is known as the FSEOG second selection group. This group also includes students who are no longer eligible for a Pell or Iraq & Afghanistan Service Grant because they have reached their maximum LEU limit. LEU is covered fully in *Chapter 3* of this volume.

Establishing categories of students

Your selection procedures may specify categories of students to ensure that the students in each category have an opportunity to be awarded FSEOG funds. Categories may be based on class standing, enrollment status, program, date of application, or a combination of factors. You may choose to assign a percentage or dollar amount of FSEOG funds to each category; there is no requirement to make the percentage or dollar amount proportional to the need of students in a particular category or even to the number of students in the category. However, categorization may not be used to exclude certain students or groups of students from consideration. If you know that your school's funds are so limited as to effectively exclude year after year categories that come later in the sequence, your school may not be in compliance with the "reasonably available" provision.

Your school's written selection procedures must ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year. If your school enrolls students as often as monthly or weekly, FSEOG funds can be reserved for use throughout that award year (on the basis of your school's experiences from previous periods), and selection practices can be applied in a manner that would assure a reasonable consistency over the entire award year.

When you use categories to package FSEOG, within each category you must first award the assigned FSEOG funds to students with the lowest EFCs who will also receive a Pell Grant. If FSEOG funds assigned for that category still remain, you must next award FSEOG funds to students in the category with the lowest EFCs who will not receive a Pell Grant.

Frequency & amount of FSEOG disbursements

If you're awarding an FSEOG for a full academic year, you must pay a portion of the grant during each payment period, *even if the student's program doesn't use standard academic terms.* (See *Chapter 1* of this volume for an explanation of payment periods.)

To determine the amount of each disbursement, you would usually divide the total FSEOG award by the number of payment periods the student will attend. However, you are allowed to pay an FSEOG in unequal amounts if the student has costs or resources that are different for different payment periods. You may make payments *within* a payment period in whatever installments will best meet the student's needs.

Award year & payment period

"Award year" is defined as "the period of time from July 1 of one year through June 30 of the following year." As discussed in *Chapter 1* of this volume, the payment period for a program that uses standard academic terms is a semester, trimester, or quarter. See *Chapter 1* for a description of payment periods in programs not using terms or not using standard terms.

FSEOG & Pell Grant LEU

Students who are no longer eligible for a Pell or Iraq & Afghanistan Service Grant because they have reached 600% of their Pell or Iraq & Afghanistan Service Grant LEU may still be eligible to receive FSEOG, however, they are in the second selection group.

FSEOG citations

Selection Procedures 34 CFR 676.10

Frequency of disbursements 34 CFR 676.16(a) and (e)

Minimum and maximum awards 34 CFR 676.20

AWARDING FEDERAL WORK-STUDY (FWS)

Unlike other Campus-Based Programs, the FWS Program does not require that priority be given to students who have *exceptional* financial need. However, you must make FWS jobs reasonably available, to the extent of available funds, to all eligible students. Your selection procedures must be in writing, uniformly applied, and kept in your school's files.

There are no specific award limits for FWS earnings, other than the requirement that the amount of the FWS award not exceed the student's financial need. For a full discussion of packaging FWS with other aid, see *Chapter 7* in this volume.

When deciding on an appropriate FWS award for a student, you should consider the student's academic work load and any other factors that might affect the hours that a student could work each week.

Basing FWS awards on net work earnings

The *gross* amount of the award is based on the total number of hours to be worked multiplied by the anticipated wage rate. For awarding and packaging purposes, you should use the student's *net* FWS earnings, which exclude taxes and job-related expenses. To determine the student's *net* FWS earnings, you should subtract any job-related costs and non-refundable taxes from the student's *gross* FWS earnings. If you are certain that the student's federal or state taxes paid will be refunded, you should not subtract those taxes paid from the student's gross earnings.

Job-related costs are costs the student incurs because of his or her job. Examples of job-related costs include uniforms, the cost of meals at work, and transportation to and from work. For work during vacation periods, job-related costs can include room and board as long as the FWS student incurs these costs only because of the FWS employment. For example, room and board during the summer *cannot* be included in job-related costs if the FWS student also takes summer courses.

Graduate/undergraduate status in teacher certification program

A student enrolled in a teacher certification program may be considered either an undergraduate or a graduate student.

Earnings for the next period of enrollment

Many FWS students must pay the bulk of their education costs in the beginning of each period of enrollment, before they have had a chance to earn FWS wages. Therefore, you may allow a student to earn FWS wages to cover educational expenses in the next period of enrollment that your school offers. The student must be planning to enroll in that next period of enrollment and must demonstrate financial need for that period of enrollment. The next period of enrollment is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.

A student may earn FWS funds *for the next period of enrollment* during any period of enrollment, including a period of enrollment that is comprised, in whole or in part, of minisessions. A student may also earn FWS wages toward the next period of enrollment during a period of nonattendance, as discussed below.

Working During Periods of Nonattendance

A student may be employed under FWS during a period of nonattendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an unattended fall or spring semester. To be eligible for this employment, a student must be planning to enroll for the next period of enrollment and must have demonstrated financial need for that period of enrollment. This period of potential FWS eligibility may include a period prior to enrolling or beginning a program at your school, as long as they have applied and been accepted for the next period of enrollment at your school.

The student's net earnings (earnings minus taxes and job-related costs) during this period of nonattendance must be used to cover expenses associated with his or her financial need for the next period of enrollment.

When a student who had an FWS job in a period of nonattendance fails to enroll in the next academic period, you must be able to demonstrate that the student was eligible for employment and that, at the time the FWS was awarded, you had reason to believe the student intended to enroll in the next period. At a minimum, you must keep a written record in your files showing that the student had accepted the school's offer of admittance for the next period of enrollment. If, during the period of nonattendance, you learn that the student will no longer enroll in the next period of enrollment, the student must immediately stop working under FWS.

For further information about working during vacation periods or periods of nonattendance, see the discussion of enrollment requirements in *Volume 1*.

FWS for period preceding study abroad

A student in an eligible study-abroad program may be employed during a period of nonattendance preceding the study abroad if he or she will be continuously enrolled in his or her American school while abroad and if the student's study is part of the American school's own program. In such a case, a student may be employed in a qualified position in the United States, at the American school's branch campus in a foreign country, or at a U.S. government facility abroad.

FWS and minisessions

If your school combines a series of minisessions or modules into one term (e.g., three summer minisessions into one summer semester), an FWS student attending any of the minisessions may earn FWS wages at any time throughout that term. You may apply those earnings towards the student's financial need for the minisession(s) attended and/or the next period of enrollment. You must base the student's financial need for attending the summer term on the period when the student is actually enrolled in the minisessions.

