Academic Years, Academic Calendars, Payment Periods, & Disbursements

This chapter discusses the academic year, academic calendar, payment period, and disbursement requirements for awarding aid across the Federal Student Aid (FSA) programs. Additional information about requirements that are specific to particular FSA programs is provided in other chapters of this volume.

CHAPTER 1 HIGHLIGHTS

| Academic Year requirements |
| Academic calendars & terms |
| Payment periods |
| Grant programs |
| • Standard and nonstandard terms |
| • Clock-hour and non-term credit-hour |
| Direct Loan program |
| • Standard terms and substantially equal nonstandard terms |
| • Clock-hour, non-term credit-hour, and nonstandard terms not substantially equal in length |

“Successfully completes”
“Substantially equal” terms
Disbursement issues
Payment period completion requirements
Timing of disbursements
Related topics
Payment periods when student re-enters a program after withdrawing—see Volume 5, Chapter 2.
Direct Loan annual loan limit progression—see Volume 3, Chapter 5.

ACADEMIC YEAR REQUIREMENTS

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

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

Regulatory citations
Academic year: 34 CFR 668.3
Payment period: 34 CFR 668.4
Weeks of instructional time: 34 CFR 668.3(b).
may have different academic years for different programs, it must use the same academic year definition for all FSA awards for students enrolled in a particular program, and for all other FSA program purposes.

**Weeks of instructional time in an academic year**

- For a program offered in **credit hours**, the academic year must include at least 30 weeks of instructional time.

- For a program offered in **clock hours**, the academic year must include at least 26 weeks of instructional time.

The minimum standards for weeks of instructional time described above apply to both undergraduate and graduate or professional programs.

**Note:** See Volume 2 for information about academic year requirements for direct assessment programs, which do not measure academic progress using credit or clock hours.

The number of weeks of instructional time is based on the period that generally begins on the first day of classes in the academic year and ends on the last day of classes or the last day of examinations, whichever is later.

Schools that provide 2- or 4-year associate or baccalaureate degree programs may apply to the Department if they want to request approval to establish a full academic year of less than 30 weeks of instructional time. The Department is permitted to grant a reduction for good cause to no less than 26 weeks of instructional time. These requests are handled on a case-by-case basis. To request approval, contact the School Participation Division that oversees your school (see Volume 2).

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

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

- Cannot overlap, and a school cannot use a single day of scheduled instruction, exams, or study time to create more than one week of instruction (for example, a school may not end a week of instructional time on one day and begin the next week of instructional time on the same day);

- May begin and end on a day other than Monday, provided that each week of instructional time comprises a seven consecutive day period (for example, a Wednesday through the following Tuesday) which includes at least one day of scheduled instruction, exams, or study time, as required by the regulations; and

- May begin up to six days prior to the first day of scheduled instruction or exams in a payment period.

Credit or clock-hours in an academic year

For undergraduate educational programs, the law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year:

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

- 900 clock-hours for a program measured in clock-hours.

For graduate and professional programs, there is no minimum hours component to the definition of an academic year.

Academic year definition and effect on awards

The FSA academic year that a school defines for a program has to meet the regulatory minimums for both clock or credit-hours AND weeks of instructional time, as described above. In some instances, the defined academic year for a program may not coincide with the academic calendar of the school. For example, a school might define the academic year for a program as containing 24 semester hours and 30 weeks of instructional time, but have an academic calendar consisting of four 8-week nonstandard terms (i.e., 32 weeks of instructional time). This would affect the calculation of Pell Grant awards, as explained in Chapter 3 of this volume.

As discussed later in this chapter and in Chapter 5, the timing of disbursements and, for the Direct Loan Program, annual loan limit progression will be affected if a program is an academic year in length in credit or clock-hours but not in weeks of instructional time, or for a program longer than an academic year in length, if a student’s completion of the credit or clock-hours in the program’s academic year does not coincide with completion of the weeks of instructional time in the academic year.
**Counting Weeks of Instructional Time**

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

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

There are no classes on Labor Day (September 6th), Veterans Day (November 11th), or during Thanksgiving break (November 24th-26th), but each week that includes these dates still counts as a week of instructional time, since each includes at least one day of regularly scheduled instruction. The week of exams that begins on December 13th also counts as a week of instructional time.

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

*Note that this example is not meant to illustrate any specific calendar year.*
ACADEMIC CALENDARS & TERMS

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

Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame, and academic progress is measured in credit-hours. Term-based programs can have either standard terms or nonstandard terms.

If a program is non-term, classes do not begin and end within a set time frame, such as a term. Academic progress in a non-term program can be measured in either credit or clock hours. In some cases (as discussed below), a program with terms must be treated as a non-term program for FSA purposes.

Whether an academic calendar is standard term, nonstandard term, or non-term has implications for how aid is awarded under the FSA programs.

