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# Program-related Eligibility Requirements

*Most of the student eligibility requirements we have discussed so far apply to all or most of the FSA programs, but there are additional factors that are program-specific.*

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## PELL GRANTS

In general, a student must be enrolled in an undergraduate course of study to receive a Pell grant, though there are rare teaching certification exceptions (see the next page). A student who has earned a baccalaureate degree or a first professional degree (a degree offered by professional programs such as pharmacy, dentistry, or veterinary medicine) is not considered to be an undergraduate and cannot receive a Pell grant.

An undergraduate course of study usually doesn't exceed four academic years or is a program of four to five academic years designed to lead to a baccalaureate or first professional degree. If the program is longer than five years (for example, a six-year pharmacy program), then students are considered undergraduates only for the first four academic years of the program unless the school designates that the graduate program begins after the end of the third academic year; see the definition of graduate or professional student in 34 CFR 682.200.

A student with a baccalaureate or professional degree is ineligible even if the degree is from an unaccredited school, or the degree is not recognized by your school. Similarly, a student with a baccalaureate or professional degree from a foreign school usually isn't eligible for a Pell grant. However, if he can provide written documentation that the foreign degree is not equivalent to a bachelor's degree awarded in the United States, your school may determine that the student does not have a bachelor's degree. This documentation may include information about the type of institution the student attended and total years of education leading to the foreign degree.

A student who has received an associate degree—or any certificate or diploma below the baccalaureate level—and who enrolls in another undergraduate program continues to be considered an undergraduate student until she has completed the curriculum requirements for a first bachelor's degree.

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## Undergraduate student definition and requirement

34 CFR 690.2, 34 CFR 690.6, HEA Sec. 401(c)

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## Wrong grade level on the FAFSA

When an undergraduate student incorrectly reports on the Free Application for Federal Student Aid (FAFSA) that he will be a graduate student or has a bachelor's degree, he must correct that information. Because the application shows that the student isn't an undergraduate, the Department's records will show that he is ineligible for Pell. If the application isn't corrected, the school won't be able to award him a Pell grant.

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### **Eligible postbaccalaureate program and the FAFSA**

34CFR 690.6(c)

Normally a student who indicates on the FAFSA that he has a bachelor's degree won't be listed in the Department's records as a Pell-eligible student, and the school won't be able to receive Pell funds for the student. However, in order to allow students who are eligible under the postbaccalaureate program provision to be paid, students who correctly report that they have a bachelor's degree but also indicate on the FAFSA that they're in a teaching credential program will be listed as Pell-eligible students. Of course, you must determine whether the student actually falls under the eligible postbaccalaureate provision.

Occasionally a student will complete all the requirements for a bachelor's degree but will continue taking undergraduate courses without accepting the degree. Your school must decide whether and at what point the student completed the baccalaureate course of study. If your school determines that the student did complete a bachelor's program, then he is no longer eligible to receive a Pell grant.

### ***Eligible postbaccalaureate program***

A student who is enrolled at least half time in a postbaccalaureate teacher certification or licensure program is eligible to receive a Pell Grant for the period necessary to complete the program if:

- the program does not lead to a graduate degree,
- the school offering the program does not also offer a bachelor's degree in education,
- the student is pursuing an initial teacher certification or licensing credential within a state, and
- the program consists of the courses required by a state to receive a professional certification or licensing credential necessary for employment as a teacher in an elementary or secondary school in that state.

Under this very limited provision, a postbaccalaureate program is defined as a program that generally requires a student to have a bachelor's degree before being admitted to the program. Accordingly, a program in which undergraduate students are routinely allowed to enroll would not meet the definition of a postbaccalaureate program for this purpose, nor would a program that is generally open to undergraduates but that also admits students with bachelor's degrees.

For FSA purposes, a school must treat a student who receives a Pell grant under this provision as an undergraduate student enrolled in an undergraduate program. The student is eligible for fifth year undergraduate (not graduate student) Stafford loan limits. However, the student would not be eligible for an FSEOG.