The amount of FWS wages a student may earn at any given point in the term does not depend on whether or not the student is enrolled in a minisession at that time. You have some flexibility in deciding with the student how to distribute the hours worked throughout the summer term.

FWS Minisession example

Lutz University has a summer term made up of three minisessions. Robert enrolls in classes for the June and August minisessions but does not enroll in any classes for the July minisession. Robert has a financial need of \$500 for his attendance in two of the summer minisessions. Robert also plans to enroll in the following fall semester and has a remaining need of \$250 for that semester.

Robert is given a \$750 FWS award in the summer (\$500 for the two summer minisessions and \$250 for the fall semester). Robert knows his June minisession courses will be very demanding and he will not have time to work. So, Robert earns \$500 during the July minisession when he has no classes. Robert has classes again in August, but his academic workload is lighter. In August, Robert earns \$250 toward his education costs in the upcoming fall semester.

Certain FWS students exempt from FICA taxes

Under certain IRS specified conditions, FWS student wages for students employed by the school may be exempt from FICA taxes (for more detail, see <https://www.irs.gov/Charities-&-Non-Profits/Student-Exception-to-FICA-Tax>).

Calculating Maximum Gross Earnings example

Kris has unmet financial need of \$1,000 at Grace University. Because Kris has a Social Security tax of 7.65% (that will not be refunded) and \$108 in job-related costs, the school may allow Kris to earn an FWS award amount that is higher than his \$1,000 unmet financial need in order for him to earn the allowable \$1,000 net FWS earnings.

To calculate the FWS award amount to reflect the maximum gross FWS earnings that Kris may earn without the net FWS earnings exceeding the student's \$1,000 financial need, the school must do the following:

1. Add the amount of job-related costs to the amount of his unmet need ($\$108 + \$1,000 = \$1,108$) for a total of \$1,108.
2. Account for the Social Security tax by determining that his net FWS earnings are 92.35% of his gross earnings ($100\% - 7.65\% = 92.35\%$) or (.9235).
3. Divide the total in step 1 by the ratio in step 2 ($\$1,108 / .9235 = \$1,199.78$) for a result of \$1,199.78 (\$1,200 after rounding).

Grace University may give Kris a \$1,200 FWS award and his net FWS earnings will not exceed his \$1,000 unmet financial need.

FWS community service requirement

34 CFR 675.18(g)

Taxes and job-related costs cite

34 CFR 675.25(a)

Packaging Aid

CHAPTER 7

Once you've received the student's FAFSA information (including EFC) and calculated the student's aid eligibility, you can package the student's aid. The general rule in packaging is that the student's total financial aid and other Estimated Financial Assistance (EFA) must not exceed the student's financial need. If you discover that the student has other EFA that causes the aid package to exceed the student's need, you must attempt to adjust the aid package to eliminate the overaward. If the overaward can't be eliminated, you must follow the overaward procedures in Volume 5.

Chapter 7 Highlights

- Related software: EDEXpress Packaging Module
 - Available on IFAP (see the **Software and Other Tools link on the IFAP home page; it's no longer on FSA Download**).
- Packaging principles
 - Pell Grants packaged first; not reduced for other aid.
 - Campus-Based and Direct Subsidized/Unsubsidized Loans based on Pell, eligibility, EFC, and Estimated Financial Assistance.
 - Iraq & Afghanistan Service Grant
- Treatment of need-based earnings
- Treatment of other aid: special cases
 - AmeriCorps and veterans educational benefits
 - Vocational rehabilitation assistance
 - Bureau of Indian Affairs grants

In earlier chapters of this volume, we described how to calculate student awards, based on costs, period of enrollment, and statutory award maximums. Except for Pell Grants, Title IV award amounts are also constrained by the other aid that a student receives, known as *Estimated Financial Assistance* (EFA). The general rule is that the student's total aid may not exceed the student's financial need. (Need = Cost of Attendance minus EFC.)

The cost of attendance for the Campus-Based, TEACH Grant, and Direct/Direct PLUS Loan programs is based on the student's enrollment status and costs for the period for which the aid is intended. The Cost of Attendance (COA) used for Pell Grants and Iraq & Afghanistan Service Grants is always the full-year costs for a full-time student, so you may have to prorate actual or average costs up for students who are attending less than an academic year (or who are part-time in a term program) or prorate down for students who are attending for periods longer than an academic year.

The process of awarding aid without exceeding the student's financial need is traditionally called packaging. Packaging is a process that varies from school to school, depending on the types of scholarship and other aid available at the school, and the characteristics of the student population. Schools may have different packaging philosophies, but they generally try to find the best combination of aid to meet the financial need of the students they serve.

To help you package federal student aid with your other aid awards, we provide a packaging module in EDEXpress. You can enter information about your school's student aid programs and set up factors to be considered in packaging, and then use the software to automate the packaging process. Most schools use some form of packaging software, whether EDEXpress or software from a commercial vendor. You are not required to use EDEXpress to package Title IV awards, and you do not have to report the student's aid package to the Common Origination and Disbursement (COD) system.

Prohibition on originating Direct Loans for school charges only

Your school cannot originate Direct Loans only in the amount needed to cover the school charges, nor limit Direct Unsubsidized borrowing by independent students. See Chapter 5 of this volume for further information on originating loan amounts. For more details, see HEA Sec. 479A(c), 34 CFR 685.301(a)(8), and DCL GEN-11-07.

Prior year charges and Title IV aid

Generally, Title IV aid may only be used for current year charges. Recent regulatory amendments have allowed some limited use of current year funds to pay for prior year charges; see Volume 4 for more detail on the circumstances and limitations of this provision. For more details, see 34 CFR 668.164(d)(2) and DCL GEN-09-11.

DIRECT/DIRECT PLUS LOAN PACKAGING CONSIDERATIONS

- Before you originate a loan, you must determine the student's eligibility for a Pell Grant.
- You may originate a Direct Subsidized Loan only for the amount of the student's financial need—the student's costs, minus the student's EFC and estimated financial assistance.
- A student may qualify for a combination of Direct Subsidized and Unsubsidized Loans.
- If they meet program requirements, the parents of a dependent student can take out a PLUS Loan to pay for the student's cost of attendance. There is no fixed loan limit for PLUS Loans.
- If the student is independent, or his/her parents can't borrow a PLUS, the student is eligible for additional Direct Unsubsidized amounts.
- Direct Unsubsidized Loans and Direct PLUS Loans (as well as TEACH Grant funds) can be used to replace the EFC, as well as to cover the student's unmet need.
- Direct PLUS Loans are available to graduate and professional students.

Requirements for arrangements with private lenders

For more detail on the school's responsibilities with respect to education loans from private lenders, see the participation and student consumer information requirements in Volume 2 of the FSA Handbook. See 34 CFR 601 for more on requirements for arrangements with private lenders.