Standard terms: semesters, trimesters, and quarters

The guidance on standard terms below and elsewhere in the FSA Handbook reflects the Department’s revised policy as described in the November 5, 2019 Electronic Announcement on “Revised Policy for Standard Term Length.” Refer to that Electronic Announcement for additional information and examples comparing the treatment of various academic calendars under the prior and revised policies on standard term length.

Semesters and trimesters contain between 14 and 21 weeks of instructional time. However, a summer term in a program using semesters or trimesters may contain fewer than 14 weeks. An academic calendar that uses semesters or trimesters traditionally has three terms, one each in the fall, spring, and summer, two of which comprise an academic year. For example, in a program using a Scheduled Academic Year (SAY) calendar, fall and spring would comprise an academic year. In a program using a Borrower-Based Academic Year (BBAY) calendar, an academic year could consist of any two consecutive terms such as spring-summer or summer-fall. Academic progress is measured in semester or trimester credit-hours, and full-time is at least 12 semester or trimester credits.

Quarters contain between nine and 13 weeks of instructional time. As with programs using semesters or trimesters, a summer term in a quarter-based program may contain fewer than nine weeks. An academic calendar using quarters typically includes four terms in the fall, winter, spring, and summer, three of which comprise an academic year. For example, the fall, winter, and spring quarters would comprise an academic year in a program using SAY calendar. In a program using a BBAY calendar, an academic year could be any three consecutive terms, such as spring-summer-fall, or summer-fall-winter. Academic progress is measured in quarter credit-hours, and full-time is at least 12 quarter credits.
The revised policy on standard term length allows for 14-week semesters and 9-week quarters. Therefore, a school that defines the academic year for a program as 24 semester hours or 36 quarter hours and 30 weeks of instructional time could have fall and spring semesters of 14 weeks each, resulting in 28 weeks of instruction, or fall, winter, and spring quarters of nine weeks each, resulting in 27 weeks of instructional time. However, because the academic year for a program that measures academic progress in credit hours must include a minimum of 30 weeks of instructional time, a school with such an academic calendar would be required to calculate Pell Grant awards using either Pell Grant Formula 2 or Pell Grant Formula 3 (see Chapter 3 of this volume).

For Direct Loan purposes, two 14-week semesters or three 9-week quarters could not constitute an SAY or BBAY, since the number of weeks of instructional time in an SAY or BBAY must generally meet the minimum 30-week statutory requirement (see Chapter 5 of this volume). In order for its fall and spring semesters or fall, winter, and spring quarters to comprise an SAY or BBAY, the school would need to modify its calendar to ensure that there are at least 30 weeks of instruction in the fall and spring semesters or fall, winter, and spring quarters combined (for example, a 16-week fall semester and a 14-week spring semester).

Standard terms need not be of equal length. For example, a school could offer a program using semesters with the academic year consisting of a 14-week fall semester and a 20-week spring semester, or a program using quarters with the academic year consisting of a 13-week fall quarter, a 9-week winter quarter, and an 11-week spring quarter.

In addition, the number of weeks in a standard term may vary from year to year during the course of a program. For example, a school could offer a two-year program with the first academic year consisting of two 15-week semesters, and the second academic year consisting of two 20-week semesters.

A standard term may contain an occasional class or classes that are longer than the normal term or that begin or end beyond the normal start or end date of the term, as long as the class or classes do not overlap another term (see below). However, if classes routinely extend a week or more beyond the normal term start or end dates, the school must revise the official length of the term. If the combined length of the term and the extended class or classes is greater than the maximum number of weeks allowed for a standard term, the program must be considered a nonstandard term program for FSA program purposes. For example, if a 17-week semester contains a class that does not end until five weeks after the normal semester end date, the term must be considered nonstandard, because the combined length of the term and the extended class is 22 weeks, which exceeds the maximum 21 weeks permitted for a semester.

Standard terms may not overlap within a program. If an extended class overlaps another term, the program’s academic calendar must be treated as non-term.
Combining modules into a standard term

You may combine two or more consecutive shorter nonstandard terms (often called modules) and treat them as a single standard term such as a semester or quarter. For example, you might offer a program in a series of modules, each of which is 6 weeks in length, with students earning 6 quarter credits in each module. Although a single 6-week module could not constitute a quarter (because it contains fewer than the minimum nine weeks required for a quarter), you could choose to treat two consecutive 6-week modules as a single 12-week quarter.

Intersessions

In certain limited cases for academic programs offered in standard terms, a short nonstandard term may be combined with a preceding or following standard term and considered to be a single standard term. These short nonstandard terms are often called “intersessions.” For example, a program might be offered in an academic calendar consisting of two 15-week semesters, fall and spring, with a 4-week intersession between the two semesters. To consider the program as being offered in standard terms, you must combine the intersession with either the fall semester or the spring semester, and treat the combined intersession and semester as a single term. If you choose to take this approach, the same treatment must be applied for all FSA purposes to all students enrolled in the program. In addition, hours taken in the intersession must count toward a student’s enrollment status for the combined term, and costs for the intersession must be included in the cost of attendance.

