Volume 3
Calculating Awards & Packaging
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Introduction

This volume of the Federal Student Aid (FSA) Handbook discusses how to calculate, award, and disburse aid under the various Title IV student financial aid programs.

COVID-19 GUIDANCE AND WAIVERS

The U.S. Department of Education (the Department) recognizes that the ongoing COVID-19 pandemic has created many unique challenges for postsecondary institutions. The Department has provided a variety of special guidance and regulatory flexibilities due to the President's declaration of the COVID-19 national emergency on March 13, 2020. In addition, Congress has passed legislation offering relief from certain statutory requirements related to the Title IV, HEA programs. For COVID-19 related guidance, including waivers and exemptions of normally applicable Title IV rules, please see the following webpages:

- The Department of Education's COVID-19 Information and Resources for Schools and School Personnel:

  https://www.ed.gov/coronavirus?src=feature

- Office of Postsecondary Education COVID-19 Title IV FAQ:

  https://www2.ed.gov/about/offices/list/ope/covid19faq.html

Significant COVID-19 provisions relevant to *Volume 3* include flexibilities provided to institutions related to the administration of the Campus-Based programs. For more detail on these Campus-Based flexibilities, see the Electronic Announcements of April 3, 2020 and May 15, 2020.

PROGRAM AND SYSTEMS INFORMATION ONLINE

The materials available on the Department's Information for Financial Aid Professionals (IFAP) wesite (ifap.ed.gov) include:

Software:

- EDE Suite (EDExpress, Direct Loan Tools, SSCR)

- EDconnect

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

Technical References and User Guides for:

- Central Processing System (CPS)
- Common Origination and Disbursement (COD) System

Other documents and guidance:

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

RECENT CHANGES

Throughout *Volume 3*, we have revised and reorganized the text in many places to improve clarity and eliminate duplicative or outdated information. Here are some of the other significant changes to *Volume 3* for the 2020-21 award year:

Chapter 1

- Updated guidance on what can be considered a "standard term."
- Revised the discussion and examples of payment periods in clock-hour and non-term credit-hour programs for greater clarity.

Chapter 2

- Reorganized the discussion of cost of attendance (COA) components for greater clarity.
- Clarified that the miscellaneous personal expenses COA component may include an allowance for costs incurred by a student for a prior learning assessment.
- Restored guidance on charging for full program costs at the start of a program that was inadvertently dropped from the 2019-20 Federal Student Aid Handbook.

Chapter 3

- Updated Pell award amounts throughout chapter.
- Clarified guidance on how to certify eligible students for aid under the Children of Fallen Heroes Scholarship Act.
- Clarified guidance on using the same Pell Grant formula for all years of a student's program.

Chapter 4

- Updated sequester-required reductions for TEACH Grant awards.
- Updated links for accessing the Teacher Cancellation Low-Income (TCLI) Directory and the Nationwide List of teacher shortage areas.

Chapter 5

- Revised the presentation of information on annual and aggregate loan limits for greater clarity.
- Expanded guidance on who qualifies as a parent for purposes of taking out a Direct PLUS Loan on behalf of a dependent undergraduate student.
- Expanded guidance on Direct Unsubsidized Loan eligibility for dependent students whose parents have ended financial support.
- Expanded guidance on awarding increased Direct Unsubsidized Loan amounts to dependent students whose parents are unable to obtain Direct PLUS Loans.
- Clarified guidance on loan limits for students who change programs at the same school during the same academic year.
- Removed "Review of the Direct Loan Process" section at the end of the chapter, as this contained obsolete information and/or operational information that is outside the scope of *Chapter 5*.

Chapter 6

No substantive changes.

Chapter 7

- Added text to more clearly explain how eligibility for need-based vs. non-need-based aid is determined.
- Removed duplicative guidance on NCAA considerations and TEACH Grant overawards that repeats information covered elsewhere in the Handbook.
- Revised and simplified general packaging examples for greater clarity.
- Added example of packaging aid for a student whose parent or guardian died as result of military service in Iraq or Afghanistan.
- Revised examples of packaging AmeriCorps benefits and vocational rehabilitation benefits for greater clarity.