FSA Loan Assessments

For a guide to reviewing and evaluating your procedures regarding Direct Loans, see the Direct Loans module of FSA Assessments:

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

PELL GRANTS AS FIRST SOURCE OF AID

Pell Grants are considered to be the first source of aid to the student, and packaging Title IV funds begins with Pell eligibility. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. Therefore, if a student's aid package exceeds his/her need, you must attempt to eliminate the overaward by reducing other aid your school controls.

The Department issues Pell payment schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. As we'll see, aid from the other Title IV programs must be awarded to ensure that the student's need is not exceeded, unless certain types of aid are used to replace the EFC, as permitted.

Traditional financial aid practice suggests that you would also adjust non-federal aid awards, if necessary, to ensure that the student's financial need is not exceeded. But it's possible that the student will receive a scholarship or other aid that you can't adjust and is large enough (in combination with the Pell Grant) to exceed the student's need. In this case, the student is still eligible for a Pell Grant based on the payment schedule. However, you can't award any Title IV funds other than the Pell Grant.

For instance, the National Collegiate Athletic Association's rules for athletic aid sometimes permit a school to award athletic aid that exceeds the student's need. You must still pay the full Pell Grant to the student, but you may not pay other Title IV funds to the student, because his/her financial need has already been met.

Pell can't be used to pay a loan

If the student's aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell Grant funds can't be used to pay back the loan—a loan repayment isn't an educational expense.

PACKAGING RULES

Campus-Based Aid and Direct Loans

You should consider a number of things when developing a packaging policy. For instance, some schools give more grant assistance to beginning students, who may have more difficulty adjusting to campus life, increasing the proportion of loans and work-study in subsequent years. For the Campus-Based Programs and other programs where the available funds may not be sufficient to meet every eligible student's need, some schools decide to give a higher proportion of aid to the neediest students. Other schools award funds as an equal proportion of each student's need.

Many schools use software, such as the Packaging module in EDEXpress, that can be configured to implement the school's packaging philosophy. For instance, in EDEXpress, you can specify the order in which aid sources are to be applied to the student's unmet need, and set overall percentage limits on the amount of gift (grants/scholarships) and self-help aid that will be included in the aid package. For students who have a Pell-eligible EFC, you must not award any FSEOG to students who've reached their 600% Lifetime Eligibility Used (LEU) until after awarding all students who are still Pell-eligible.

Packaging Iraq & Afghanistan Service Grants

An Iraq & Afghanistan Service Grant awarded to an ineligible student is an overaward, as is a grant based on a Pell Grant Payment Schedule for an enrollment status different than that for which a student is enrolled. Finally, an Iraq & Afghanistan Service Grant that **by itself** exceeds the student's cost of attendance is an overaward. All of these Iraq & Afghanistan Service Grant overawards must be corrected (for more detail on how to resolve overawards, see *Volume 5 of the FSA Handbook*). For more details, see the EAs of July 30, 2010 and February 11, 2011.

Pell and Iraq & Afghanistan Service Grant Lifetime Eligibility Used

You must check the COD common record or COD Web to make sure students close to the 600% lifetime limit on a Pell Grant are not packaged in such a way as to go over 600% of the LEU for either program; to do so would be to overaward the student. The Department will also provide weekly reports in the SAIG mailbox (message class PGLEXXOP, where XX=year) for your school's Pell-eligible applicants that have a Pell LEU greater than or equal to 450%. See *Chapter 3* for more detail on the effects of various levels of Pell/Iraq & Afghanistan Service Grant LEU.

Packaging Graduate/Professional PLUS

A Direct PLUS Loan does not count against a graduate/professional student's Direct Unsubsidized annual or aggregate loan limits.

Use net FWS earnings when packaging

To determine the net amount of a student's FWS earnings that will be available to help pay for the student's costs, you must subtract estimated taxes and job-related costs from the student's gross FWS earnings (see *Chapter 6* of this volume).

NCAA Considerations

The "Power Five" conferences of the NCAA (the ACC, Big Ten, Big 12, Pac 10, and SEC) have voted to expand their athletic scholarship to cover an athlete's full cost of attendance. Previously, only the components listed under "Allowable costs in general" in *Chapter 2* of this volume were included in COA. This only applies to the colleges in the Power Five, but may also be adopted by other Division I participating schools, at their discretion.

One important exception to the full cost COA is the practice of a school paying the costs of an athlete's insurance against injury to protect against loss of future income. This expense may not be included in COA because it is not related to a student's educational program, but **is** included as EFA for the student in the aid packaging process.

ESTIMATED FINANCIAL ASSISTANCE (EFA)

In contrast to Pell & Iraq and Afghanistan Service Grants, you must take other aid into account when awarding TEACH Grant funds, Campus-Based aid, or Title IV Loans. As noted earlier, the other aid that must be considered is called "estimated financial assistance" (EFA). "EFA" is used in the same way for the Title IV Loan programs purposes as for TEACH and the Campus-Based Programs. However, there are differences in the treatment of AmeriCorps and Chapter 30 GI benefits (discussed later in this chapter).

In general, EFA, as defined for the Campus-Based Programs and TEACH grants, refers to aid from the Title IV programs, as well as grants, scholarships, loans, and need-based employment that you can reasonably anticipate at the time you award aid to the student, whether the assistance is awarded by the school or by an individual or organization outside the school.

If aid is excluded from either EFA or COA, that amount must be excluded from both EFA and COA. The regulations specify that "estimated financial assistance" is aid that the student will receive for the same period of

Examples of Estimated Financial Assistance

Estimated Financial Assistance

Any educational benefits paid because of enrollment in postsecondary education, such as:

- The student's Pell Grant eligibility;
- Direct Unsubsidized and Subsidized Loans;
- PLUS Loans;
- Long-term loans made by the school (short-term emergency loans are not considered to be Estimated Financial Assistance);
- Grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs) and state grants;
- Scholarships, including athletic scholarships and scholarships that require future employment but are given in the current year;
- Employer reimbursement of employee's tuition

- Waivers of tuition and fees;
- Fellowships or assistantships;
- Income from insurance programs that pay for the student's education;
- Net income from need-based employment such as FWS;
- AmeriCorps funds (except when packaging Direct Subsidized Loans);
- McNair Postbaccalaureate Achievement Program; and
- TEACH Grant funds.
- Private education loans are **not** considered EFA UNLESS the loan substitutes for the EFC and exceeds it, in which case the loan funds which exceed the EFC are considered EFA.

