



**[SELLERS:]** That said, what are we going to do today? We are basically going to look at some changes in the Federal Pell Grant program and then the addition of benefits for survivors of Iraq and Afghanistan service members who died while serving. We are going to do questions at the end. It looks like we only have one microphone out there, so when that comes up, if you would go to that microphone. We had time yesterday and hopefully will have time today. We have a fair amount to go over. As you can see, our agenda basically is laid out by award year, but we are going to start off with a little touch on the budget stuff, mostly through looking at the scheduled award and then look at recent legislation and what we did in negotiated rule-making and a little background. Then, we will discuss what you should be doing in 2009-10 already, a little bit. Then, we will focus on 2010-11, which is where our final rules go into effect that you should be working with, and also we'll have that new Iraq and Afghanistan Service Grant program to discuss. Finally, we have one new operations change we want to make note of out in 2011-12.

That said, let's go to talking about the budget and scheduled award. You all know that our current award is \$5,350 for the 2009-10 award year, and I will remind you because this is kind of important in the rest of the discussion, \$4,860 of that is discretionary money in terms of Washington. That means, it is annual appropriation money, and then \$490 of it is mandatory money that was provided under the College Cost Reduction and Access Act. Remember we got this bifurcated kind of maximum award setting process. This really means Pell is not an entitlement, by the way, discretionary money. Mandatory money is entitlement money. Discretionary money isn't. I know some people want to think it is, but it isn't. If you really want to dig into this, go to the Dear Colleague letter that put out the payment schedules for 2009-10, that was P0901. For 2010-11, the administration put forward a budget proposal to increase the maximum award by \$200, and then to make it a true entitlement and fund it only with mandatory money, and then also to add an annual CPI plus 1% increase every year so we had a fixed increase on that mandatory initial amount. However, Congress has been doing a Budget Reconciliation Act, which of course is tied up with healthcare to some extent, so the House passed something but we are waiting on healthcare to see what happens there, I think. In the House Bill, they really kind of looked back to the way things are structured in the College Cost Reduction and Access Act and still retain a kind of bifurcated set of monies between mandatory and discretionary money, which means you have this mandatory money allocated, but then you have to wait to find out what the award is for each year from the discretionary money. It looks a bit like the administration proposal in places if you want to go dig into that. The Senate hasn't acted yet. I'm not even sure they've got it out of committee from what I recall, out to the committee. So, we are waiting on that, and then beyond that we will need an Appropriations Act. So, what our maximum award will be for 2010-11 is still a bit up in the air.

In terms of legislation, we have had a couple of really important pieces. The Higher Education Opportunity Act of 2008 was basically reauthorization and the first big reauthorization we have had in a long, long time, so quite comprehensive. For our purposes today, the key issues out of it were two Pells in an award year, duration of



eligibility for Pell Grant eligibility, and then ineligibility due to civil commitment, which is a rather small piece next to the others, and then the treatment of survivors, the children whose parents or guardians died over in Iraq and Afghanistan. This part got kind of confusing to you all, I think, out there. Because initially the HEOA provided that a student would get a maximum Pell Grant award because they are considered to have a zero EFC for purposes of Pell only if they qualified under what the statute set up for this, then we went forward to the Dear Colleague letter on the HEOA, pretty much saying you had to be a Pell eligible EFC to get this. Then, we put out a proposed rule because the technical amendments were not yet available, saying that we were going to look at changing what we put in the Dear Colleague letter to saying they didn't have to have a Pell eligible EFC and they would get the maximum award, as long as they were one of these eligible survivors. Then, finally Congress did something in the technical corrections that changed everything. Don't feel odd if you're a little confused about that. We felt a little whipsawed ourselves. We knew it was coming out even as we published the proposed rule but it was too late in the clearance process to deal with it.

In terms of the Higher Education Technical Amendments, we got a new treatment of EFC for all Title IV for these survivors. Then we got a new grant program, a whole new grant program that comes into effect in 2010-11, the need analysis changes were effective for 2009-10. So, that is what replaced all of the stuff we just talked about from the HEOA. From the HEOA, we went into a round of negotiated rulemaking. We had five teams go in. I worked with Team 5, which included the Pell Grant program changes. That is why I am citing that area here. In the negotiations on Pell issues, we particularly looked at two Pells in an award year and the Iraq and Afghanistan service members' survivors provisions as they existed from the HEOA. Of course, all of that became sort of dead letter on that front. During the negotiations, we couldn't get consensus, and two Pells in an award year was one of the areas of two that we did not have agreement among the negotiators on, which meant the whole negotiations, there was no consensus because you have to have no one dissent on anything in the package. We went forward then with a notice of proposed rulemaking on August 21, 2009. Generally reflects like they usually do the things we did have real consensus on at the table, maybe some slight shifts from concerns from the Department, and for two Pells we went forward with what we thought was the proposal that best met our concerns. Then, we published final rules based on the public comment on October 29 that had significant changes for two Pells. I want to tell you, some of that was tied to the public comment we received. It is always really important to tell us what is good and what is bad in any proposed rule we put out there, because we do look at them very carefully. I know some folks may not think so, but we do, we value them very highly. Now, then, these new rules will be effective starting with the 2010-11 award year, so you are going to be required to implement them in 2010-11. There is some early implementation, especially around summer crossovers, we are going to discuss in a minute.

That said, let's go into the 2009-10 award year and things you should already be doing. The first one doesn't affect you yet though, even though it is effective now, and that is duration of eligibility. In the HEOA, they added one of those limitations we have seen



come and go over the decades of limiting Pell eligibility in some way, and this time they limited it to student being eligible for only up to nine scheduled awards in their lifetime if they are a first-time Pell recipient in the 2008-09 award year or later. We are tracking it as a percentage of awards, so if you disbursed \$500 of a \$2,000 scheduled award, that is 25% toward the 900% that would be available to the student. That is being tracked in COD, so you don't have to worry about it. We will be sending out alerts when we get near it. I sat down and tried to figure out what was the earliest this could possibly affect the student and in some cases it might 2012-13, that is the earliest date, and that is probably going to be really rare even then. I don't think it is anything we need to go worrying about a whole lot right now. Then, you're going to be seeing stuff about this on the tracking on your ISIRs in 2010-11, and there will be warnings to institutions and students well in advance of any student really being hit with this limitation. By the way, it applies to 2010-11 down there in the corner of the slide, it is really about the reg, the statute has already gone into effect.