Academic Years, Academic Calendars, Payment Periods, & Disbursements

CHAPTER 1

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.

Reductions in academic year length
34 CFR 668.3(c)
HEA Sec. 481(a)(2)(B)

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

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

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

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

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

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

This graphic illustrates how you would count weeks of instructional time in a standard semester term where classes are held Monday through Friday. In this hypothetical term,* 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

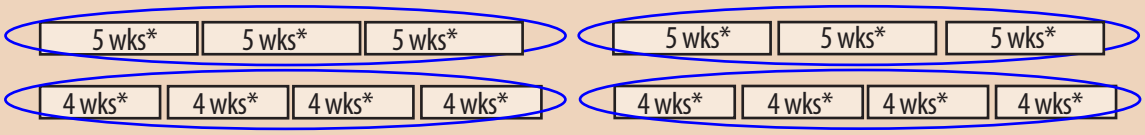
In certain limited cases for academic programs offered in standard terms, a short nonstandard term may be combined with a preceding or following standard term and considered to be a single standard term. These short nonstandard terms are often called "intersessions." For example, a program might be offered 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.

Treatment of modules

As shown in the graphic below, a school could choose to group three 5-week modules together and treat them as a 15-week semester, or it could combine four 4-week modules into a 16-week semester.

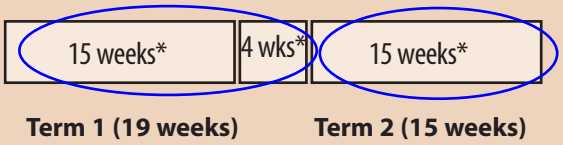


On the other hand, programs offered in modules may also be treated as nonstandard term programs. For instance, in the first of the two examples shown above each 5-week module could be treated as a nonstandard term or non-term program. Whatever academic calendar your school adopts for a program, you must apply it to all students enrolled in that program and document the program's treatment in your policies and procedures manual.

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

Combining an intersession with a standard term

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
34 CFR 668.4

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.

Substantially equal in length
34 CFR 668.4(h)(1)

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.

Successfully completes

34 CFR 668.4(h)(2)

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	6 weeks of instruction	12 weeks of instruction
1st disbursement	2nd disbursement	3rd disbursement

Direct Loan: Payment periods are determined by credit-hours and weeks (2 disbursements)

12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction
1st disbursement	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).

Disbursement timing citations

34 CFR 668.164(b),
HEA Sec. 428G
Early disbursements: 34 CFR 668.164(i)
30-day delay for 1st-time Direct Loan borrowers: 34 CFR 685.303(b)(5)
2nd and subsequent Direct Loan disbursements: 34 CFR 685.303(d)(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

Exceptions to Direct Loan multiple and delayed disbursement requirements
34 CFR 685.303(b)(5)
34 CFR 685.303(d)(6)

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

Retroactive disbursements
General: 34 CFR 668.164(k)
Pell: 34 CFR 690.76(b)
Direct Loans: 34 CFR 685.303(d)(4)