Not EFA

- The Iraq & Afghanistan Service Grant is not considered EFA.
- Wages from non-need based employment are not EFA.
- Veterans education benefits are not considered EFA (see *Appendix A* at the end of this chapter).
- When awarding Campus-Based funds, you may exclude from EFA: funds up to the amount of any Direct Subsidized Loan that you award to the student when the student received AmeriCorps or Chapter 30 benefits.
- When determining eligibility for subsidized Direct Loans, you must exclude the entire amount of AmeriCorps benefits.

enrollment as the loan. As noted in *Chapter 1*, it's usually best to originate a loan for a period that matches the academic year or other period that you're using to award funds from other Title IV programs. The amount of a private education loan which exceeds the EFC when substituting for the EFC is considered EFA.

When classifying non-FSA sources of aid, if a student receives the award because of postsecondary enrollment (for example, a scholarship from a local social club that requires a student to be attending a postsecondary school), it counts as EFA if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need. Any amount that appears as income on the tax return will also be included on the appropriate line of item 44 or 93 on the FAFSA. If the award is considered wages for employment but is not based on need, then it is not EFA and it remains in income.

Prepaid tuition plans

Prepaid tuition plans are not considered EFA; instead, they are treated the same as Coverdell education and 529 savings accounts. Their value is considered an asset of the owner of the account, unless the owner of the account is a dependent student. When the owner is a dependent student, the value of the account is reported as an asset of the parents on the FAFSA. For more detail, see Volume 1, Chapter 2, under the heading "Qualified Education Benefits."

Estimated Financial Assistance provided by a state

If the assistance provided by a state is not considered Title IV assistance (such as a LEAP Grant), and is designated by the state to offset a specific component of the student's COA, the amount of that assistance may be excluded from both COA and Estimated Financial Assistance. You may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and Estimated Financial Assistance. If the amount excluded is less than the allowance provided in the student's COA, you must exclude the lesser amount. For more detail, see HEA Sec. 480(j).

Estimated Financial Assistance

34 CFR 673.5(c)

HEA: Sec. 428(a)(2)(C)(ii)

DL: 34 CFR 685.102(b)

PACKAGING AID FOR CHILDREN OF IRAQ & AFGHANISTAN SOLDIERS

As described in *Chapter 3*, a student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, may receive increased amounts of Title IV aid, if, at the time of the parent or guardian's death, the student was 1) 23 years of age or younger, or 2) enrolled at an institution of higher education. The aid award and the method of packaging depends upon whether a student who meets the above criteria has a Pell-eligible EFC:

- If the student has a Pell-eligible EFC, you must **award** all Title IV aid based on an EFC of zero and must **package** all aid based on an EFC of zero, without regard to the student's calculated EFC (you don't actually change the student's EFC).
- If the student has an EFC that is too high to qualify for a Pell Grant, he or she is potentially eligible to receive an Iraq & Afghanistan Service Grant.

Packaging Iraq & Afghanistan Service Grants

The amount of the Iraq and Afghanistan Service Grant is determined by enrollment status only (see *Chapter 3*). For students receiving Grants, you include the student's normally calculated EFC when packaging other Title IV aid. The Grant is not based on need and is not considered EFA (for purposes of awarding aid from other Title IV programs). COA is only taken into account if the student's COA is less than the maximum Iraq & Afghanistan Service Grant. For more detail on the Iraq & Afghanistan Service Grant, including calculating an award for a payment period, see *Chapter 3* of this volume.

An Iraq & Afghanistan Service Grant is not adjusted to take into account other forms of aid. Additionally, as the Iraq & Afghanistan Service Grant is not considered EFA, it does not affect other aid in the student's Title IV

IASG packaging example

EFC 8,000	
Cost = \$9,000	IASG \$6,195
	Direct Loan \$3,500

Joe is a freshman dependent student, enrolled at Bohannon College. Joe's cost of attendance is \$9,000, and his EFC for the current year is 8,000. Due to his parent's death in service in Iraq and his non-Pell-eligible EFC, Joe is eligible to receive an IASG. The packaging process begins with a \$6,195 IASG. Bohannon can then award Joe a \$3,500 Direct Loan. Although the amount of IASG and Direct Loan combine to exceed Joe's COA, the IASG is not EFA, and thus does not affect Joe's other aid in his Title IV aid package. No overaward is created, and neither form of aid must be reduced.

aid package. In the rare instance where an IASG, by itself, would exceed the student's FSA cost of attendance for a period of enrollment, the total amount of the of the IASG paid to the student must be reduced to the COA for the period of enrollment (reduce each payment for each payment period by an equal amount).

PACKAGING WHEN CHOOSING NOT TO BORROW SUBSIDIZED OR UNSUBSIDIZED DIRECT LOANS

If a graduate Direct PLUS borrower does not request the maximum Direct Unsubsidized Loan amount for which he/she is eligible, you must:

- Notify the borrower of his/her maximum Direct Unsubsidized Loan eligibility;
- Provide the borrower with a comparison of the maximum interest rates for Direct Unsubsidized Loans and Direct PLUS Loans;
- Explain when a Direct Unsubsidized Loan enters repayment and when a Direct PLUS Loan enters repayment; and
- Give the borrower the opportunity to request the maximum Direct Unsubsidized Loan at the lowest interest rate for which the borrower is eligible.

If the student for whom a parent is borrowing a Direct PLUS Loan chooses not to apply for a Direct Subsidized or Unsubsidized Loan, the Direct Subsidized/Unsubsidized Loan amount that the student would have been eligible to receive is *not* counted as estimated financial assistance when determining the amount of the Direct PLUS Loan. The same principle applies when a graduate/professional student is eligible for a Direct Unsubsidized Loan but chooses to borrow only a Direct PLUS Loan.

PACKAGING TEACH GRANTS

If you choose not to use the TEACH Grant to finance the EFC (see the "Substituting for the EFC" section below), all of the TEACH Grant is considered EFA for all other Title IV programs. Beginning with any unsubsidized loans, you should first reduce a student's level of borrowing. Once a student's loans have been reduced, or if the student has no loans, it may be necessary to reduce the student's TEACH Grant or other aid. If your school fails to follow required procedures, your school must repay any Title IV overpayment. If your school followed the required procedures and the Title IV overpayment is \$25 or more, the student must repay the overpayment.

When a student has no need-based aid:

TEACH Grants are not considered to be need-based aid. However, a student's TEACH Grant, in combination with the student's other estimated non-need-based financial assistance (a component of EFA), may not exceed the student's cost of attendance. If a student is **not** receiving need-based financial assistance, the EFC is **not** included in determining whether a

student is in an overaward status.

If you discover a situation where, for a student who is not receiving any need-based financial assistance, the TEACH Grant in combination with other non-need-based EFA exceeds the student's cost of attendance, the TEACH Grant must be reduced.