### ***Incarcerated students***

Students incarcerated in federal and state penal institutions aren't eligible for Pell grants, but students incarcerated in local penal institutions are. Students incarcerated by jurisdictions defined as a state in the law, such as the District of Columbia, are considered to be in a state penal institution and aren't eligible for Pell grants. A student isn't considered incarcerated if she is in a halfway house or home detention or is sentenced to serve only on weekends.

The cost of attendance for students who are incarcerated in local penal institutions is limited to tuition and fees and the price of books and supplies specifically related to the student's course of study. For more information on the cost of attendance, see Volume 3 of the *FSA Handbook*.

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### **Incarcerated Students & Pell**

HEA Sec. 401(b)(8), 34 CFR 668.32(c)(2)(ii),

"Dear Colleague" Letter P-94-7

Costs for incarcerated students

HEA Sec. 472(6)

## STAFFORD AND PLUS LOANS

Some eligibility requirements relating to Stafford and PLUS loans, such as handling defaults and the total and permanent disability discharge, have already been discussed in the NSLDS chapter.

Generally a student must be enrolled or accepted for enrollment in a degree or certificate program to receive FSA funds. However, there are exceptions that apply to DL and FFEL Stafford and PLUS loans.

### *Preparatory coursework*

A student may apply for a Stafford or PLUS loan for coursework that the school has documented is necessary for the student to enroll in an eligible program. The coursework must be part of an eligible program otherwise offered by the school, although the student does not have to be enrolled in that program. If a student is enrolled at least half time in these prerequisite courses, he is eligible for loans for one consecutive 12-month period beginning on the first day of the loan period. If the period of preparatory courses spans more than one academic year, the student may receive multiple loans.

Students seeking to enter an undergraduate degree or certificate program may borrow at the first-year undergraduate loan level, and students trying to enroll in a graduate or professional program may borrow at the fifth-year undergraduate loan level. For undergraduate and graduate students, the loan limit is not prorated if the coursework is less than an academic year.

To be eligible under this exception, the student must be taking classes that are a prerequisite for admission. If he is only taking them to raise his GPA in order to be admitted, he would not qualify for loans under this exception.

### *Teacher certification coursework*

Chapter 1 explains that a student with a bachelor's degree who is taking coursework necessary for a credential or certification for teaching at the elementary or secondary level may apply for a Stafford loan, among other aid. See that text for more information.

### *Parent borrower eligibility*

To borrow a PLUS loan for a student, the parent must be the student's biological or adoptive mother or father. A stepparent is also eligible to borrow a PLUS loan if her income and assets would be taken into account when calculating the dependent student's EFC. A legal guardian is not considered a parent for FSA purposes.

A parent may receive a PLUS loan only to pay for the educational costs of a dependent undergraduate student who meets the eligible student definition. A parent may not borrow a Direct PLUS loan and a FFEL PLUS loan on behalf of the student for the same enrollment period at the same school.

### **Preparatory coursework example**

Eddy has a bachelor's degree, with a major in mathematics. He wants to enroll in a graduate computer science program at Guerrero University. He needs 12 more semester hours of computer science coursework to meet Guerrero's admission requirements. He enrolls in courses that are part of Guerrero's undergraduate degree program, but because he is not enrolled for the purpose of receiving an undergraduate degree, he is not a regular student. However, because the coursework is necessary for his enrollment in the graduate program, he may receive a FFEL or Direct loan for this coursework.

### **Teacher certification programs**

34 CFR 668.32(a)(1)(iii)

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### Medical internships and residencies

A student is ineligible to receive a Stafford loan or a Perkins loan while in a medical internship or residency program unless it is part of the school's degree program. This restriction does not apply to students in dental internship programs.

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### Members of a religious order

A member of a religious order is not considered to have financial need for purposes of the FSA programs if the religious order meets certain criteria. Members of any religious order, society, agency, community, or other organization that (1) has as a primary objective the promotion of ideals and beliefs regarding a Supreme Being and (2) directs students' courses of study or provides students with subsistence support, aren't considered to have financial need. Therefore, the members of these religious orders can't receive subsidized Direct loans, subsidized FFELs, Pell grants, or campus-based aid. They are eligible, however, for unsubsidized FFELs and unsubsidized Direct loans. 34 CFR 674.9(c), 675.9(c), 676.9(c), 682.301(a)(2), 685.200(a)(2)(ii), 690.75(d)

A parent must meet the same citizenship and residency requirements as a student. Similarly, a parent who owes an overpayment on an FSA grant or is in default on an FSA loan is ineligible for a PLUS loan unless he has made satisfactory arrangements to repay the grant or loan. Yet the parent's ineligibility for a PLUS loan does not affect the student's eligibility for FSA funds.