We have a little case study here. In this case study, we are going to look at disbursements based on enrollment status and we are going to look at the duration based on the percentage of scheduled awards used. So, the student with nine scheduled awards is eligible for up to 900%, right. When we look at our little case study here, in 2008-09, we see our student went full-time in the fall and spring, so they used up 100% of eligibility at that point. The next year, in 2009-10, they went three-quarter time and three-quarter time and used up 75%, and so forth down to when you get to 2010-11, you see after they went full-time and half-time and used 75%, there is a break. The student stepped out. But when they came back in 2014-15, we start up counting again including the earlier years. There, we see that student actually went for four terms in the same award year, because that is possible in Pell. You can attribute both summer payment periods into the same award year, both the beginning and ending. In this case, that is what happened. Perhaps the summer Pell in 2015 was going to be higher by keeping them in the prior award year, that would be under our current new rules, the logical reason that was done. We see there they went full-time all four terms and they used 200% of their scheduled awards in one award year. This student really did get two full Pell Grants in an award year. The way the payment periods run, that is really, really hard to have happen except in some scenario like this in our term-based programs. It is a little less different in our clock-out programs, a little less difficult, but it is still hard there too, I think. When you get down to the bottom line of what this student did, you see they used up 750% of their eligibility at the end of 2016-17. They completed their baccalaureate degree requirements, they would cease to be eligible for a Pell Grant generally. If they haven't completed them, they still have 150% to go that they could use. If they are in some kind of post-baccalaureate teacher's cert program that had awarded their certificate for completion, then they might be eligible still for that, even though they finished their bachelor's degree. The reason I am being careful with that is not all of those programs actually lead to a certificate awarded by the institution.

Now then, civil commitment. This one got an interesting question yesterday. I went back and so I have retooled what I'm going to say a little bit. A student is ineligible to receive a Pell Grant if they were subject to involuntary civil commitment after completing



a period of incarceration for forcible or nonforcible sex offense. What does that really mean? It means if they were imprisoned because they did some kind of sex offense and now the state turns around and civilly commits them because they completed their term in prison, they are not eligible for a Pell Grant just like an incarcerated student is not eligible for a Pell Grant. The thing here is, there is no central database for us to track on this. We can't come up with some way to give you a flag. You are only responsible for this to the extent you know that that is the condition of the student, and in a lot of cases, you may not, and in which case the student would not be liable if you ultimately discovered something or something came up eventually. I just wanted you to know that because it is really going to be almost antidotal if you find out these things. I think with some of our folks with like distance programs it may be a little more difficult to even come to the idea of who those folks may be.

Now, then, let's talk about service members' survivors for a minute for 2009-10. The need analysis changes made by the technical corrections were effective for 2009-10, so we had to go deal with those. There is hardly anyone out there that is meeting these eligibility criteria yet, but it has changed need analysis for all Title IV. It ceased to be just a Pell only issue. One of the things it did is it sort of allows for an auto-zero, a kind of auto-zero for these folks. If the student's parent or guardian died as a result of military service in Iraq or Afghanistan after 9/11, and that is when this parent died or the guardian died, the student was less than 24 or was enrolled in post-secondary education, they get an automatic zero EFC if they had a Pell eligible EFC. There is that proviso there. You have to have had a Pell eligible zero EFC, then you go basically to zero.

This modified need analysis, and this is another place where our final rules I think confused some folks, we can't regulate need analysis. We had a proposed rule modifying the Pell Grant regs that just disappeared. If you go read the preamble discussion, you would find that we noted that this was a need analysis change and we cannot regulate it and therefore that's all we did right there, was point this point out and what the requirements were. So, that is why you don't see anything in the codified rules, final rules.

Now then, operationally, we have been working with DoD to develop a match for this, because really only DoD can tell us who meets these criteria, being a survivor whose parent or guardian died as a result of service in Iraq or Afghanistan. Right now, it means we don't have to add a question to the FAFSA, which was really important in moving towards simplification. We expect to have a match in early 2010. For now, if a student came up to you, you would have to deal with it on an individual student basis. They are going to self-identify basically. In 2010-11, the match will show up on the ISIR, so you'll be okay there. If you have any questions about this, I was advised you should check with Marya Dennis prior to the match.

Let's go to the fun part. Two Pell's in an award year. This is the easy fun part because it is just 2009-10. In 2009-10, you just had the legislation to work with technically, right. You have to do whatever is legally supportable. The statute requires that the student



must be enrolled in a program leading to an associate or baccalaureate degree or a certificate. A certificate would include diploma programs by the way if anyone has that question. It is basically any Pell eligible program that is greater than one academic year in length because you have to have more than an academic year to get to a second Pell award. Then, you must be attending at least half-time during any time you are receiving a payment from the second scheduled award in the award year. These things are consecutive. The law makes them consecutive so you get your first scheduled award, then you start paying out the second scheduled award.

Implementation, as I said, there are no rules around for this. What do you do? You have to do something legally supportable. You could have gone to talk to your counsel at your school. You may also have looked at some of the stuff we have done. We have gone out at conferences and the training officers have been out there and other folks, going over this issue and ways of looking at it, and then we have some guidance in the handbook now, 2009-10, now that that chapter is out in Volume 3, and then we also have our new final regs. The final regs are always legally supportable. The proposed rule is legally supportable. Those are both models you could have used, though I know no one used the proposed rule for sure.

For COD for 2009-20, we went forward and added a field because what you have to deal with is a new additional eligibility indicator. You have to set this thing to true if you are doing disbursements that contain money from the second scheduled award for it to go through. When you do set it that way, then you will no longer have a POP multiple recording record, but you are still going to see concurrent enrollment multiple reporting records when they are necessary. That is starting in 2009-10. Then, if you are using our Express software, this is kind of where you will see it show up on the screen there. You will need to check that box if you are making a disbursement that would go into the second scheduled award. That is a quick run-through of what you should have been doing already.