In some cases, an intersession may partially overlap one or more standard terms. If the intersession overlaps just one standard term, you may still consider the program to be offered in standard terms if you combine the overlapping intersession with the standard term and treat that combination as a single term, as described above.

If you choose not to combine a nonstandard term with a standard term as described above and instead treat the intersession as a standalone term, or if an intersession partially overlaps more than one standard term, the program must be treated as a non-term program for Direct Loans, and a Formula 3 program for Pell and TEACH Grants. Note that regardless of whether you treat an intersession as a standalone term or combine it with a standard term, you may not have a policy of prohibiting otherwise eligible students from receiving FSA program funds to cover costs associated with enrollment in the intersession.
Dunston College offers a degree program in education with a 4-week* intersession between two 15-week* semesters. The terms don’t overlap. Dunston College has defined the academic year for this program as 24 semester hours and 34 weeks of instructional time. Dunston College could combine the intersession with one of the standard terms, and, for purposes of FSA programs, treat the program as being offered in two semesters:

Dunston College can also choose not to combine the terms. In this case, the program would have a 4-week nonstandard term and two standard terms (semesters). As noted earlier, this means that you would treat this as a non-term program for Direct Loan purposes, and would use Formula 3 for calculating Pell Grant and TEACH Grant awards.
**Inclusion of clinical work in a standard term**

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

- All students in the program must participate in a practicum or clinical experience and its completion is required for graduates to apply for licensure or authorization to practice the occupation those students intend to pursue;

- The school has little or no control over the length or start/end dates of the practicum or clinical experience. This may be due to constraints imposed by outside licensing bodies, or the need to accommodate schedules of entities with which students are being placed (e.g., school districts or hospitals); and

- Credit hours associated with the practicum or clinical experience must be associated with the term in which most of the training occurs, even if the starting and ending dates do not exactly align with the term dates and/or overlap with another term.

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

**Nonstandard terms**

Generally, nonstandard terms are terms that are not semesters, trimesters, or quarters. For example, a 5-week term or a 23-week term would be considered a nonstandard term because no standard term can be fewer than 9 weeks or greater than 21 weeks in length. Like standard terms, nonstandard terms may be equal in length, or may be of different lengths. If a program is offered in a mixture of standard terms and nonstandard terms, the program is considered to be offered in nonstandard terms.

Even if a school calls its terms semesters, trimesters, or quarters, they are considered to be nonstandard terms if they do not comply with the policy on standard term length, as described earlier. For instance, a 22-week semester or an 8-week quarter must be treated as a nonstandard term, because a semester cannot contain more than 21 weeks and a quarter must include a minimum of 9 weeks.

Semesters, trimesters, or quarters are also considered to be nonstandard terms if academic progress is not measured in the manner normally associated with the type of term. For example, if a program is offered in 15-week semesters but measures academic progress in quarter credit hours, the semesters would be considered nonstandard terms.
Non-term characteristics

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

- Courses that do not begin and end within a set period of time such as a term;
- Courses that overlap terms;
- Self-paced and independent study courses that overlap terms; or
- Sequential courses that do not begin and end within a term.

PAYMENT PERIODS

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

The definition of a payment period varies depending on the kind of academic calendar your school uses and the FSA program for which you are disbursing funds.

Programs using standard terms or nonstandard terms that are substantially equal in length

For credit-hour programs with standard terms, or with nonstandard terms that are substantially equal in length, the payment period is the term. Nonstandard terms are considered to be substantially equal in length if no term in a program is more than two weeks of instructional time longer than any other term in the program.

Programs with nonstandard terms not substantially equal in length

Nonstandard terms are considered to be not substantially equal in length if any nonstandard term in a program is more than two weeks of instructional time longer than another term in the same program.

For the Pell Grant, TEACH Grant, and FSEOG programs, the payment period for a credit-hour program with nonstandard terms that are not substantially equal in length is the term.

For the Direct Loan Program, if a program has nonstandard terms that are not substantially equal in length, the payment period is the same as described below for clock-hour and non-term programs.

Clock-hour and non-term programs

For all clock-hour programs and for credit-hour programs that do not have academic terms, payment periods are defined as described below. As noted earlier, these same payment period requirements also apply when disbursing Direct Loans to students enrolled in programs with nonstandard terms that are not substantially equal in length.
If you are determining the payment periods for a program for which one of the measures (either clock or credit-hours or length of instructional time) is less than an academic year and the other measurement is not, the program is considered less than an academic year in length, and you follow the payment period rules below for a program that is one academic year or less in length.

If the program is one academic year or less in length:

- The first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the program.
- The second payment period is the period in which the student completes the remainder of the program.