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

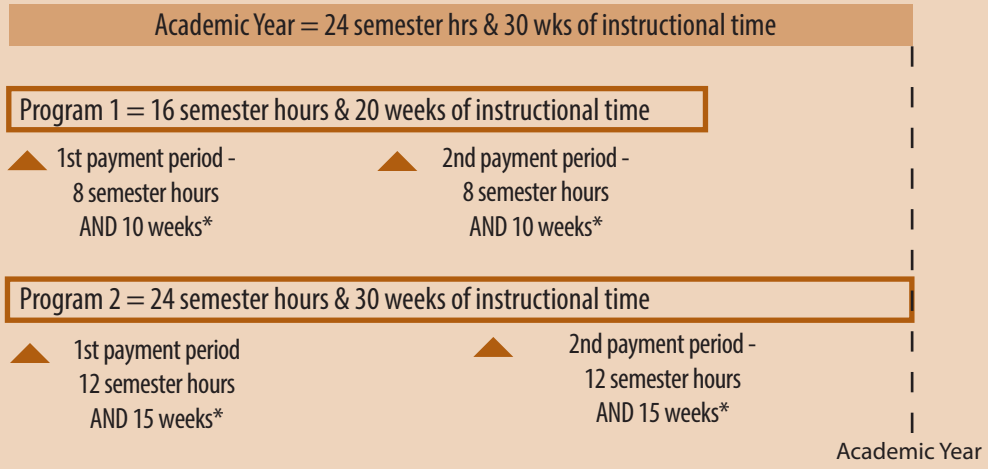
34 CFR 668.10

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.

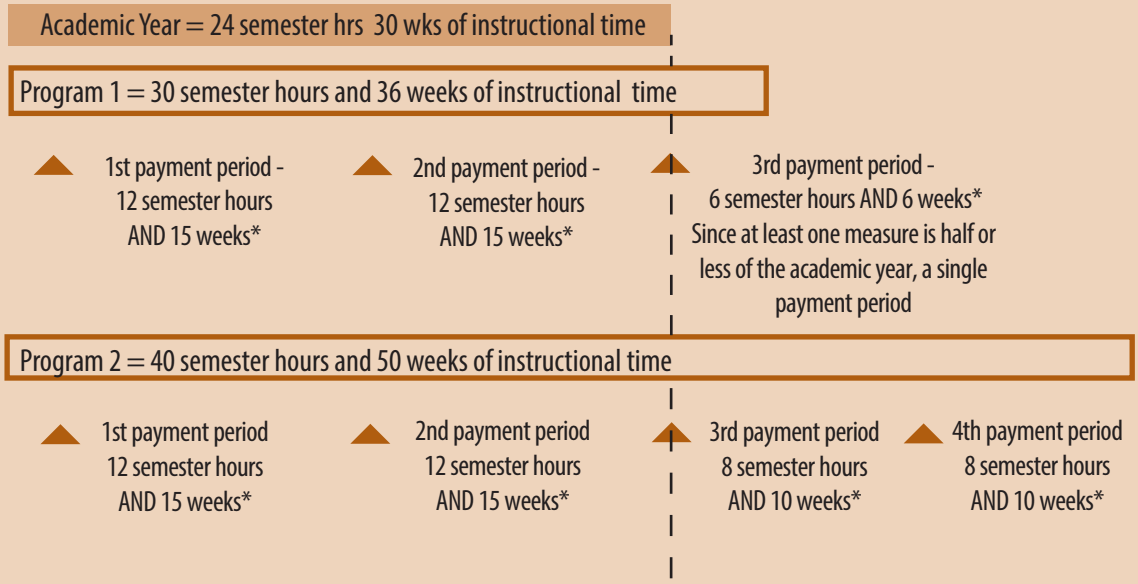
Non-term Programs—One Academic Year or Less

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.



Non-term Programs—More than an Academic Year

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



*Weeks of instructional time.

Disbursement by Payment Period Required
(except as provided in the discussion following this chart)

Program Type	Direct Loan	Pell, TEACH, & FSEOG
Credit-hour programs offered in standard terms & nonstandard term programs offered in terms that are substantially equal in length.	The payment period is the term.	The payment period is the term.
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 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 <u>within</u> a payment period

You may time the disbursement of Pell and TEACH Grant funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse

funds, or pay students in monthly installments to help meet living expenses throughout the payment period.

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.

FSEOG disbursements

Payment by payment period: 34 CFR 676.16(a)

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

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.

Pell and TEACH Grant correspondence program disbursements
Pell: 34 CFR 690.66
TEACH: 34 CFR 686.25

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.