Now, let's talk about 2010-11. That is when our new final regulations will go into effect. They must be used starting in the 2010-11 award year. That means that any payment period including the summer of 2010 that you attribute to the 2010-11 award year, you have to start using these regulations, applying them by award year as usual. Though we did do some things around summer crossover periods a little bit to provide a little bit of flexibility there. We'll go over that a little bit later some more. One of the things, you see the reg sites at the bottom of that slide, if you go to read the regulations, I would advise you to read them in the exact reverse order of those numbers, because really 67 is the core requirement, then 64 is more substantive, and 63 is somewhat minor. These are put in order by number when importance it is just the reverse, and I think it confuses people if they go to read 63 and 64 first and then go to 67, so that is what I advise you to do if you decide to dig into the reg language carefully, which you should do by the way.

When we were developing the regs, we had certain policy goals in mind, both during negotiations and when we looked at drafting the NPRM and when we looked at how we



handled the comments in the final regulations. One thing is the statute says we are supposed to be ensuring that students are accelerating toward completion in our mind, accelerating, and we interpret that to mean accelerating their completion of the program, completing faster than might otherwise. The other thing, we wanted to maximize benefits, because when you go look at this thing and look at the payment calculations, you don't get much benefit from the second Pell Grant award unless you go full-time or nearly full-time through the first parts of the award year. You won't get to eligibility for the second award. If you go half-time in summer and it is treated as part of the new award year, you go half-time in the fall, half-time in the spring, half-time in the next summer, you still haven't touched the second award. You really have to go full-time probably or at least three-quarter time for you to get there. On top of that, you have to pass the grade, make the grades, you have to earn the credit. It is not just attempted credits, it is credits earned that we are going to look at. The other questions we had were applying the student achievement and accountability principles from the American Recovery and Reinvestment Act of 2009. These principles of the administration were adopted to demonstrate that we were making good use of the funds. That had to inform our thinking a bit in terms of controlling any potential for abuse and making sure we were making the best use of these funds. That gives you a little background on maybe why we did some of the things we have done.

Let's go into more of the meat of this thing. Under the regulations, the first bullet there is where there is the biggest change in the whole deal. Under the final regulations, we are saying that if the student is enrolled in any hours, credit or clock hours attributable to their second academic year of work in the award year, they can get payment out of their second award if their first award still wouldn't make up the full payment, or maybe all from the second award. That is a real change because we were requiring students in the proposed rule, we would have required that they have earned the credits of an academic year to be eligible in a payment period for any of the second award. So, big change, and it affected a lot of other things in the regs and it helped us simplify some things, though they are still fairly complicated and I will acknowledge it right up front.

The thing is, when I talk about these, I want to remind you of something. When I use the terms award year and academic year, I am using them in a very certain way. Academic year, I think you all know this by now, but I'm not referring to two semesters or three-quarters, I'm referring to at least 24 semester hours, 36 quarter credits, and 30 weeks of instructional time or I'm referring to 900 clock hours and 26 weeks of instructional time. Those are the minimum standards for your defined academic year, that you should have for each of your eligible programs, and you should be applying that same definition across all the Title IV programs. Now, when I use award year, we are talking July 1 to June 30 of each year, that is what we consider the award year, somewhat matches school year.

With that aside, let's go back and talk about this provision a little bit more. As I said, this was the biggest change. As we said, we are going to require that they complete and earn the credits of an academic year to be eligible for a second award, which meant you would never really see a case where they were taking some hours attributable to the



first academic year and the second academic year in the same payment period. That is what changes with these proposed regs. That will be allowable and get payment out of the second award. This was tied in part to the public comment we received. Because of the comment and concern folks raised with it, we went back and looked at this a bit, and this is what we came up with. It perhaps doesn't go as far as some folks wanted us to go. It is partly tied to the concern for acceleration. It is partly tied to the concerns around abuse that we didn't go a step further back and we still have some expectation about the student being into their second academic year in the award year.

One of the things that really sort of bothered some of us was the possibility of abuse because if we stepped completely back from any requirement like this, you could imagine something like, a student had both summers in the same award year, let's start with that, it is semester school. The student enrolls full-time for summer. After census date drops from full-time to less than half-time, earns 3 credits, does the same thing in the fall and the spring and the following summer gets two full scheduled awards in that award year and earned 12 credits. Without requirements like this, that is the kind of thing you can see. I know it is an outlier. We were trying to do the minimum we could do to make sure that those outliers were taken care of, with being more flexible. That is a little background on sort of the thinking behind how we landed where we are.

In addition to the requirement around being taking some of the hours in your second academic year to be eligible for payment from the second scheduled award in the award year, the student has to be enrolled in an eligible program, just like we mentioned earlier for 2009-10, leading to a degree, certificate, or other educational credential is how the reg reads, which means certificate or diploma. That is sort of our normal regulatory kind of language. The one thing the regs add is an exception for students with intellectual disabilities. Those students are eligible for two Pell's also. You will need to pay attention to that, if you have a program for students with intellectual disabilities at your schools. I don't think there are huge numbers of those but I know they are out there. It was a major concern during our negotiations. It was one of the other topics Team 5 dealt with. So, if you go back to the reg package, you will see we added I think a whole new sub-part around it in the general provisions. The other thing, the student has to be of course enrolled at least half-time. What does that mean, for your first scheduled award, you can be enrolled in any enrollment status, but to receive payment from your second award, you have to be enrolled at least half-time.

Some of the other basic requirements are, we are using the same scheduled award amount for both scheduled awards in the award year. The reason we put this bullet in is because you could read the statute to mean that we don't do that, that you're not supposed to get the mandatory add-on for the second scheduled award. It could have been interpreted that way, but we did not go down that road and we kept to a single scheduled award amount for both awards in the award year, since that was legally supportable.