If the program is more than one academic year in length:

- For the first academic year of the program and for any subsequent full academic year, follow the payment period rules above for a program that is one academic year or less in length, substituting “academic year” for “program.”
- For any remaining portion of a program that is more than half of an academic year (as measured in both clock or credit hours and weeks of instructional time), but less than a full academic year—
  - The first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the remaining portion of the program; and
  - The second payment period is the period of time in which the student successfully completes the remainder of the program.
- For any remaining portion of a program that is half of an academic year or less, the payment period is the remainder of the program.
Example: Nonstandard terms not substantially equal in length

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

**Academic Year =**
24 semester hours and 30 weeks of instructional time

**Pell Grant: Payment periods are the nonstandard terms (3 disbursements)**
- 12 weeks of instruction (1st disbursement)
- 6 weeks of instruction (2nd disbursement)
- 12 weeks of instruction (3rd disbursement)

**Direct Loan: Payment periods are determined by credit-hours and weeks (2 disbursements)**
- 12 semester hours AND 15 weeks of instruction (1st disbursement)
- 12 semester hours AND 15 weeks of instruction (2nd disbursement)

Example: Half-time student in a non-term program

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

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

**First academic year (24 semester hours)**
- 1st Pell disbursement
- 1st loan disbursement
- 30 weeks elapsed
- Student has completed 12 credits
- 2nd Pell disbursement
- 2nd loan disbursement
- 60 weeks elapsed
- 24 credits completed
- End of first academic year

**Second academic year (24 semester hours)**
- New Pell Grant and loan award begin after student completes 24 semester hours and weeks in first academic year
- 1st Pell disbursement for 2nd year
- 1st loan disbursement for 2nd year
- 30 weeks elapsed in 2nd academic year
- Student has completed 36 credits
- 2nd Pell disbursement for 2nd year
- 2nd loan disbursement for 2nd year
- 60 weeks elapsed in 2nd year
- 48 credits completed
- End of program
Progression to next payment period based on completion of hours and weeks

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

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

For these programs, a new payment period for purposes of making the next disbursement of a grant or loan cannot begin until the student successfully completes both the credit or clock-hours and the weeks of instruction in the previous payment period. A student “successfully completes” credit or clock-hours if your school considers the student to have passed the coursework associated with those hours.

The Pell Grant or TEACH Grant amount that a student is eligible to receive for a payment period is determined based on the number of hours and weeks in the scheduled payment periods for a program that are established at the beginning of the program based on the program length (as described earlier in this section). These scheduled payment periods do not change, regardless of a student’s rate of progression through a clock-hour or non-term credit hour program. This means that if a student completes additional weeks of instructional time or hours while completing the other measure of a payment period, the actual number of weeks or hours that the student completes before a disbursement can be made for the next payment period may differ from the number of weeks or hours in the scheduled payment period used to determine the student’s grant amount for the payment period.

Although a student’s completion of additional weeks or hours in a payment period has no effect on the scheduled payment periods for purposes of determining Pell Grant and TEACH Grant payment amounts, an undergraduate student who accelerates in a clock-hour or non-term credit-hour program may have reduced Direct Loan eligibility in the final academic year of a program. Specifically, if a student enrolled in a program that is greater than one academic year in length completes additional clock or credit hours prior to the final academic year of the program, this may result in a final period of study that contains fewer clock or credit hours than the number of hours in the program’s defined academic year. In this circumstance, the Direct Loan annual loan limit for an undergraduate student must be prorated (reduced).

The principles described above are illustrated by the examples in Appendix A at the end of this chapter. For guidance on calculating Pell Grant and TEACH Grant awards for clock-hour and non-term credit hour programs, see Chapter 3 of this volume. For information on Direct Loan annual loan limit proration and annual loan limit progression in clock-hour and non-term credit-hour programs, see Chapter 5.
If your school is unable to determine when a student has successfully completed half of the credit or clock-hours in a program, academic year, or remainder of a program, the student is considered to have begun the second payment period of the program, academic year, or remainder of a program at the later of the date (identified by your school) that the student has successfully completed:

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

**Clock-hour programs with terms**

The payment periods for clock-hour programs that use terms are determined in the same way as for non-term clock-hour programs. A student enrolled in such a program must successfully complete all the clock-hours in the payment period before receiving additional FSA funds for the next payment period. This means that the payment period starting dates may not coincide with the starting dates of the terms in the program.

**Prior year charges allowance**

You may include up to $200 for prior-year charges in one or more payment periods in the current award year ($200 total, not in each payment period in the current award year). This $200 allowance must only be for tuition, fees, school-provided room & board, and, with the student’s or parent’s authorization, educationally related goods and services provided by the prior-year school. For more details, see 34 CFR 668.164(c)(3).

**TIMING OF DISBURSEMENTS—GENERAL RULES**

Except for Federal Work Study (FWS) wages, FSA disbursements are made on a payment period basis. Except when making retroactive disbursements for completed payment periods (as discussed later in this chapter), you must disburse the Title IV funds during the payment period to which they apply. The timing of disbursements is especially important for Pell Grants, TEACH Grants, and Direct Loan funds, because you must report disbursement dates to the Department through the Common Origination and Disbursement (COD) system.