Under the FFEL program, if the parent borrower has previously borrowed a Stafford or PLUS loan on which collection activity has ceased, she must reaffirm the loan in the same way that is described in 34 CFR 682.201(a)(4) for student borrowers.

Under both the FFEL and DL programs, if the parent had a prior Stafford loan that was cancelled for total and permanent disability, he must adhere to the same eligibility requirements outlined for Stafford borrowers in chapter 3.

Finally, a parent is not eligible for a PLUS loan if the federal government holds a judgment lien on her property.

### *Parent adverse credit history*

A parent with an adverse credit history is prohibited from obtaining a PLUS loan unless the parent meets additional criteria. The lender or the Department obtains a credit report on each applicant for a loan from at least one national credit bureau. An applicant is considered to have an adverse credit history if

- he is 90 days or more delinquent on any debt, or
- during the 5 years preceding the date of the credit report, he has been determined to be in default on a debt, his debts have been discharged in bankruptcy, or he has been the subject of foreclosure, repossession, tax lien, wage garnishment, or write-off of an FSA debt.

A FFEL lender is permitted to establish a more stringent definition of adverse credit history than these regulatory criteria. However, under both the FFEL and DL programs, a parent cannot be rejected for a PLUS loan because she has no credit history—i.e., the absence of a credit history cannot be construed as an adverse credit history.

A parent with an adverse credit history can qualify for a PLUS loan by securing an endorser who doesn't have an adverse credit history. The endorser for this purpose may not be the dependent student for whom the parent is borrowing. Instead of securing an endorser, a parent may appeal a determination of adverse credit history to the lender (for FFELs) or ED (for DLs) by documenting extenuating circumstances. The lender or ED has the final decision on whether to make a loan to the parent.

A student whose parent cannot obtain a PLUS loan is allowed to borrow additional unsubsidized Stafford amounts if your school participates in the PLUS program.

***Refusing to originate or certify a loan***

A school may choose not to certify or originate a Stafford or PLUS loan or may certify it for a reduced amount. Such decisions must be made on a case-by-case basis and must not be part of a pattern or practice that denies access to loans because of borrowers' race, gender, color, religion, national origin, age, disability status, income, or selection of a particular lender or guaranty agency. For example, your school cannot engage in a policy of certifying Stafford loans only in the amount needed to cover the school charges, or a policy of limiting unsubsidized Stafford borrowing by independent students. You must notify the student in writing of the reason for the decision and keep documentation supporting the decision in the student's file.

**Authority to refuse to originate/certify a loan**

FFEL 34 CFR 682.603(e)

Direct Loans 34 CFR 685.301(a)(7)

***FFEL lender of last resort***

A student who is otherwise eligible for a subsidized Stafford loan and, after not more than two rejections, has been unable to find an FFEL lender willing to make such a loan, should contact the guaranty agency in his state of residence or the guaranty agency in the state in which the his school is located. The guaranty agency either must designate an eligible lender to serve as a lender of last resort (LLR) or must itself serve in that capacity and must respond to the student within 60 days. An LLR cannot make a loan that exceeds the borrower's need, and it is not required to make a loan for an amount less than \$200. The LLR, as with any other lender, may refuse to make the loan if the borrower fails to meet the lender's credit standards. Each guaranty agency is required to develop rules and procedures for its LLR program.

**CAMPUS-BASED AID GENERAL REQUIREMENTS**

Unlike the Stafford and PLUS loan programs, a student does not have to be enrolled at least half time to be eligible to receive aid through the campus-based programs unless the student is seeking aid to attend a teacher certification or professional credential program.

A student enrolled as an undergraduate, graduate, or professional student is eligible to receive assistance from the Federal Perkins Loan and Federal Work-Study (FWS) programs. Only undergraduate students who do not have a baccalaureate or first professional degree are eligible to receive Federal Supplemental Education Opportunity Grants (FSEOGs). This means that a student who has earned a bachelor's or first professional degree may receive a Perkins loan or FWS wages to pursue a graduate or additional undergraduate degree, but he may not get an FSEOG.