When a student is receiving need-based aid:

As with Direct Unsubsidized Loans, Direct PLUS Loans, and nonfederal education loans, TEACH Grants may be used to replace a student's EFC. If the TEACH Grant exceeds a student's EFC, the excess TEACH Grant is considered EFA for other Title IV programs. For a student who is receiving need-based student aid, the student's EFC plus TEACH Grant, plus other EFA may not exceed the student's cost of attendance.

If a student's EFC plus TEACH Grant, plus EFA exceeds the cost of attendance, you should first apply the TEACH Grant to finance the EFC (remember, any TEACH Grant above the EFC is considered EFA for other Title IV programs). If the EFC, plus any remaining TEACH Grant, plus any other EFA still exceeds the student's cost of attendance, the student is in an overaward status, and you must resolve it (for more detail on how to resolve overawards, see *Volume 4, Chapter 3*).

Before reducing a student's need-based aid, you should reevaluate the student's cost of attendance to determine whether the student has increased costs that were not anticipated when the school initially awarded aid to the student. If the student's costs have increased, and if the total aid package does not exceed the revised cost of attendance, you are not required to take further action. If you determine that the student's aid package still exceeds the student's cost of attendance, you must resolve the overpayment (for more detail on how to resolve overawards, see *Volume 4, Chapter 3*).

CONSIDERING GRANTS AND SUBSIDIZED LOANS FIRST

The law requires aid administrators to find out whether the student is eligible for certain other Title IV programs that would reduce the need for borrowing. If your school participates in the Federal Pell Grant Program, you must include the student's estimated Pell Grant eligibility as Estimated Financial Assistance when making Campus-Based awards, whether or not the student has received the Pell Grant at the time you make your Campus-Based award.

Similarly, you must determine an undergraduate student's Pell Grant eligibility before originating a Direct Subsidized or Unsubsidized Loan for that student. In addition, a student may not receive a Direct Unsubsidized Loan unless the student has received a Direct Subsidized Loan for the maximum amount for which the student is eligible. (The difference between Direct Subsidized and Unsubsidized Loans is explained in *Chapter 5* of this volume.) However, if the amount of the Direct Subsidized Loan would be \$200 or less and the amount can be included as part of a Direct Unsubsidized Loan, you are not required to originate a separate subsidized loan.

For a dependent student, you may originate a Parent PLUS and disburse Parent PLUS funds without determining the student's Pell Grant and Direct Subsidized Loan eligibility. Determining Pell eligibility is not relevant for Graduate PLUS, but (unlike Parent PLUS) your school must determine a graduate/professional student's maximum Direct Unsubsidized eligibility before the student applies for PLUS.

Requirement to consider grants and subsidized loans first

34 CFR 685.200(a)(iii)

FSEOG & PELL GRANT LEU

A student who receives a Pell Grant at any time in the award year may be awarded an FSEOG for that award year; the student does not have to receive a Pell Grant in the same payment period as the FSEOG. For example, in the case of a student who receives a Pell Grant for the fall semester only due to reaching his lifetime eligibility used (LEU), the student may be awarded an FSEOG for both the fall semester and subsequent spring semester.

Students who have reached or exceeded 600% of their Pell or Iraq & Afghanistan Service Grant LEU may still be eligible to receive FSEOG, however, they must be considered in the second selection group.

You must keep documentation of the eligible EFC that was calculated for the student, and you must confirm Pell Grant eligibility prior to disbursement of the FSEOG. For more details on Pell Grant LEU, see *Chapter 3* of this volume.

SUBSTITUTING FOR THE EFC

A school may substitute certain types of aid (Title IV aid funds from programs for which eligibility is not based on the EFC) for the student's EFC. Forms of aid that may replace the student's EFC include Direct Unsubsidized Loans, TEACH Grant funds, PLUS Loans, state loans, private education loans, or any other non-need-based loans. Note that all annual loan limits still apply (PLUS Loans count towards neither annual nor aggregate limits), and if any of these are used to substitute for EFC, amounts that exceed the EFC are counted as estimated financial assistance.

You must package Campus-Based funds and Direct Subsidized Loans before unsubsidized loans; as such, treatment of unsubsidized loans only becomes a factor when awarding Direct Unsubsidized and PLUS Loans. When awarding Direct Subsidized/Unsubsidized and Direct PLUS Loans, Direct Unsubsidized Loan amounts are only counted in *estimated financial assistance* if they exceed the EFC.

Substituting for the EFC

34 CFR 686.21(d)

34 CFR 685.200(e)

34 CFR 668.52

Basic packaging example

Cost=\$12,500	unmet need 10,000
	EFC 2,500

\$12,500 Cost
- 2,500 EFC
\$10,000 Need

Ricki is a dependent student, returning as a sophomore to Dwight College. For academic purposes, Dwight College considers him to be a 2nd-year student. His cost of attendance is \$12,500, and his EFC for the current year is 2,500; therefore, the packaging process begins with \$10,000 in unmet need.

Cost=\$12,500	unmet need \$5,855
	Pell + scholarship \$4,145
	EFC 2,500

\$12,500 Cost
- 2,500 EFC
- 3,745 Pell Grant
- 400 Scholarship
\$ 5,855 Remaining Need

The aid administrator at Dwight College begins by awarding Pell Grants and applying an outside scholarship before awarding Campus-Based aid. Ricki's Estimated Financial Assistance is a \$3,745 Pell Grant and a \$400 outside scholarship.

Cost=\$12,500	EFC 2,500
	Pell + Sch. \$4,145
	C-B Aid \$2,600
	unmet need \$3,255

\$12,500 Cost
- 2,500 EFC
- 3,745 Pell Grant
- 400 Scholarship
- 800 FSEOG
- 1,800 FWS
\$ 3,255 Remaining Need

Ricki has sufficient need for the maximum awards that the aid administrator can make under Dwight's policy for Campus-Based funds: \$800 FSEOG, and \$1,800 in FWS employment, totaling \$2,600 in non-loan funds, leaving him with \$3,255 in remaining need.