The other thing you will do is calculate payments by payment period just like you always did. We didn't touch anything about the payment period calculations. You will use the



same formulas to calculate those payments. We didn't touch any of that. Really, all you are doing is saying, oh they used up this award, if they are eligible, they get to go dip into this next award. The thing I will remind you of here, and what is going to come up again and again, is this is award year by award year. The clock restarts with the payment period assigned to the next award year. That is different from what we do with TEACH Grants. It is different from some of the stuff we did with ACG and National SMART Grants. It is a little shift in the paradigm right there.

You are going to pay eligible students until they reach 200% of their scheduled awards for that award year. It is going to be hard to get there. If you are a semester-based, traditional calendar school, the best you are ever going to see is 150%. If you are a quarter school, what it is 133%, that assumes you don't count summer in the same award year. If you count two summers in the same award year, you will get to 200% with semester schools and you will get to 167% with quarter school. However, there will be trade offs, because if you assign it to one award year, it won't be in the next one. That will be something to deal with.

The other thing we provided is that you can begin paying from the second scheduled award in a payment period while paying the balance of the first award. This should be kind of familiar to you from some of our other programs where we have had these kinds of mixed payments out of scheduled awards. TEACH has it and I think ACG and SMART both. The reasoning here is the student may be eligible for payment from the second scheduled award but have remaining eligibility from the first scheduled award. They get their full payment for the payment period but it is just made up of different pieces of the award. COD will be tracking this. Other than setting the indicator, you don't have to do anything. An example of this would be something like the student has a \$2,000 scheduled award, has completed 18 semester hours as they go into a new semester, and they are enrolled full-time at 12 hours. The student can receive the full payment of \$1,000, because it is semester based, formula 1, half the scheduled award for semester is \$1,000. But they have used up \$1,500 of the first award, so their \$1,000 payment will be made up of \$500, the balance of the first award, and \$500 from the second award, so they will get their full payment. We'll see a little more of that in a minute.

We are going to do another slide retreat. We are going to talk about crossover payment periods a little bit. It kind of became clear, and I picked this up from our training officers among others, that folks have not dealt with crossover payment periods very much. You have systems that reported to offer our requirements that were inaccurate in those statements. That is one of my bones to pick, by the way, if you didn't guess. We are going to talk about crossovers a little bit because you can't understand exactly what we did in Pell and some of the things we did without tracking this. Remember we said crossover payment period in our regs says that a payment period that occurs in two award years. What in the heck does that mean? What it really means it is a payment period that includes both July 1 and the prior June 30, the day before, those two days are in the same payment period. We just call them crossover payment periods for short. They are always in summer, so saying summer crossover payment periods is a



little redundant but we say it sometimes. It may be in a term-based program or a non-term program, so it depends on what kind of program you have, but any payment period including those two days is a crossover payment period. You have to assign it to one award year. You are basically going to treat it that way. You have to have a valid SAR or ISIR for that student to make payment for the award year you are assigning it to. Of course, as we mentioned earlier, you can have two crossovers in the same award year, both the leading payment summer and the following summer.

We have a little example here of a crossover payment period issue. We have a program that is a semester calendar with two summer sessions, June 1 to July 14, and July 20 to August 28. If those sessions are combined the way most folks would do and I would advise you to do for loan reasons, not Pell reasons, basically they are considered a crossover payment period in one term. That term combining the two sessions contains both June 30 and July 1. If the institution were to treat the two sessions as separate terms, only the June 1 to July 14 term is a crossover payment period and can be assigned to either award year. The July 20 to August 28 payment period must be assigned to the new award year, the second award year there.

Our rules take these payment period pieces and turn around and we require that you assign the payment period to the payment period in which the student will receive the highest Pell payment, which award year. If the prior payment would come from the first award year because they are less eligible in the next year, then you have to assign it to the first award year. If the payment would be higher from the second year, you must assign it to the second year. A couple of things here I would note, and this is a major change from the NPRM by the way. In the NPRM, we had a whole lot of complications around this because of what the requirement to complete the hours of the first academic year, it drove you to certain situations in summer that cease to exist with the way we changed the rule, so we got to simplify this a whole bunch. There are a couple of things here that can happen. If you only have need analysis for one of the years, what does that mean? That is the year with the highest payment. If it is a student that is graduating at the end of summer, that might be all you have. It might be all you have at the point you are starting the package. If you get in and need analysis for the next award year, you have to deal with it. Until then, you only have that first award year need analysis. If you get the second year's need analysis, you have to cope with it. I know what institution, a major state university, automatically has their students apply for both award years for summer, they are starting students, so that they have both need analysis available. They were already doing it for other reasons before this requirement came into existence. If you have them both, you have to deal with it. If you get them both within the deadlines we are going to talk about it, you have to deal with it.

We set up some deadline dates. One of the concerns during the negotiations and even in the comment and I kept looking at this, trying to think about what would work best. We had [inaudible] in the proposed rule, just what I said, our deadlines will hit this. But then I looked at it more closely and realized maybe it didn't work quite like that and we needed to be a little more careful about what we put in there. In the final regulations, we set up two deadlines, one by which you must deal with reassigning payment periods



based on higher payment, and beyond that date another deadline for doing any changes that you might want to do. We are going to publish in the Federal Register a deadline date for when you must make these decisions about a summer crossover payment period. For the summer of 2010, that deadline will be September 21, 2010, when you see the deadline dates notice go out. If you receive both need analyses before that date, you would be expected to have made the decision about what to pay on and paid on the higher amount. After that date, through February 2, 2011, you are going to be able to exercise the option of still going forward with making a payment on the higher amount but you are not required to. We thought, well we need some looseness there for folks that deal with what may be best for the students. This ties into the date for administrative relief. This is not administrative relief, however. The only justification necessary is you are paying the higher payment. It is tied to that same deadline date though. That gives you an idea of where this can cut off. Our business officer friends at negotiations were real concerned about that. I know you all have that concern in closing out years and things like that.