See the margin note on p. 34 about how the Compact Act affects FSEOG and FWS eligibility for students from the Republic of the Marshall Islands and the Federated States of Micronesia.

***Teacher certification programs***

As with Stafford loans, a school may award a Perkins loan or FWS to a student who is enrolled or accepted for enrollment at least half time in a program that doesn't lead to a degree or certificate from

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**Perkins loan eligibility**

34 CFR 674.9

Medical internship or residency

HEA 464(c)(2)(A)(i)

Incarceration

34 CFR 668.32(c)(2)(ii)

Default

HEA 464 (b)(1)

Teacher certification programs

34 CFR 668.32(a)(1)(iii)

the school but that is required by a state for a professional credential or certificate for teaching at the elementary or secondary school level. See chapter 1.

***Special sessions***

A student who enrolls as a regular student in an eligible program during a special session, such as a short term between fall and spring semesters, may receive campus-based aid if he meets the same general eligibility requirements that apply to a student enrolled in a regular session. If a student is not enrolled during the special session, he is not eligible to receive campus-based aid during the period of non-attendance, except in the case of an FWS job.

**PERKINS LOANS**

Both undergraduate and graduate students may receive loans under the Federal Perkins Loan Program, but students with *exceptional need* (as defined by your school) have priority. To be eligible for a Perkins loan, a student must meet the general student eligibility requirements and must not have borrowed the maximum amounts. A student who has earned a bachelor's or first professional degree may receive a Perkins loan to pursue an additional undergraduate degree.

An individual who is serving in a medical internship or residency program, with the exception of a dental internship, is not eligible for a Perkins loan.

An incarcerated student is not eligible for Federal Student Aid (FSA) loans, including Perkins loans.

A borrower who is in default on an FSA loan is not eligible for a Perkins loan unless she has regained eligibility. However, a borrower who satisfies any of the conditions that remove her defaulted Perkins loan from the school's cohort default rate becomes eligible for additional Perkins loans.

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**Previous disability cancellation**

34 CFR 674.9(g) and (h)

As with Stafford loans, if a borrower has obtained a discharge of a Perkins loan or NDSL due to total and permanent disability and is applying for another Perkins loan or NDSL, she must follow the procedure explained in chapter 3. These conditional discharges for Perkins loans will have the code "AE."

As mentioned above, a school may award Perkins loans or FWS to students for enrollment in an eligible teacher certification or professional credential program; see chapter 1.

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**Willingness to repay**

34 CFR 674.9(e)

***Willingness to repay***

In selecting Perkins loan recipients, a school must consider evidence of a borrower's willingness to repay the loan. Previous delinquency, default, or other failure to meet repayment obligations on a previous loan is evidence that the borrower is unwilling to repay other loans.

For example, if a borrower has previously satisfied a defaulted student loan involuntarily (such as by garnishment of the borrower's wages), a school should consider this as evidence of unwillingness to repay and should deny further loan assistance to the borrower.

#### *Previous Perkins loan discharged in bankruptcy*

As a result of the Bankruptcy Reform Act of 1994, a student or parent may not be denied FSA loans solely on the basis of a bankruptcy filing or discharge. They also may not be required to repay a previously discharged loan in order to reestablish eligibility for new loans. However, FAAs have somewhat more latitude in making awards under the Perkins program than under DL and FFEL because they may consider a student's willingness to repay. If a student has filed for or received a discharge in bankruptcy, has had an FSA loan determined dischargeable by a court of law, or has had an FSA loan discharged in bankruptcy, the bankruptcy may be considered when determining a student's willingness to repay provided it is not the sole basis for the determination and for a denial of a Perkins loan. Schools may also, of course, consider the student's post-bankruptcy credit history in determining willingness to repay.