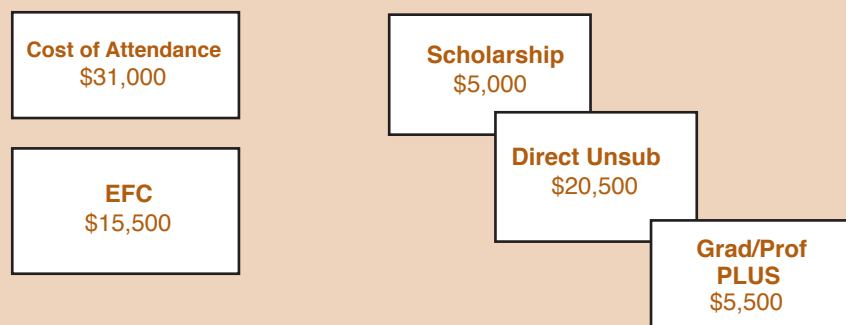
Cost=\$12,500	EFC 2,500
	Pell + Sch. \$4,145
	C-B Aid \$2,600
	Direct Sub \$3,255
	unmet need \$0

\$12,500 Cost
- 2,500 EFC
- 3,745 Pell Grant
- 400 Scholarship
- 800 FSEOG
- 1,800 FWS
- 3,255 Direct Sub. Loan
\$ 0 Remaining Need

The aid administrator at Dwight College finishes the packaging process by awarding FSA loans available to meet Ricki's need. As a dependent 2nd-year student, Ricki's combined Direct Subsidized Loan and Direct Unsubsidized Loan limit is \$6,000 (maximum of \$4,500 subsidized). Ricki's financial aid package now fully covers his financial need of \$10,000. However, Ricki also would have the option to receive up to \$2,500 in Direct Unsubsidized Loan funds to replace the EFC and completely cover his cost of attendance.

Graduate/Professional PLUS Packaging Example

Kent enrolls in a graduate-level program at McCausland University with a total Cost of Attendance of \$31,000. Kent has already been awarded a graduate scholarship of \$5,000. Kent is a graduate student, so his annual loan limit is \$20,500. Due to the passage of the Budget Control Act, as a graduate student, Kent is not eligible to receive a Direct Subsidized Loan. McCausland awards Kent a \$20,500 Direct Unsubsidized Loan. Kent now has \$5,500 in remaining need. Kent can receive a Direct PLUS Loan for \$5,500 to satisfy his remaining need, partially replacing the EFC (minus the scholarship and Direct Unsubsidized Loans, which count as EFA).



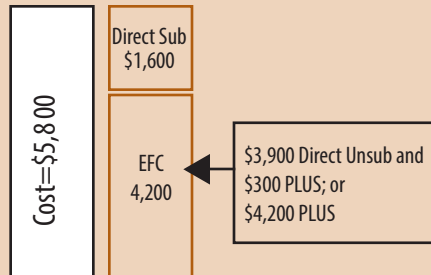
Using Loan Funds to Replace the EFC: Dependent example

Nichelle is a first-year dependent student at Ricketts Community College. Her cost of attendance is \$5,800 and her ISIR shows that she has an EFC of 4,200, so her financial need is \$1,600. Nichelle's EFC makes her ineligible for a Pell Grant, and Ricketts does not participate in the Campus-Based Programs. The combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year dependent student is \$5,500 (maximum \$3,500 subsidized). Nichelle qualifies for a \$1,600 Direct Subsidized Loan to fully cover her financial need.

\$ 5,800 Cost
<u>-4,200 EFC</u>
\$ 1,600 Need

Since a Direct Unsubsidized Loan can replace the EFC, Nichelle is eligible to borrow an additional \$3,900 in the form of a Direct Unsubsidized Loan to cover part of the EFC (\$5,500 combined subsidized/unsubsidized annual loan limit - \$1,600 Direct Subsidized Loan = \$3,900 Direct Unsubsidized loan eligibility). Nichelle cannot cover the full \$4,200 EFC with a Direct Unsubsidized Loan, because that amount, when combined with the \$1,600 Direct Unsubsidized Loan amount, would cause her to exceed the \$5,500 combined sub/unsub annual loan limit. However, her parents could then borrow \$300 in PLUS to cover the remaining portion of the EFC and fully cover her COA. As an alternative to Nichelle taking out a \$3,900 Direct Unsubsidized Loan, Nichelle's parents could borrow up to \$4,200 in the form of a PLUS Loan to fully cover the EFC.

\$ 5,800 Cost
- 1,600 Direct Sub
- 3,900 Direct Unsub
- 300 PLUS
<u>0 Need</u>



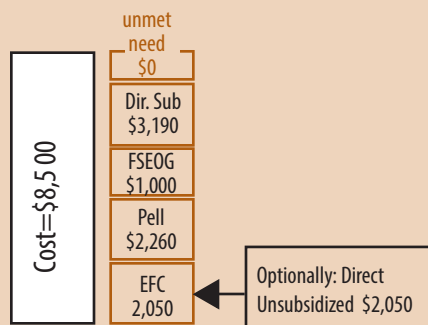
Using Loan Funds to Replace the EFC: Independent example

Allen enrolls in Aim College of Engineering and Animal Husbandry as a 1st-year independent student with an \$8,500 cost of attendance, and Aim has received an ISIR for him with an EFC of 2,050. He is eligible for a \$2,260 Pell Grant, and Aim also awards him a \$1,000 FSEOG. Allen's remaining need is \$3,190, so he can receive that amount in a Direct Subsidized Loan. The combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year independent student is \$9,500 (maximum \$3,500 subsidized). Allen's financial need is fully covered by the Pell Grant, FSEOG, and Direct Subsidized Loan.

\$ 8,500 Cost
<u>-2,050 EFC</u>
\$ 6,450 Need

Allen can also receive a Direct Unsubsidized Loan in the amount of \$2,050 to replace the EFC and fully cover his cost of attendance.

\$ 8,500 Cost
- 2,260 Pell Grant
- 1,000 FSEOG
- 3,190 Direct Subsidized
- <u>2,050 Direct Unsubsidized</u>
\$ 0 Need



RECALCULATION

Any time a student begins attendance in at least one course but does not begin attendance in all the courses he or she was scheduled to attend and on which his or her eligibility for Title IV Aid was based, the school must recalculate the student's eligibility for Pell Grant, Iraq and Afghanistan Service Grants, and TEACH, based on a revised enrollment status and cost of attendance. For the Campus-Based programs, the school may need to recalculate the student's eligibility based on a revised cost of attendance.

A school may adopt a recalculation policy that is more strict than the regulations require, e.g., a policy that requires recalculation up to a census date or anytime within a term or period of enrollment. If a school adopts a policy of recalculating Pell Grants, Iraq and Afghanistan Service Grants, and TEACH Grants if a student's enrollment status changes within a term or period of enrollment, the policy must be applied consistently to all students. Therefore, if your school chooses to recalculate Pell, Iraq & Afghanistan Service Grants and TEACH Grants for a student whose enrollment status in a program increases (e.g., from half-time to full-time), it must also recalculate for a student whose enrollment status decreases.

Once the school has completed recalculating the student's eligibility, Title IV funds in excess of the amount the student is eligible to receive must be returned or reawarded, as applicable, by the school within three days (or, for up to one percent of a school's total amount of funds drawn down in the prior award year, up to seven days, as described in the excess cash requirements in 34 CFR 668.166(b)).