Enrollment status and retaking coursework provisions and limitations
34 CFR 66..2(b), "Full-time student" definition
34 CFR 668.20(d), (f)

RETAKING COURSEWORK IN TERM PROGRAMS

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

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

A student may be repeatedly paid for repeatedly failing the same course (normal SAP policy still applies to such cases). If a student withdraws before completing the course that they are being paid Title IV funds for retaking,

then that is not counted as their one allowed retake for that course. However, if a student passed a class once and then is repaid for retaking it and fails the second time, that failure counts as their paid retake and the student may not be paid for retaking the class a third time. If your school has a policy that requires students to retake all of the coursework for a term in which a student fails a course, only the first retake of any previously passed course is eligible for Title IV aid.

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

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

Retaking coursework school policy and operations

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

Retaking coursework FAQs
https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/course.html

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**		
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.**
↑					↑		
1st Pell and Direct Loan disbursements					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

First year of program		Second year of program	
12 semester hours AND 15 weeks of instruction	**12 semester hours AND 15 weeks of instruction**	**12 semester hours AND 15 weeks of instruction**	**12 semester hours AND 15 weeks of instruction**

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

First year of program		Second year of program	
Student completes 12 hours in 18 weeks of instruction. **1st payment period ends.**	**Student cumulatively completes 24 hours in 36 weeks of instruction.** **2nd payment period ends.**	**Student cumulatively completes 36 hours in 48 weeks of instruction.** **3rd payment period ends.**	**Student cumulatively completes 48 hours in 60 weeks of instruction.** **4th and final payment period ends.**
1st disbursement of 1st Pell award 1st disbursement of Direct Loan first-year annual loan limit	2nd disbursement of 1st Pell award 2nd disbursement of Direct Loan first-year annual loan limit (disbursements made in 19th week of instruction)	1st disbursement of 2nd Pell award 1st disbursement of Direct Loan second-year annual loan limit (disbursements made in 37th week of instruction)	2nd disbursement of 2nd Pell award 2nd disbursement of Direct Loan second-year annual loan limit (disbursements made in 49th week of instruction)
	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, 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

First year of program		Second year of program	
12 semester hours AND 15 weeks of instruction	**12 semester hours AND 15 weeks of instruction**	**12 semester hours AND 15 weeks of instruction**	**12 semester hours AND 15 weeks of instruction**

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

First year of program		Second year of program	
Student completes 15 hours in 15 weeks of instruction. **1st payment period ends.**	**Student cumulatively completes 30 hours in 30 weeks of instruction.** **2nd payment period ends.**	**Student cumulatively completes 39 hours in 45 weeks of instruction.** **3rd payment period ends.**	**Student cumulatively completes 48 hours in 60 weeks of instruction.** **4th and final payment period ends.**
1st disbursement of 1st Pell award 1st disbursement of Direct Loan first-year annual loan limit	2nd disbursement of 1st Pell award 2nd disbursement of Direct Loan first-year annual loan limit (disbursements made in 16th week of instruction)	1st disbursement of 2nd Pell award 1st disbursement of Direct Loan second-year annual loan limit (disbursements made in 31st week of instruction)	2nd disbursement of 2nd Pell award 2nd disbursement of Direct Loan second-year annual loan limit (disbursements made in 46th week of instruction)

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.