The effective date of the final regulations in 2010 crossover payment periods comes up here because in 2010. It is kind of tricky because normally we say the award year, but we are giving you all an option with the way we wrote the effective date language. It is in the discussion in the preamble and the next slide kind of summarizes it. Prior to July 1, 2010, as your policy, you could designate that all a student's payment period is going to fall in the 2009-10 award year, and these regulations do not apply, these new final regulations. We also give you the option of applying them in the 2009-10 award year to a student if you want to. You can take the position they are applicable, and you can do this on a student-by student basis. We didn't say you had to do it as a general policy. The alternative is, if you assign it to 2010-11, you must use these final regulations in however you treat that summer crossover.

Packaging. I got a chuckle on this one yesterday, but I think it was kind of a grim chuckle because this raises packaging issues. In general, you are supposed to be using the same EFC and cost of attendance and need for all our programs except the Pell Grant program. There has never been such a requirement contrary to some vendors out there. For Pell, you just have to use the EFC for the award year from which you are paying the student. If the money is from 2009-10, you should be using 2009-10 need analysis. It is that simple. The Pell only becomes estimated financial assistance for the other programs, so that is why it doesn't have to be connected to the same EFC. You have always had this freedom. The systems you all have from your vendors sometimes don't give you this freedom. They have trapped you with loan policy basically, like with tethers and trailers and made you treat the same EFC as you use for loan packaging, but that is not a Pell Grant program requirement. It has never been. Your vendors are going to have to change because you have to be able to do differently now. One of the issues that can arise here is they can't deal with it, and you're going to have to do something manually to be in compliance with the program requirements. Your software is not the Federal Pell Grant program requirements. The regulations are your Federal Pell Grant program requirements.



Let's see an example of a summer crossover here and what the school might do. We have this example. We have a summer term that is normally assigned as the last payment period in the award year, something you are all kind of used to doing. It is a Formula 1 school with a single summer term. The institution decides to pay 2010 summer Pell out of 2010-11 and that is because student is going to get the higher payment. Even though they might not be required to go do so, they have gone ahead and done it from 2010. That means they are going to use the 2010-11 ISIR EFC for Pell. They are not fooling with the package for the other programs because they are kind of locked in from the fall forward in their loan period, so they are still going to use 2009-10 EFCs for packaging the other aid, the 2009-10 EFC. Pell is only being used to determine the need for the other programs as estimated financial assistance. You really don't have to have them coordinated at the EFC level.

Now that we have looked at crossovers, again we needed to do that to be able to go through a case study about two Pell's, let's look at this case study we have put in here. Basically, this case study is using a standard term program with semesters, traditional academic calendar, basically fall, spring, and summer terms, three terms, and 12 hours is full-time for summer, so it makes it a Formula 1 school, the program is Formula 1. We are going to start with the 2010-11 award year. In our 2010-11 award year, our student is going to be eligible for \$4,000 scheduled award. In the fall, the student is going to complete the hours of the first academic year because they assigned summer of 2010 to this award year, and the student went 12 hours then and 12 hours in the fall. When spring rolls around, we are going to see they are going to get another \$2,000, but that is only going to be from their second scheduled award because they are doing hours attributable to the second academic year. They finished their first academic year in fact. Even under the old regs, the old proposed rules, the student would have gotten a full payment in the spring. As you can see, it is real simple, they are full-time, full-time, full-time.

The next year, things got a little messier. We notice that in 2010-11, they didn't include the summer of 2011, and that is because the scheduled award went up to \$5,000, and the school was required to assign the summer of 2011 to the 2011-12 award year. That is one of the things here, because we have a \$5,000 scheduled award, higher payments right. Our student only goes three-quarter time in that summer, and then goes for 15 hours in the fall term. Once again, they have completed the hours of an academic year, their first academic year, so when they go into spring, their hours are attributable to the second academic year during that award year. They are going to get a \$2,500 payment as a full-time student, but it is going to be a split payment because they only went three-quarter time in the prior summer so they haven't used up all of their first award. They are going to get \$625, the balance of their first award, and they are going to get \$1,875 from their second award, and this will operationally be transparent. You just have to remember you have set the eligibility indicator in their common record. You notice that both summers are tying into the same award year. We will see a reason for that in the next year because the student is going to go down in eligibility. They went all four terms in the same award year, both summers and the fall and spring. Remember, the clock resets every time you do this stuff, each award year. Whatever hours they earned in



the prior award year are meaningless. You are starting the clock again and starting disbursing out of their first scheduled award when you start the new award year. That is different of course from ACG or TEACH.

In our third year out, in 2012-13, our student's summer was assigned to the prior year because their eligibility went back to \$4,000 scheduled award. The payment went down. For the summer of 2012, their payment was higher by putting it in the first award year of the crossover period, not the second. In the fall term, our student goes three-quarter time. In the spring, they go full-time. They hit summer going full-time. They are still going to get a full payment. They did not complete the hours of the first academic year in the fall and spring but they are going to be taking hours attributable to the second academic year in the summer term, thereby taking 12 hours because they were short 3 hours completing, so 9 hours of that are attributable to the second academic year so their eligibility will be based on the fact that that was there, and they will get their full payment. This payment of course since they only went three-quarter time back in the fall is going to consist partly of the first scheduled award and partly of the second scheduled award. That kind of scenario won't always happen. There is not a deliberate connection between completing hours and when payment periods may be made up of both awards. You have to be careful with that. Don't just make that assumption. That would be a false assumption but it can happen like this.

You are going to have some other kind of quirky things that could happen. You are going to have some cases arise where the student has no remaining eligibility for the first scheduled award and is not eligible for the second scheduled award. In that case, if it is not a crossover period, you aren't going to pay them anything because they have no eligibility at that point. They will have to wait until the next payment period, and if they have earned the hours of the first academic year, they are in the same award year, they may still get something. If the payment period is a crossover payment period we are talking about here, they get to the summer and they are really not eligible for payment from the second award, that means the payment from that award year is zero, but they are Pell eligible in the next year. What is the higher payment? The next year. The clock restarts, you assign that summer to the next year. It is one of those things that falls out from the requirements. You would pay out of the second award year because you can give them a real payment there. Even though maybe the scheduled award was higher in the prior award year, but they are not eligible for a payment, that is the key. That is our case study.