Recalculation and Direct Loans

If a school is recalculating aid for a student who was enrolled in a series of classes or modules and who dropped all future classes before beginning attendance in enough classes to qualify for half-time enrollment status, the school may not make a first disbursement of the loan because the student never began attendance on at least a half-time basis (34 CFR 685.303(b)(3)(i) and (iv)). However, if the school had already made a disbursement and the student began attendance, no action is necessary. For more detail on recalculating Direct Loans, see *Chapter 5* of this volume.

Recalculation and Pell Grants

Since Pell Grants are always based on the full-time cost of attendance, recalculation means that you are looking at the student's revised enrollment status and using the Pell Payment Schedule appropriate for the student's revised enrollment status. For more detail on recalculating Pell Grants, see *Chapter 3* of this volume.

Recalculating Cost of Attendance (COA)

When performing a recalculation a school may not include in the COA costs associated with any classes the student failed to begin. In addition, in determining a student's COA a school may not include any costs for a period when the student was not enrolled in and attending any Title IV eligible classes (other than costs for a brief period of time between regularly scheduled terms or semesters). Note that some components of COA are not included if a student is enrolled less than half time (see *Chapter 2* of this volume).

A school that performs a Return of Title IV Funds calculation on a period of enrollment basis for a student enrolled in a program offered in modules may not include in the recalculated COA any costs associated with a future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days.

COA changes between payment periods

A school may have a policy of recalculating awards when the cost of attendance changes from one payment period to the next—for example, because of changes to the student's tuition and fee costs, or because a student's living situation changes (such as when a student moves off campus). Schools also have the option to establish a policy to recalculate financial aid awards when a student's costs change *within* an award year, as long as the recalculation policy is carried out for all students whose costs change.

COA changes within a payment period

You may establish a policy of recalculating for cost changes from one payment period to the next, and at the same time, have a policy not to recalculate for cost changes *within* a payment period. You also have the option to establish a policy to recalculate financial aid awards when a student's costs change within a payment period. For instance, if a student with no dependents moves from a dormitory to off-campus housing at midterm, the school may wish to recalculate the student's award for that payment period.

For Pell purposes, such a policy is acceptable if it's carried out for all students whose costs change within the payment period.

You may not recalculate the payment for a payment period that took place *before* the cost change. For instance, in the example, if the student lives in the dormitory during the first quarter and then moves off campus for the second and third quarters, the recalculation would only affect the payments for the second and third quarters.

Counting need-based earnings as Estimated Financial Assistance

The treatment of earnings from a job sometimes presents a problem—should the earnings be reported as income in need analysis or should they be counted as a form of student aid in the packaging process? Net earnings from *need-based employment* are considered to be student aid. “Need-based employment” means employment that is awarded by the school itself or by another organization to a student on the basis of financial need to meet

educational expenses for the award year.

Only income from *need-based* employment may be considered as student aid. A Federal Work-Study job is clearly a form of need-based student aid. Employment with a state is considered to be student aid if that employment is based on the student's financial need for assistance to pay for educational expenses.

Non-need-based earnings are not to be considered as EFA for the current award year because they will be reported as income on the Free Application for Federal Student Aid (FAFSA) for a subsequent award year and will be used in calculating the future EFC. An example of non-need-based employment would be a job a student locates on her own with a private employer such as a local grocery store. Another example would be a job cleaning the labs in the chemistry department on campus, if the chemistry department hired the student using non-need-based criteria and funds.

CROSSOVER PERIODS

Crossover periods are payment, award, or loan periods that overlap two award years. In general, you may choose which award year EFC to use for a student, with one exception:

- When awarding FWS to a student not attending classes, the EFC for the next period of enrollment must be used.

The following chart summarizes the key flexibilities and options in handling crossover payment periods in the major Title IV programs. Note that for the award year selected, the student must have an official EFC calculated by the CPS, and for a Pell Grant the CPS must also have processed a valid SAR or ISIR. For crossover payment periods, you must use the same EFC, COA, and need for all programs except Pell; for Pell, use the EFC for the award year from which the student will be paid.

Pell crossover issues

You are no longer required to assign a crossover period to the award year in which the student would receive the greatest Pell award, but should assign crossover payment periods to the award year that best meets the needs of your students and maximizes a student's eligibility over the two award years in which the crossover payment period occurs. You may assign the Pell award to a different award year than the rest of the student's Title IV aid. For more detail on calculating Pell awards in crossover, summer, minisession, and transfer situations, see Chapter 3 of this volume.

EFCs for periods other than 9 months

For information on EFCs for periods other than 9 months, see the Application and Verification Guide, Chapter 3.

Crossover period EFCs and Title IV aid

In a crossover payment period, when using Pell from a different award year from other Title IV aid, you must use the same EFC, COA, and need for all programs except Pell. For Pell, you use the EFC, COA, and need for the award year from which the student will be paid, and apply the amount of Pell received against the need when packaging aid from other Title IV programs.

Handling Crossover Periods for Title IV Programs						
Title IV Program	Applicable crossover period	Choice of award year EFC?	Use same award year EFC for all students in crossover period?	Use same award year, EFC, COA, and need to award a student other TIV aid?	Use funds from the same award year as EFC?	Choice of academic year for annual loan limit regardless of award year EFC used?
Pell Grant and Iraq & Afghanistan Service Grant	Payment period	Yes	No	Not applicable	Yes	Not applicable
FWS	Award period	Yes, if student is attending classes. (If student is not attending, you must use EFC for next period of enrollment)	No	Yes, except for Pell Grant	No, disbursement from award year in which hours were worked	Not applicable
FSEOG	Payment period	Yes	No	Yes, except for Pell Grant	No	Not applicable
Direct Loans	Loan period	Yes	No	Yes, except for Pell Grant	Not applicable	Yes, for term-based credit-hour programs using SAY. Not relevant for BBAY.

Financial Aid offers and notification requirements

Many schools use a financial aid offer, in either paper or electronic format, to notify students of their proposed aid package. Whether you use a paper letter or other electronic means such as email, you must fulfill the consumer information requirements, as described in *Volume 2, Chapter 6*. You are also responsible for certain notifications and authorizations at the time of disbursement, as described in *Volume 4, Chapter 1*.

Schools may direct students toward the following website for information on interpreting their financial aid package: <https://www2.ed.gov/policy/highered/guid/aid-offer/index.html>

PACKAGING VETERANS BENEFITS, AMERICORPS, VOCATIONAL REHABILITATION FUNDS, & BIA GRANTS

Veterans and AmeriCorps benefits

For FSA purposes, federal veterans education benefits, as defined under Section 480(c) of the HEA, are not treated as estimated financial assistance (EFA). You can ask the student to provide the specific program or benefit under which they are receiving their veterans benefits. As in the past, veterans benefits are also not to be counted as income, and therefore are not reported as income on the FAFSA. For a full list of federal veterans education benefits, see *Appendix A* at the end of this chapter.