**Basic rules for early disbursements**

The regulations place limitations on the earliest date that a school may disburse FSA funds. With certain exceptions that are discussed below, the general rules for making early disbursements are as follows:

For credit-hour programs offered in standard terms, or offered in nonstandard terms that are substantially equal in length, the earliest that a school may disburse FSA funds by crediting the student’s account or by paying directly to the student or parent is 10 days before the first day of classes of a payment period.

For credit-hour programs offered in nonstandard terms that are not substantially equal in length, non-term credit-hour programs, and clock-hour
programs, the earliest a school may disburse FSA funds is the later of:

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

**Exceptions to early disbursement rules**

If a student is in the first year of undergraduate study and is a first-time borrower (a first-time borrower is someone who has not previously received a Direct Subsidized Loan, a Direct Unsubsidized Loan, a Subsidized or Unsubsidized Federal Stafford Loan, or a Federal Supplemental Loan for Students), your school may not make the first disbursement of a Direct Subsidized Loan or a Direct Unsubsidized Loan until 30 calendar days after the first day of the student’s program of study. However, you are not required to delay disbursement for such students if your school has a cohort default rate of less than 15% for each of the three most recent years for which data are available, or if your school is a home institution originating a loan to cover the cost of attendance in a study-abroad program and has a cohort default rate of less than 5% for the single most recent year for which data are available.

If a student is scheduled to begin class in a module of a term-based program that starts after the first day of classes for the semester, you may not make the initial disbursement until 10 days before the start of the first module in which the student is scheduled to begin attendance.

If you post a credit to a student’s account before the earliest date permitted by regulation, the date the FSA funds are considered to be disbursed is the earliest date permitted by regulation.

You may not compensate a student who is employed under the FWS program until the student earns that compensation by performing work.

**Retroactive disbursements for completed payment periods**

If your school did not make a disbursement of FSA funds to an enrolled student for a payment period that the student completed, you must pay the student retroactively for all prior completed payment periods within the current award year or loan period for which the student was eligible. For example, if you don’t receive a valid SAR/ISIR for a student until the spring term, but the student was also enrolled and eligible for a disbursement in the previous fall term, that student must be paid retroactively for the fall term. A school can make the retroactive disbursements in one lump sum.

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

34 CFR 668.4(e)

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

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

To be counted for FSA purposes, excused absences must be permitted in your school’s written policies, and the number of excused absences that may be counted when determining whether a student completed the hours in a payment period may not exceed the lesser of—

- The policy on excused absences of your school’s accrediting agency or, if you have more than one accrediting agency, the policy of the agency that you designate to the Department as the agency whose accreditation will be used in determining your school’s eligibility to participate in the FSA programs (see the guidance in Volume 2 on “Dual accreditation” for more information);
- The policy on excused absences of any state agency that licenses your school or otherwise legally authorizes your school to operate in the state; or
- 10% of the clock-hours in the payment period.

Direct Assessment program payment periods

34 CFR 668.10

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

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

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

**Academic Year = 24 semester hrs & 30 wks of instructional time**

**Program 1 = 16 semester hours & 20 weeks of instructional time**
- 1st payment period - 8 semester hours AND 10 weeks*
- 2nd payment period - 8 semester hours AND 10 weeks*

**Program 2 = 24 semester hours & 30 weeks of instructional time**
- 1st payment period - 12 semester hours AND 15 weeks*
- 2nd payment period - 12 semester hours AND 15 weeks*

*Weeks of instructional time.

Non-term Programs—More than an Academic Year

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

**Academic Year = 24 semester hrs 30 wks of instructional time**

**Program 1 = 30 semester hours and 36 weeks of instructional time**
- 1st payment period - 12 semester hours AND 15 weeks*
- 2nd payment period - 12 semester hours AND 15 weeks*
- 3rd payment period - 6 semester hours AND 6 weeks* Since at least one measure is half or less of the academic year, a single payment period

**Program 2 = 40 semester hours and 50 weeks of instructional time**
- 1st payment period - 12 semester hours AND 15 weeks*
- 2nd payment period - 12 semester hours AND 15 weeks*
- 3rd payment period - 8 semester hours AND 10 weeks*
- 4th payment period - 8 semester hours AND 10 weeks*

*Weeks of instructional time.
Disbursement by Payment Period Required
(except as provided in the discussion following this chart)

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Direct Loan</th>
<th>Pell, TEACH, &amp; FSEOG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit-hour programs offered in standard terms &amp; nonstandard term programs offered in terms that are substantially equal in length.</td>
<td>The payment period is the term.</td>
<td>The payment period is the term.</td>
</tr>
</tbody>
</table>
| Credit-hour programs offered in nonstandard-terms that are not substantially equal in length. | The payment period is the period of time in which the student successfully completes:  
• half of the weeks of instructional time in the academic year/program less than an academic year; and  
• half of the clock/credit-hours in the academic year/program less than an academic year.  
For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program. | The payment period is the term. |
| Clock-hour programs and non-term credit-hour programs. | The payment period is the period of time in which the student successfully completes*:  
• half of the weeks of instructional time in the academic year/program less than an academic year; and  
• half of the clock/credit-hours in the academic year/program less than an academic year.  
For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program. | The payment period is the period of time in which the student successfully completes*:  
• half of the weeks of instructional time in the academic year/program less than an academic year; and  
• half of the clock/credit-hours in the academic year/program less than an academic year.  
For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program. |

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

**Direct Loan disbursements when the loan period is a single payment period**

Unless it qualifies for an exception based on low cohort default rates (see below), a school must make at least two disbursements of a Direct Loan if the loan period is a single payment period:

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

Exceptions: A school with a cohort default rate of less than 15% for each of the 3 most recent fiscal years for which data are available may disburse a Direct Loan in a single installment if the loan period is not more than one semester, one trimester, one quarter or, for non-term based schools or schools with nonstandard terms, 4 months.