Cost of Attendance (Budget)

CHAPTER 2

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

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

Chapter 2 Highlights

Allowable Costs

Determined by school, taking into account:

- Tuition and fees
- Books, supplies, transportation, miscellaneous
- Room and board
- Dependent care
- Study-abroad expenses
- Disability expenses
- Employment expenses for co-op study
- Loan fees
- Less-than-half-time enrollment
- Correspondence study
- Incarcerated students

Professional judgment exceptions

Costs met from other sources

Basis for costs

- Campus-Based awards, TEACH Grants, and Direct Loans based on costs for period of enrollment
- Pell always based on full-year costs for full-time student

ALLOWABLE COSTS

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

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

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

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

The types of costs that may be included are the same for all FSA programs. For the Campus-Based, TEACH Grant, and Direct Loan programs, the COA, based on the student's enrollment status, is a student's cost for the period for which the aid is intended. For Pell Grants and Iraq & Afghanistan Service Grants, the COA is always the full-year costs for a full-time student, so you may have to prorate actual or average costs up for students who are attending less than an academic year (or who are part-time in a term program) or prorate down for students who are attending for periods longer than an academic year. We'll discuss this at the end of this chapter.As explained above, the types of costs included in the COA are determined by law in accordance with section 472 of the HEA. These costs, as described below, are the only costs that may be included in a student's COA. If a cost is not listed below, it may not be included as part of the COA.

A student's COA is the sum of the following:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes graduation fees, if incurred while the student is still enrolled and when required by the program

and paid by all students, and costs of rental or purchase of equipment (including equipment for instruction by telecommunications), materials, or supplies required of all students in the same course of study.

- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** This allowance can include:

  - A reasonable amount, as determined by your school, for the documented **rental or purchase of a personal computer** that the student will use for study for the enrollment period. For example, a computer purchased in the summer for use in the fall term may be included.

  - Costs for **operating and maintaining a vehicle that is used to transport the student to and from school**, but not for the purchase of a vehicle.

  - Costs incurred by a student for a **prior learning assessment** (e.g., an exam or a portfolio evaluation).

  Note that if the requirements of 34 CFR 668.164(c)(2) are met, an allowance for books and supplies may be included as part of the tuition and fees component of the COA. For details on these requirements, see the section on "Institutional Charges" in *Chapter 2* of *Volume 4* of this Handbook.

  For all eligible students who could receive Title IV funds 10 days before the beginning of a payment period, you must, by the seventh day of the payment period, provide a way for eligible students to obtain or purchase the books and supplies applicable to the payment period. For more on the timing of disbursements, see 34 CFR 668.164(m) and *Volume 4*.

- **An allowance for room and board.** For all students, schools must include in their COA an allowance for room and board. For students residing in institutionally owned or operated housing, the allowance should be based on the amount normally assessed most of the school's institutionally-housed residents for room and board. For all other students, the allowance should be based on the expenses reasonably incurred by each type of student for room and board.

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

  - Independent students who receive, or whose spouses receive, a BAH or who live on a military base; and

  - Dependent students who are living with parents who are receiving a BAH or who live on a military base.

- **For a student with dependents, an allowance for costs expected to be incurred for dependent care**. This covers care during periods that include but are not limited to class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the type of care provided. Note that because students are often unaware of this allowance, schools should make clear when counseling students, about the availability of the dependent care allowance and how to request that an allowance for dependent care be included in their cost of attendance.

- **An allowance for the one-time direct costs of obtaining a first professional license or certificate for students who are enrolled in a program that requires such professional licensure or certification.** This allowance may only be provided one time per student per eligible academic program. Examples of allowable costs include fees charged to take a licensing exam, costs of applying for and obtaining the license or certification, and, at the discretion of the school, costs incurred in traveling to a residency interview for a medical student. Under this provision, the costs must be incurred during (not after) a period of enrollment, even if the exam is after the end of the period. You may include costs of attending a required conference, but only if these costs are included in the standard cost of the program for which the conference is required. Including these costs does not require exercising professional judgment, as they will be included as a cost of the program for all students in the program.

- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.** For example, U.S. citizens may count VISA/passport costs when studying at a foreign school.

- **For a student with a disability, an allowance for expenses related to the student's disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided by other agencies.

  A student is considered to have a disability if he or she has a physical or mental impairment that substantially limits a major life activity, such as if the student is deaf, has a mental disability, is hard of hearing, has a speech or language impairment, is visually disabled, is seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.

- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**

- **For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan).** You may also include the fees required for non-federal student loans that must be considered estimated financial assistance (EFA) for the student when packaging aid. In all cases, you can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended.

- **For less-than-half-time students**, COA can include only:

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

  - Tuition and fees;

  - An allowance for books and supplies;

  - Transportation (but not miscellaneous & personal expenses); and

  - An allowance for dependent-care expenses.

- **For students engaged in correspondence study**, COA can include only tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the COA. If the student is fulfilling a required period of residential training, the COA can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred for the period of residential training (as mentioned in *Chapter 1* of *Volume 1*, a student isn't eligible to receive FSA aid for correspondence courses unless the student is enrolled in an associate, bachelor's, or graduate-degree program).

- **For incarcerated students,** COA can include only tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for Title IV loans, and if the student is in a federal or state penal institution, the student is ineligible for Pell Grants as well.

ADDITIONAL COA CONSIDERATIONS

Periods of non-attendance

When a student does not take any classes for a period of time in the middle of a term, for example, by skipping a module in a multi-module term, you may not include in the student's COA costs (if any) for such a period, even if they are studying for tests or coursework related to an eligible program. Note that the costs of such a test itself may be an allowable COA component—see "**An allowance for the one-time direct costs of obtaining a first professional license or certificate...**" section above. The weeks that comprise the non-coursework period may not count toward the weeks of instructional time for the term or program, and any separate credits earned (if any) during such a period do not count towards a student's enrollment status.

Adjustments for special circumstances

You have the authority to use **professional judgment** to adjust the COA on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in the *Application and Verification Guide.*)

Limitations to tuition and fees component

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

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

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

This restriction applies to both clock-hour and credit-hour programs. For example, some clock-hour programs assess "overtime charges" for students who don't complete the program within an established timeframe. Some credit-hour programs also charge additional tuition or fees for each course a student takes if the student fails to complete his/her program(s) within an established time-frame. In both cases, such charges may not be

counted in the Title IV COA, and Title IV funds may not be used to pay for the additional charges.

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

Payment plans example
Large Midwestern University (LMU) charges full-time students $10,000 per semester in tuition, payable either at registration, or, in a new alternative payment plan, over the course of the semester, in four payments of $2,600 each, for a total of $10,400. LMU may establish the alternate payment plan, but can't use Title IV funds to pay for the $400 in additional costs incurred by students or families who opt to use the plan.

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

Prohibitions on charging fees and penalties:

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

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

Checking foreign diplomas

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

Documentation of exceptional expenses

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

Alternate example of waived or paid COA component

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

NCAA Considerations

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

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

Treatment of estimated financial assistance component of COA

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

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

When awarding aid, you may not count toward the student's COA any costs incurred in any payment period before the program gained Title IV eligibility, nor any costs incurred in periods that the student has already completed. For more details on how programs gain Title IV eligibility, see *Volume 2, Chapter 5* of the *FSA Handbook*.

Changes in Pell Grant COA

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

COA for intersessions and modules

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

Costs waived or paid by other sources

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

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

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

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

Even if there's no tuition and fees component, the student's budget still includes the other costs listed previously, such as an allowance for living expenses. The option to either include the cost and aid in both COA and EFA versus excluding both from COA and EFA only applies to non-federal sources of assistance, and only when that assistance is designated to offset specific components of COA (i.e., tuition, room, and board).

WIOA reimbursement contracts

Some WIOA contracts operate on a reimbursement basis; that is, the student must fulfill the terms of the contract before WIOA will reimburse the school for tuition and fee costs. If the student doesn't fulfill the terms of the contract, the school is left with an unpaid tuition and fees charge. The school

isn't permitted to hold the student liable for the unpaid tuition and fees. Contracts are established this way to offer schools an incentive to properly train and place students enrolled in the training programs. However, if a tuition and fees charge is included in an FSA aid recipient's budget, the student would be liable for any outstanding charges that are not reimbursed by WIOA. Therefore, schools that enter into reimbursement contracts must remove the tuition and fees component from the FSA budget because, under these contracts, schools are prohibited from holding the student liable for outstanding charges.