Let's talk about transfer students a minute here. We have two options for transfer students. In the proposed rule, we had only put forward what we call the assumption method in the final rules. Then, we added hours earned based on public comment and concerns that were raised in the public comment. It is going to be up to the institution to decide which of these they want to adopt. They can do it on a student-by-student basis. You could adopt a single method and apply it to all students in a program. Remember our requirements, we say you can apply program by program like full-time student definition. This is the same deal. You can do the policy program by program or just institution wide if it can work that way. Then, the alternative to both of those is you



could adopt a policy that you are basically going to use this one method, but in a particular student's case, it would be better to do something else, you might step out and do the other process. That would be fine if that is your policy.

Let's talk about what these mean. The assumption method. It is basically about attributing completion of hours that a transfer student carries into this award year based on the disbursements they have already received for that award year at other institutions. If they have received their first scheduled award at another institution, then you can assume they completed their first academic year and you are already into disbursing out of the second award. If they earned at the other school disbursements that are less than the first scheduled award, then you have the issue of doing a proration, that is kind of tied to proportion of the scheduled award disbursed to the scheduled award vis-à-vis your definition of the academic year in hours. You see this little formula that sort of pans it out. It is structured the way it is to make it mathematically more correct. You get the amount disbursed at the prior school times the hours in the current institution's academic year and you divide that by the amount of the scheduled award at the prior school, and that will give you the hours they are considered to have completed for the current award year they are transferring into your school. This way you don't have to go rummaging through transcripts. I heard enough about that with AGC and National SMART Grants. This is one way to circumvent that problem.

We have a little example here. We have a transfer student who received \$2,000 of a \$4,000 scheduled award at a prior school. Our current institution defines its academic year in part as including 24 semester hours. When you plug this stuff into that formula, you get  $\$2,000 \times 24 \div \$4,000$ , and that is going to give you 12 hours the student is considered to have completed, even if no credits were accepted on transfer, that is not the issue. This is just a straight formula and assumption. It doesn't really matter what happened at the prior school other than the fact that this was the correct amount disbursed.

Then, we came up with the hours earned method. This was actually brought up during negotiations, and we didn't think it was a great idea but the public comment again raised concerns around this, that folks might have the necessary information to do something that was more accurate and maybe more fair because there is some lack of fairness in a way between transfer students and resident students with doing the other method. That was sort of part of the concern. We added this, though it has some complications because of issues around what you really have and how much do you know. If you can determine the credit or clock hours earned at the other institution in the award year, you can deal with this. That is the trick, in the award year. It is not like ACG and National SMART Grants where with transfer students you just looked at all the credits transferred in. You really have a date specific set of credits you need to look at. I'm not sure everyone gets that kind of information. If you have it, you might be able to do this. You must have the information that includes the time periods when the credit or clock hours were earned and does not include any nonapplicable credit or clock hours. I think we know that term. One of the things we can say here is we are not looking at credits



earned in other award years. They do not have to be earned in an eligible program. It doesn't say anything about that in the regs. They do not have to be accepted on transfer. It just has to be credits they earned during the award year at another institution. You have to be able to make a determination, have the information to make that kind of determination.

The other current issue this one raised is what do you do with summer. If the student attended in summer and earned credits in that crossover payment period leading into the year they transfer into your school, you have to treat the credits earned that summer as though they were part of the current award year they are transferring in on. Even if the other school may have made payment in the prior award year. That is the only fair thing we could come up with and simple way of dealing with it. They get maybe a little bonus there in some cases.

We have an example here. We have a school again with 24 semester hours as part of their academic year definition, and their transcript shows they earned 6 hours in the summer and 12 hours in the fall and then they transferred. This transfer student received \$2,000 of their \$4,000 scheduled award at the prior school for the fall term. They didn't get a payment for summer. Maybe they weren't eligible. Maybe the school didn't assign it to this award year for some reason, or they got paid, probably more likely they got paid in the prior year but it didn't count towards this award year in terms of payments. AT the current school, what are you going to do, you are going to look at this transcript and you are going to say that student has 18 hours, the 12 hours in the fall, and you must include the 6 hours from summer the way the regulation reads.

A couple of more things about transfer students. One of the issues that can arise as you get late information. What do you do with that. We don't require you to go back and change prior payment periods in the award year, the disbursements for those prior payment periods, you can if you want but we are not requiring it, if you get additional information down the pike. You could see some change in their payment data showing up in NSLDS that would have changed what you did originally back in those payment periods. You might get another transcript or some clarification of a transcript that would make you change what you did under the credit hours earned method. Whatever, you are not required to go back and alter prior disbursements unless you want to.

Nonapplicable hours. Remember I used that little magic word earlier, or words. This is a little bit of shades of ACG and National SMART Grants. We are worried about tracking the hours the student earned in the award year, hours they might have gotten payment for or they earned. We are not counting things like AP and IB credits awarded or testing out or life experience, other kind of competency measures. That should sound real familiar. This applies not only to transfer students but to your own students who are not transfer students, so if AP credit starts populating their transcript, it doesn't count.

There is a difference, however, from ACG and National SMART Grants, and I think some folks have missed this. There is a preamble discussion around reduced credit



and noncredit remedial course work. In the preamble, we note that, and you don't see it in the reg like you do in ACG/SMART, these equivalencies of these courses are still counted toward academic year progression for this to Pell's purpose. For example, if you had a student who successfully completed the equivalent of 12 hours of non-credit remedial course work in a term, that would be counted as 12 credits toward completing their first academic year of credits to qualify for a second award. It doesn't matter that no credits were officially awarded on their transcript. It is doing an equivalency. It is just like you treated that student as full-time for purposes of enrollment status, even though there were no credits awarded there. It is the same kind of deal. I think that is an important thing to remember. It was an important break we thought these students should have given the intent of the law.

You are going to have similar issues, I think, around students with intellectual disabilities. So, if any of you have those kind of programs, you will want to go back and look at how you are going to work with that.