No AmeriCorps benefits are included in the EFA when determining eligibility for Direct *Subsidized* Loans. Note that this packaging exclusion does not affect any Campus-Based or TEACH Grant awards made to the student, because you may exclude the Direct Subsidized Loan from the EFA, up to the amount of the student's AmeriCorps benefits, for those programs. All AmeriCorps benefits are included as EFA when determining eligibility for Direct *Unsubsidized* Loans.

For example, a 2nd-year student has a COA of \$10,000 and is receiving \$4,000 in Pell and \$3,000 in AmeriCorps benefits. You package her with \$1,000 in FSEOG. You may award this student another \$3,500 in Direct Subsidized because the EFA for Direct Subsidized would not include the AmeriCorps benefits.

Note that the income earned from the Veterans Affairs Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, and is *not* considered estimated financial assistance. It should be reported as untaxed income (not income earned from work) on the FAFSA.

Noneducational veterans benefits are not counted as estimated financial assistance. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits, and income from the VASWSAP. The student must report these noneducational benefits as nontaxable income on the FAFSA.

Vocational rehabilitation funds

If you have a student who qualifies for both Title IV funds and for vocational rehabilitation assistance funds, you should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled. If the vocational rehabilitation agency doesn't fully meet the student's disability costs, you may wish to include the unmet disability expenses in the student's cost of attendance, and increase his or her aid award.

Vocational rehabilitation agreements with state agencies

Some state vocational rehabilitation agencies have established agreements with schools that specify how vocational rehabilitation assistance will be coordinated with other forms of financial aid. Check with your school's vocational rehabilitation coordinator to see if it has such an agreement.

Although the vocational rehabilitation funds shouldn't be considered estimated financial assistance when you initially package aid for the student, you must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Coordination with Bureau of Indian Affairs grants

When packaging Campus-Based aid for a student who is or may be eligible for a Bureau of Indian Affairs (BIA) grant, you must first develop a financial aid package without considering any BIA funds. If the total aid package—after BIA funds are added—does not exceed the student's need, no adjustment may be made to the aid package. If the total package plus the BIA grant does exceed need, you must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (You may *not* reduce a Pell Grant or BIA grant.) You may alter this sequence of reductions upon the student's request if you believe it would benefit the student. We encourage you to consult with area officials in charge of BIA postsecondary financial aid when packaging Title IV funds with BIA grants. For more details on BIA Grants, see 34 CFR 673.6.

Vocational rehabilitation packaging

Lee has \$4,000 in vocational rehabilitation aid for the 2014-15 academic year. At Smith College, Lee has a COA of \$5,000. He is eligible for a \$5,000 Direct Loan. Although Smith coordinates funding with the vocational rehabilitation agency to prevent an overaward, the vocational rehabilitation funds themselves are not considered EFA because they cover costs that are not components in Lee's COA, and Lee's vocational rehabilitation costs are also not included in his COA.

Lee has \$2,000 of disability costs that are not met by his vocational rehabilitation award, so \$2,000 may be added to his COA. Smith decides to award Lee a \$2,000 Direct Loan to cover his COA. This is not an overaward, since Lee's original \$5,000 COA was increased by the \$2,000 in unmet disability costs not included in his COA.

Veterans benefits not EFA

EA July 2, 2009, EA August 13, 2009

HEA 480(c)

Federal veterans benefits are excluded from the definition of EFA as of July 1, 2009.

Yellow Ribbon Packaging

August 13, 2009 EA

TREATMENT OF OVERAWARDS

If, at any time during the award period, the student receives additional Estimated Financial Assistance that was not considered in calculating the student's eligibility for Campus-Based aid, and if the estimated financial assistance combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.

The treatment of overawards in the Direct/Direct PLUS programs depends on whether the loans have been fully disbursed—if you discover that there's going to be an overaward before Direct/Direct PLUS funds are disbursed, you must eliminate the overaward through the packaging process by canceling the loan or by making a downward adjustment to a Direct Loan, or by reducing/canceling aid over which you have direct institutional control.

If the overaward situation occurs after Direct Loan funds have been disbursed to the borrower, there is no Direct Loan overaward that needs to be addressed; however, you might need to adjust the student's aid package to prevent an overaward of Campus-Based funds. See *Volume 5* of the *FSA Handbook* for a full discussion of overawards for all programs.

For more on Pell Grant recalculations, including when they are optional and mandatory, see *Chapter 3* of this volume.

Campus-Based overaward thresholds

Campus-Based aid need not be reduced if the overaward doesn't exceed \$300, which is the overaward threshold for all Campus-Based programs. Note that the \$300 threshold is allowed only if an overaward occurs after Campus-Based aid has been packaged and the school was unaware the student would receive additional funds. The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other resources, exceeds the student's financial need.

For more on overawards, see *Volume 5 - Overawards, Overpayments, & Withdrawal Calculations*.

APPENDIX A

FEDERAL VETERANS EDUCATION BENEFITS TO BE EXCLUDED FROM EFA, AS LISTED IN SECTION 480(C) OF THE HIGHER EDUCATION ACT

- Chapter 103 of Title 10, United States Code (Senior Reserve Officers' Training Corps)
- Chapter 106A of Title 10, United States Code (Educational Assistance for Persons Enlisting for Active Duty)
- Chapter 1606 of Title 10, United States Code (Selected Reserve Educational Assistance Program)
- Chapter 1607 of Title 10, United States Code (Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Certain Other Operations)
- Chapter 30 of Title 38, United States Code (All-Volunteer Force Educational Assistance Program, also known as the “Montgomery GI Bill—active duty”)
- Chapter 31 of Title 38, United States Code (Training and Rehabilitation for Veterans with Service-Connected Disabilities)
- Chapter 32 of Title 38, United States Code (Post-Vietnam Era Veterans Educational Assistance Program)
- Chapter 33 of Title 38, United States Code (Post-9/11 Educational Assistance)
- Chapter 35 of Title 38, United States Code (Survivors' and Dependents' Educational Assistance Program)
- Section 903 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note) (Educational Assistance Pilot Program)
- Section 156(b) of the “Joint Resolution making further continuing appropriations and providing for productive employment for the fiscal year 1983, and for other purposes” (42 U.S.C. 402 note) (Restored Entitlement Program for Survivors, also known as “Quayle benefits”)
- The provisions of Chapter 3 of title 37, United States Code, related to subsistence allowances for members of the Reserve Officers Training Corps