Schools that meet the cohort default rate requirement described above also are not required to delay for 30 days the first disbursement of a Direct Subsidized Loan or Direct Unsubsidized Loan for first-time, first-year undergraduate borrowers.

Regardless of the length of the loan period, you may disburse a Direct Loan in a single installment if your school's most recently calculated cohort default rate is less than 5% for the single most recent fiscal year for which data are available.

**Pell or TEACH Grant disbursements within a single term**

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

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

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

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

FSA regulations generally permit schools to pay FSA funds at such times and in such installments within each payment period as will best meet students’ needs. This gives schools the ability to apportion the payment if doing so will be in the best interest of the student. For example, if a payment period is particularly long, a school might choose to pay in multiple installments to the extent program requirements permit to ensure that a student will have funds to pay rent later in the payment period. Note, however, that making multiple disbursements within a payment period does not create a new or additional payment period.

Prohibition on delaying disbursement

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

TIMING OF FSA GRANT AND LOAN DISBURSEMENTS

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

Disbursements in credit-hour term-based programs

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

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

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

Timing of grant disbursements within a payment period

You may time the disbursement of Pell and TEACH Grant funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse...
Some schools make disbursements to students at the beginning of a payment period, but release the proceeds of the Title IV credit balance created by those disbursements incrementally throughout the period. This practice is only permitted if you have written authorization from the student; otherwise, you must release a Title IV credit balance no more than 14 days after it occurs.

**Uneven disbursements of FSEOG**

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

**Timely Pell and Iraq & Afghanistan Service Grant reporting**

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

**Single-Term FSEOG Awards**

A single-term FSEOG award is permissible if a student will only be enrolled for one term or only one term remains in the award year when the award is made. The award would then be disbursed in a single disbursement.

**Interim disbursements**

Under certain limited circumstances, you may make interim disbursements to students who have been selected for verification. See the Application and Verification Guide for detailed guidance on this topic.

**Multiple Direct Loan disbursements within a payment period**

A school may schedule multiple Direct Loan disbursements within a payment period, as long as the disbursements are substantially equal. Schools that use payment periods as the basis for their Return of Funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period. See Volume 5 of the FSA Handbook for information on how withdrawal calculations handle multiple disbursements.
Timing of correspondence program disbursements for Pell and TEACH Grants

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

For term-based correspondence programs, you make the first disbursement to a student for each payment period after the student completes 50% of the lessons or otherwise completes 50% of the work scheduled for the term, whichever occurs last.

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

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

If the student begins attendance, but on a less than half-time basis, the student is not eligible to receive subsequent Direct Loan disbursements as long as he or she remains less than half-time. If the student doesn’t begin attendance in any classes after receiving a Direct Loan disbursement, they will lose eligibility for the loan, and you must take some further steps. See Volume 4 for more detailed information on the treatment of students who fail to begin attendance or who begin attendance on a less than half-time basis after receiving a Direct Loan disbursement.

RETAIKING COURSEWORK IN TERM PROGRAMS

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

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

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

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

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

Retaking coursework school policy and operations

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

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

Repeating after program completion

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

Satisfactory progress and repeated coursework

For satisfactory academic progress purposes, each time a course is taken counts as an attempt, but only the first time a passing grade is received is it counted as completion.
CLOCK-HOUR TO CREDIT-HOUR CONVERSION FORMULA

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

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

34 CFR 685.303(b)(4)
The regulations allow a school to include in a single disbursement the disbursements for any payment periods that have ended. However, the COD system (except for schools exempted because of low default rates) requires schools to enter at least two anticipated disbursement dates. Therefore, when creating a loan origination record for a Direct Loan when you intend to include in a disbursement loan proceeds for any payment periods that have been completed, you should enter the actual date you anticipate making the disbursement as the anticipated date for all disbursements that would be included. For example, consider a school attempting to submit an origination when the data is as follows:

Loan period: 9/1/15 - 5/30/16  
Number of disbursements typically required: 2  
Payment period 1: 9/1/15 - 12/20/15  
Payment period 2: 1/6/16 - 5/30/16  
Date school creates origination record: 1/9/16

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

Early disbursement & advance credit to account

Aug 2: School posts credit to student’s account.  
Aug 15: School disburses funds 10 days before 1st day of classes.