Special circumstances. In the proposed rule, we had provided that something like professional judgment, if a student hadn't earned all the hours of an academic year to be eligible for the second award in that award year, you could step in with professional judgment in certain circumstances. There was a question about whether we needed it with what we did elsewhere in this reg, because it was less needed now because of the way we changed the eligibility requirements to start qualifying for your second award. You don't really have to have earned the credits of this first academic year to be qualified. We decided we wanted to keep things as flexible as we could for you because we could imagine some circumstances in which a student might not be taking any hours attributable to their second academic year, but you should step in because there were circumstances beyond the student's control and they couldn't qualify. Basically, it is the same stuff we put in the final regulation. You have to do this just like professional judgment documented on an individual basis in the student's file. Some things that we think may be included because they weren't able to complete courses due to illness or classes just weren't offered as often happens at some schools, the classes fill up before the student is really able to get in it, or it is just not offered at all because of budget constraints. Things that are not considered special circumstances are things like withdrawing from a class to avoid a bad grade. That is not a special circumstance. Nor is failing to register for an offered class perhaps because you just don't like the professor but it is one required for your program. Those are not good reasons.

Finally, for 2010-11, for Pell, we have a 7-day reporting period, operational requirement we are looking at. It is similar to what you have already seen in some of our other programs where when you are going to do advanced payment method, you can't submit a disbursement record with an actual disbursement set to true until no more than 7 days before the date of disbursement. We are assuring the money flow is better now. This is part of our ongoing efforts to improve our fiscal management.



Some reminders, and Fred Sellers' pet hobby horses, and most of these actually apply to any Pell Grant not just two Pells. You can't ignore crossover payment periods. They apply just like they do for satisfactory academic progress and I hear that some schools kind of think summer doesn't count in their SAT standards and that is not true. They are making a big mistake. You have to pay if you have an eligible student. With two Pells the way it is now, if you have a student with two need analyses, very likely you have to pay, or even one need analysis, you are going to have to pay, regardless of where you think that summer might want to fall. You have to think about that. You can't intersessions, like a school with two semesters with a three to four week intersession between them. You really need to treat that intersession as part of one of the semesters. You can't ignore it. If you don't treat it as part of one of the semesters, you are going to have deep trouble in loans because you won't fit having a scheduled academic year any more. You also must pay eligible students. Just because a student is less than half-time is not a reason to not pay them, except if it is their second scheduled award of course now, but if it is their first award, you must pay them for sure. If they are at least half-time, you must pay them their second scheduled award if they are eligible. Whatever your software does, I don't care, we don't care, you have to implement these requirements. That may lead, at least for the summer of 2010 into doing some manual adjustments to be able to cope with it and in fact I think even in our own software that may be an issue at Express, and if you have concerns about it, you should go down to the PC lab and talk to our folks who work with EDEXpress. I think the vendors are aware of this and hopefully they are doing something to help you with it. I don't know. I think they didn't want to face that it was really going to happen.

Let's go to the final bit here. We have the Iraq and Afghanistan Service Grants. These came out of the technical corrections. The whole program was a technical correction, I like that. They are effective starting next award year, 2011. We have not published any regs yet but we are going to have to publish regs for this, but we are not subject to the master calendar. Congress waived the master calendar in the statute. So, what you are likely to see is an interim final rule sometime before July 1, and it is going to look a lot like Pell. You will see why in a minute. Do not worry too much about the requirements there. There will be of course a period for public comment and we'll make any changes we think based on the public comment that need to be made.

What these things are going to do are provide grants to students who meet basically the same qualifications as they do for the need analysis auto zero except they are not Pell eligibles. They get the same award amount as a Pell Grant recipient in this grant program if they are not Pell eligible. I jumped ahead of myself as you can see here. There is a proviso on that. It can't exceed cost of attendance, which is unlikely to do, and it would be reduced for part-time enrollment status which our payment calculations automatically do. That is two things.

The other two things that I think really bother a lot of folks is that this is need based aid. It is not estimated financial assistance and packaging Title IV. It is just an award to that student. I think it is kind of easier for folks to think about this as another veteran's benefit rather than a student aid grant as such. It is a benefit to survivors of a veteran.



That is a much easier way to see it and have it make sense to you in our world. We will be doing the DoD match just like we do for the need analysis.

Awards made under the same terms and conditions as Pell. That is statutory. That is what the statute says. That means we are going to do payment calculations the same way, so you already know you are going to calculate payments for this award if you have an eligible student just like you do for Pell Grants for the student in that eligible program through school. Then, you are going to be able to do two grants in an award year, not two Pell in an award year, and you are going to have eligibility limitation, the 900% limitation will kick in for these folks because that is what the law is telling us to do.

Finally, for 2011-12, I have one operational thing to point out. If you were at Nashville this summer, we thought we were going to do this in 2010-11 but it was moved out to 2011-12, and that is moving to a process for advanced payment schools called Records First. It is basically the process you already use when you deal with something like ACG and National SMART Grants. In this process, you are basically going to have no advance authorization. The authorization is driven by student disbursement data. The student disbursement data is how you request funds. Under the law, we are supposed to provide a certain percentage of funds requested. Well, we provide 100% of funds requested, more than the statute calls for, and we do it through your disbursement reporting. Then, we have timeframes for the data submission you can see there.

That said, I want to remind you, complete your evaluation forms. If anyone has a question, we have a little bit of time maybe, go to the microphone over there. They put up another one over here, there is another one over here now. If everyone could kind of keep quiet if you are leaving so I can hear the questions and other folks in the audience can hear questions, I would appreciate it.

**[AUDIENCE:]** I just have a few clarification questions. For schools that award second award year loans at 30 credit hours, that would be the same amount of hours that we would award second award year Pell?

**[SELLERS:]** This is one of the things that is happening out there, folks have confused grade level and academic year. In some cases, schools have deliberately defined their academic year to match their grade level. If you've done that, that is going to be true. It is not quite the same thing, because in loans, you don't necessarily have to have earned the hours in a scheduled academic year to progress, right, to get into a different loan, different amount of limit but you can still get a new loan period. Here you have to earn the hours of the academic year. Some schools who define their grade level up to match the grade level because they thought they needed to do it for ACG and National SMART Grant, you probably need to revisit that policy, and you probably want to retreat from it for this purpose.