### FEDERAL WORK-STUDY (FWS)

To be eligible for a Federal Work-Study (FWS) job, a student must meet the usual eligibility criteria and must have financial need, that is, his cost of attendance (COA) must be greater than his expected family contribution (EFC). Also, a financial aid administrator may not award FWS employment to a student if that award, when combined with all other resources, would exceed the student's need. However, unlike the other two campus-based programs, the FWS Program does not require that priority be given to students who have *exceptional* financial need. In choosing students for FWS employment, schools must follow the selection procedures discussed in volume 3.

#### *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. To provide the opportunity to earn wages before incurring education costs, the Department allows students to earn FWS wages to cover expenses for the next period of enrollment offered by the school. The student must be planning to enroll for that next period and must demonstrate financial need for it. 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 wages toward the next period of enrollment during any period, including during a period of non-attendance (see below) or a period of enrollment made up, in whole or in part, of mini-sessions.

#### *Periods of non-attendance*

A student may be employed under FWS during a period of non-attendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an

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#### **Work during non-attendance**

34 CFR 675.25(b)

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### **Additional FWS criteria**

For information on eligible FWS jobs, see volume 6, The Campus-Based Programs.

unattended fall or spring semester. The student must be planning to enroll for the next period of enrollment and must have demonstrated financial need for that period. The student's net earnings (earnings minus taxes and job-related costs) during this period of non-attendance must be used to cover expenses associated with her financial need for the next period of enrollment, which is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.

A student who was not attending school in the summer but who was eligible for summer FWS employment because he anticipated being enrolled in the fall may fail to then attend school. When a student fails to attend for the next period of enrollment, the school that employed him must be able to demonstrate that he was eligible for employment and that the school had reason to believe the student intended to study at that school in the next period of enrollment. At a minimum, the school that employed the student must keep a written record in its files showing that he had accepted the school's offer of admittance for the next period of enrollment.

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### **Mini-session example**

Cohogs University has a summer term made up of three mini-sessions. Ted enrolls in classes for the June and August mini-sessions, but does not enroll in any classes for the July mini-session. Ted has a financial need of \$500 for his attendance in two of the summer mini-sessions. Ted also plans to enroll in the following fall semester and has a remaining need of \$250 for that semester. Ted is given a \$750 FWS award in the summer (\$500 for the two summer mini-sessions and \$250 for the fall semester). Ted knows his June mini-session courses will be very demanding and he will not have time to work. So, Ted earns \$500 during the July mini-session when he has no classes. Ted has classes again in August, but his academic workload is lighter. In August, Ted earns \$250 towards his education costs in the upcoming fall semester.

A student in an eligible program of study abroad may be employed during a period of non-attendance preceding the study abroad if she will be continuously enrolled in her American school while abroad and if her 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.

### ***Mini-sessions***

If a school combines a series of mini-sessions or modules into one term (e.g., three summer mini-sessions into one summer term), an FWS student attending any of the mini-sessions may earn FWS wages at any time throughout that term. The school may apply those earnings toward the student's financial need for the mini-session(s) attended or the next period of enrollment. The school must base the student's financial need for attending the summer term on the period of time for which the student is actually enrolled in the mini-sessions.

The amount of FWS wages a student may earn at any point in the term does not depend on whether the student is then enrolled in a mini-session. The school or student may choose how to distribute the hours worked throughout the summer term.

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### **FSEOG eligibility**

34 CFR 676.9  
34 CFR 668.32(c)(1)

### **FSEOG**

To receive a Federal Supplemental Educational Opportunity Grant (FSEOG), a student must meet the general eligibility requirements discussed in the other chapters of this volume. An eligible recipient must also be an undergraduate student and have financial need, and students with the lowest EFCs who will also receive Pell grants for the award year have primary consideration for FSEOG money. See the volume on calculating awards.

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An undergraduate student is defined under the FSEOG Program as a student who is enrolled in an undergraduate course of study at an institution of higher education and who:

- has not earned a bachelor's degree or first professional degree; and
- is in an undergraduate course of study that usually does not exceed four academic years or is enrolled in a four- to five-academic-year program designed to lead to a first degree.

A student who has earned a bachelor's or first professional degree is not eligible to receive an FSEOG to pursue an additional undergraduate degree based on the above definition of undergraduate student. A school must make FSEOG funds reasonably available (to the extent that funds remain) to all eligible students.

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**FSEOG undergraduate student definition**

34 CFR 676.2(b)