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

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

Disbursement rules for terms made up of modules

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

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

Non-term Example 1: Clock-hour program – student must repeat course

A student enrolls in a 1-year clock-hour program with an academic year (AY) of 900 clock hours and 26 weeks of instructional time. The program is 900 clock hours and 26 weeks of instructional time in length and consists of 6 successive graded courses. Each course has 150 clock hours. The scheduled payment periods are one-half of the length of the program in clock hours and weeks of instructional time: 450 clock hours and 13 weeks of instructional time.

The student in this example fails the second course, but immediately repeats it and passes. The student successfully completes all of the other courses in the program.

The school cannot make the second Pell and Direct Loan disbursements until the student has successfully completed both the clock hours and the weeks of instructional time in the first payment period. Because the student has to repeat the second course of the program (taking an additional three weeks to do so), the school must reschedule the date of the second Pell and Direct Loan disbursements. The second disbursements will now be made after the student has successfully completed 450 clock hours and attended for 16 weeks of instructional time, and the school will need to report the rescheduled second disbursement dates to COD.

Scheduled payment periods

| 450 clock hours AND 13 weeks of instruction | 450 clock hours AND 13 weeks of instruction |

Progression through payment periods for disbursements (student cannot receive next disbursement until successful completion of BOTH hours and weeks in scheduled payment periods)

| 450 clock hours earned and 16 weeks of instruction attended | 450 clock hours and 13 weeks of instruction

| 1st Pell and Direct Loan disbursements |

| 150 hours earned for 1st course |

| 2nd course failed. No hours earned. |

| 2nd course repeated and passed (3 additional weeks of instruction). 150 hours earned. |

| 150 hours earned for 3rd course. |

| 150 hours earned for 4th course. |

| 150 hours earned for 5th course. |

| 150 hours earned for 6th course. Program completed. |

| 2nd Pell and Direct Loan disbursements (in 17th week of instruction) |
Non-term Example 2: Non-term credit hour program -- additional weeks completed in first academic year

A non-term, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. There are four scheduled payment periods, each of which is equal to one-half of the defined academic year: 12 semester hours and 15 weeks of instructional time.

Students in the program are expected to complete the first 24 hours over 36 weeks of instructional time, and the final 24 semester hours in 24 weeks of instructional time. Students complete each of hours 1-12 and 13-24 in 18 weeks of instructional time and each of hours of 25-36 and 37-48 in 12 weeks of instructional time.

### Scheduled payment periods

<table>
<thead>
<tr>
<th>First year of program</th>
<th>Second year of program</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 semester hours AND 15 weeks of instruction</td>
<td>12 semester hours AND 15 weeks of instruction</td>
</tr>
<tr>
<td>12 semester hours AND 15 weeks of instruction</td>
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</tr>
<tr>
<td>12 semester hours AND 15 weeks of instruction</td>
<td>12 semester hours AND 15 weeks of instruction</td>
</tr>
</tbody>
</table>

### Progression through payment periods for disbursements (student cannot receive next disbursement until successful completion of BOTH hours and weeks in scheduled payment periods)

<table>
<thead>
<tr>
<th>First year of program</th>
<th>Second year of program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student completes 12 hours in 18 weeks of instruction.</td>
<td>Student cumulatively completes 24 hours in 36 weeks of instruction.</td>
</tr>
<tr>
<td>1st payment period ends.</td>
<td>2nd payment period ends.</td>
</tr>
<tr>
<td>1st disbursement of 1st Pell award</td>
<td>2nd disbursement of 1st Pell award</td>
</tr>
<tr>
<td>1st disbursement of Direct Loan first-year annual loan limit</td>
<td>2nd disbursement of Direct Loan first-year annual loan limit (disbursements made in 19th week of instruction)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>End of first Direct Loan Borrower-Based Academic Year</td>
<td>Beginning of new Direct Loan Borrower-Based Academic Year</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>1st disbursement of 2nd Pell award</td>
<td>2nd disbursement of 2nd Pell award</td>
</tr>
<tr>
<td>1st disbursement of Direct Loan second-year annual loan limit</td>
<td>2nd disbursement of Direct Loan second-year annual loan limit</td>
</tr>
<tr>
<td>2nd disbursement of Direct Loan second-year annual loan limit (disbursements made in 37th week of instruction)</td>
<td></td>
</tr>
</tbody>
</table>
The scheduled payment periods are 12 semester hours and 15 weeks of instructional time, but the student in this example takes 18 weeks to complete the first 12 hours. Therefore, the second disbursements of the first Pell Grant award and the Direct Loan for the first academic year of the program cannot be made until the 19th week of instruction. This is because the next grant or loan disbursement cannot begin until the student successfully completes BOTH the credit or clock-hours and the weeks of instruction in the previous scheduled payment period.

It takes the student another 18 weeks to complete the second 12 hours in the program, meaning that the first disbursements of the second Pell Grant award and the Direct Loan for the second academic year of the program cannot be made until the 37th week of instruction (corresponds to when the student officially enters the 3rd scheduled payment period). Based on the scheduled payment periods a student cannot enter the 4th payment period until the student has completed at least 45 weeks and 36 semester hours (12 semester hours and 15 weeks within each payment period).