**[AUDIENCE:]** My second clarification question is if a student never attends a summer, so they are freshman and they come fall and spring and they never attend a summer,



when they go into their second fall and spring, is that considered their second Pell amount?

**[SELLERS:]** No, remember it is by award year. They get fall and spring of one year. The next fall and spring are going to be in the next award year. So, they are still going to be doing a first award within that next award year.

**[AUDIENCE:]** Just for the software comment, will the Department or the people in Washington make any policies that would give consideration to maybe us implementing them in the following year and not the next year, because even though you all don't care about our software, we care about our students, and us making sure that we don't get audit findings.

**[SELLERS:]** I have to stand up here and say I have to enforce the legal requirements. I mean, we will certainly take into account problems institutions have in meeting those requirements, but you have to make a good faith effort to meet them, especially in this first year or two, I know there will be problems. As long as you are making a good faith effort to meet the requirement, and one of the ways to do that is possibly manual intervention, we would consider it okay.

**[AUDIENCE:]** I have a question about the 2009-10 award year for the second Pell. Is it possible to get 200% of your scheduled award for the 2009-10 year, so can you assign summer 2009 to the 2009-10 year and summer 2010?

**[SELLERS:]** Yeah, that is what I think I was saying earlier. The question I think is around how do you assign that summer, the summer of 2010, right?

**[AUDIENCE:]** Well, I'm saying summer 2009 as well.

**[SELLERS:]** Summer 2009, that is old rules, that is not under this, so it doesn't apply. We didn't have any rules in terms of two Pell's so there is nothing to apply. You had to do whatever was legally supportable.

**[AUDIENCE:]** Hey Fred, this is Sally [ inaudible ] with my normal questions. My questions have to do with the transfer information. We have these two formulas. What the heck do we do with them? My question I guess is, okay we have done the formula, we figure out the student use is 50% based on this calculation. Now the student is coming to my school, we're not giving them any credit for anything, is my understanding correct that they can get 1.5 times at my school as long as at the end of the first academic year the student is progressing towards the second?

**[SELLERS:]** Remember I said it doesn't matter what you accept on transfer, if they have 50% of a scheduled award disbursed at another school, it means they are considered to have met 50% of the hours of your academic year for your eligible program they are coming into. If it were a 24-hour academic year they are transferring in, they are considered to have 12 hours for the purposes of eligibility for two Pell's



regardless of whether you accepted the credits on transfer. We tried to keep it simple and this is where it sort of became an issue for some folks that it didn't seem fair, but it was the only simple way we could come up with to deal with transfer students. Apart from really doing an exact evaluation of transcripts, which I'm not sure folks are going to have the right information to do anyway.

**[AUDIENCE:]** Let me just rephrase then. All right, so we are assuming that if I have a 24 credit hour program, they have completed half of the first year is what you just said, right. As long as they complete 12 more credits.

**[SELLERS:]** Then the hours beyond that would be attributable to the second academic year. They would have the 12 from the 12 hour assumption from disbursement, the 12 they earned, and they would not be moving into their second academic year at your program.

**[AUDIENCE:]** So they could technically still get 1.5 at your school?

**[SELLERS:]** Now it depends on the calendars and payments and all that, what they'll end up with.

**[AUDIENCE:]** My question is on the Iraq/Afghanistan War survivor benefits, the regulations only talk about children. Are these same benefits not available for spouses? As young as we sent those kids to war, I'm sure some of them are married and leave behind spouses who could use the Pell funds for the grant.

**[SELLERS:]** It is the survivor of a parent or guardian who died serving in Iraq.

**[AUDIENCE:]** Why is it limited just for children and not for spouses?

**[SELLERS:]** It is not for spouses. It is the way the law is written. It is statutory. It is not regulations. The Congress wrote the law that way.

**[AUDIENCE:]** I don't think that is fair but I guess that's not our job.

**[SELLERS:]** If you don't like that, I can't do much about it if it is statutory.

**[AUDIENCE:]** I have to tell you I'm a little scared because I'm at a community college I bet with an open door admission policy and I bet I have 7,000 Pell Grant recipients this year by the time it is all said and done, and literally to do the second year Pell, we see grades on Tuesday, and we pay on Wednesday for the quarter that is going to have that second term Pell. It is going to be very difficult operationally.

**[SELLERS:]** I understand your question because you're worried about timing there and what you really have available at the time, one of the things we wrote into the preamble to the reg that I didn't mention in the formal presentation is that fact that we would not consider you out of compliance if you paid on the first award year EFC even though the



student would get a greater payment even if you have the second award because you can't wait until July 1 to disburse. You can go ahead and disburse on the first award year EFC and then make the necessary adjustments when you can disburse out of the second award year. If I was only going to get \$1,000 payment through the summer for my first year, you could go ahead and disburse that and when July 1 comes around, you could back that out and put in \$1,200.

**[AUDIENCE:]** I know that. You know, even if that were the case at my school, it's not because my second payment is going to be in spring term, not in summer term. It's a grade thing. I don't know how we're going to review 7,000 students' grades 24/7.

**[SELLERS:]** It is a similar issue you already have in ACG and National SMART Grants.

**[AUDIENCE:]** We don't have many of those because we are a community college and we just don't have, our numbers aren't big there. This is a big program for us. I don't know if anybody thought about all that or if there is even anything you can do, but I just want you to know about that so as your thinking. We really need a lot more examples of how to do this for quarter schools. All your examples are semester schools. If you could get them out sometime, that would help us.

**[SELLERS:]** If I had had a day of training to do with you, we would have had a lot more examples. I will put it that way. I tried to pick the most common, simplest way to approach it, but I don't think it will be much different for quarter schools, it's just the amount of the disbursements are not as much.

**[AUDIENCE:]** If you could work on them and ship them out to us, that would be great. Put them somewhere where we can go see them.

**[SELLERS:]** Alright. We're supposed to end now. I'm sorry folks, I'm being called to order. Thank you everyone. I hope this was helpful.