After the student has successfully completed 36 weeks of instruction and 24 semester hours, there are 24 weeks and 24 hours remaining in the program. The second disbursements of the second Pell Grant award and the Direct Loan for the second academic year of the program cannot be made until the student officially enters the 4th scheduled payment period, which occurs after the student has cumulatively completed 36 semester hours and 48 weeks.

Remember that the Pell Grant amount the student is eligible to receive in each of the four payment periods is always based on the scheduled payment periods of 12 semester hours and 15 weeks of instructional time.

Although the academic year for the program is defined as 24 semester hours and 30 weeks of instructional time, students are expected to complete the first 24 hours over 36 weeks of instructional time. To ensure that the loan period for the student’s first Direct Loan covers both measures of the defined academic year, the school must originate a loan for a loan period covering 36 weeks of instructional time.

The Direct Loan for the second academic year of the program will be originated for a loan period covering 24 weeks of instructional time. Although this is fewer weeks than the number of weeks in the program’s defined academic year, the number of semester hours remaining in the program (24) equals the number of hours in the academic year. Therefore, proration of the Direct Loan annual loan limit is not required.
Non-term Example 3: Non-term credit hour program – more hours earned in the first academic year

A school offers a non-term, two-year program of 48 semester hours and 60 weeks of instructional time, with the academic year defined as 24 semester hours and 30 weeks of instructional time. There are four scheduled payment periods, each of which is equal to one-half of the defined academic year: 12 semester hours and 15 weeks of instructional time.

Students are expected to complete the first 30 semester hours over 30 weeks of instructional time in the first period of enrollment. They are then expected to complete 18 semester hours in the last 30 weeks of instructional time.

Scheduled payment periods

<table>
<thead>
<tr>
<th>First year of program</th>
<th>Second year of program</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 semester hours AND 15 weeks of instruction</td>
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<tr>
<td>12 semester hours AND 15 weeks of instruction</td>
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</tr>
</tbody>
</table>

Progression through payment periods for disbursements (student cannot receive next disbursement until successful completion of BOTH hours and weeks in scheduled payment periods)

<table>
<thead>
<tr>
<th>First year of program</th>
<th>Second year of program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student completes 15 hours in 15 weeks of instruction. 1st payment period ends.</td>
<td>Student cumulatively completes 30 hours in 30 weeks of instruction. 2nd payment period ends.</td>
</tr>
<tr>
<td>1st disbursement of 1st Pell award</td>
<td>2nd disbursement of 1st Pell award</td>
</tr>
<tr>
<td>1st disbursement of Direct Loan first-year annual loan limit (disbursements made in 16th week of instruction)</td>
<td>2nd disbursement of Direct Loan first-year annual loan limit (disbursements made in 31st week of instruction)</td>
</tr>
</tbody>
</table>

End of first Direct Loan Borrower-Based Academic Year

Beginning of new Direct Loan Borrower-Based Academic Year
The scheduled payment periods are 12 semester hours and 15 weeks of instructional time. The second disbursements of the first Pell Grant award and the Direct Loan for the first academic year of the program are made after the student has successfully completed BOTH the hours and weeks components of the first scheduled payment period. In this example, the student has earned 15 hours after completing the 15-weeks in the first scheduled payment period. The student then earns another 15 hours after completing the 15 weeks in the second scheduled payment period.

After the student has successfully completed 30 weeks of instruction and 30 semester hours, there are 30 weeks and 18 hours remaining in the program. The first disbursements of the second Pell Grant award and the Direct Loan for the second academic year of the program cannot be made until the 31st week of instruction (corresponds to when the student officially enters the 3rd scheduled payment period).

The second disbursements of the second Pell Grant award and the Direct Loan for the second academic year of the program cannot be made until the student officially enters the 4th scheduled payment period, which occurs after the student has cumulatively completed 39 semester hours and 45 weeks. Based on the scheduled payment periods a student cannot enter the 4th payment period until the student has completed at least 45 weeks and 36 semester hours (12 semester hours and 15 weeks within each payment period).

As in Example 2, remember that the Pell Grant amount the student is eligible to receive in each of the four payment periods is always based on the scheduled payment periods of 12 semester hours and 15 weeks of instructional time.

The student’s Direct Loan for the first academic year of the program will be originated for a loan period covering 30 weeks of instructional time, since a student will complete the hours in the defined academic year within that period.

The student’s Direct Loan for the second academic year of the program will also be originated for a loan period covering 30 weeks of instructional time. However, because the number of semester hours remaining in the program (18) is less than the number of hours in the program’s defined academic year (24), the student is in a remaining period of study shorter than an academic year. Therefore, the Direct Loan annual loan limit for the second year of the program (the maximum Direct Loan amount the student may receive for the 3rd and 4th payment periods) must be prorated.