Free room and board/tuition waivers example

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

Effects of waivers on COA

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

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

Cost of attendance for a distance education student

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

Costs for full program charged at start

A school may charge the total tuition cost for a program at the beginning of the first period of enrollment. If the program is longer than an academic year, for Direct Loans and Campus-Based aid, the tuition costs apply only to the first period of enrollment. For Pell, you must prorate these charges to reflect the academic year in accordance with the procedures outlined in *Chapter 3*. See also the example of apportioning costs that are charged up front in *Volume 4* of the FSA Handbook.

Pell Grant cost of attendance for a consortium program

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

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

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

Pell Grant cost of attendance for a co-op program

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

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

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

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

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

$$\frac{\text{Credit/clock-hours in academic year definition} = 24}{\text{Credit/clock-hours awarded} = 18} \qquad \frac{\text{Weeks in academic year definition} = 30}{\text{Weeks provided} = 20}$$

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

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

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

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

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

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

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

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

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

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

$$\frac{\text{Credit/clock- hours in academic year definition} = 900}{\text{Credit/clock-hours awarded} = 1{,}000} \quad \text{OR} \quad \frac{\text{Weeks in academic year definition} = 26}{\text{Weeks provided} = 40}$$

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

Pell Grant awards & COA with mixed enrollment status

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

In the spring semester, health issues force Ryne to drop to less-than-half time enrollment status. Ryne's COA is also reduced, as less-than-half-time enrollment means that not all of his previously included COA elements may be included in his Spring COA used for Pell calculation. Ryne's EFC remains at zero. Maddon may not include in Ryne's spring COA for Pell calculation miscellaneous personal expenses or room and board if Ryne has exhausted his less-than-half-time room and board allowance (three semesters or equivalent in total, no more than two of which may be consecutive at any one school).

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

COSTS FOR PERIODS OTHER THAN NINE MONTHS

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

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

Adjusting costs for Pell Grants

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

For Pell, costs for programs or enrollment periods longer or shorter than an academic year must be prorated so that they are the costs for one full academic year. This is true for both parts of the academic year definition: if either the number of weeks or the number of clock/credit-hours differs from the academic year standard, the costs must be prorated to determine the full-time, full-year Pell budget. The need to prorate Pell costs is most likely to occur in these situations:

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

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

If the student is in a category where costs are limited, such as less-than-half-time enrollment, those costs that are allowable must be based on costs

for a full-time student for a full academic year. For instance, the tuition component of the Pell COA for a less-than-half-time student must be based on the tuition costs that would be incurred by a full-time student attending a full academic year.

Costs for periods other than nine months example

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

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

For Pell Grants, the full 9-month EFC must always be used regardless of the actual period of attendance of the student. You could either use an average tuition cost for a full-time, full-year student in the program or prorate the student's actual tuition for the fall term to arrive at a full-year, full-time cost. Costs for living expenses may also be average costs for a full academic year—if a full-year average cost is used, it doesn't have to be prorated for Pell Grant awards.

Calculating Pell and Iraq & Afghanistan Service Grant Awards

CHAPTER 3

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

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

CHAPTER 3 HIGHLIGHTS

Calculations for:

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

THE SEQUESTER AND IRAQ & AFGHANISTAN SERVICE GRANTS

The Budget Control Act (BCA) of 2011 put into place a federal budget cut known as the sequester. The Pell Grant program is exempt from the effects of the sequester. As such, Pell Grant payment schedules are unchanged. Unlike Pell, the Iraq & Afghanistan Service Grant is not exempt from the effects of the sequester. Iraq & Afghanistan Service Grant awards first disbursed on or after October 1, 2019, and before October 1, 2020 (FY 2020 sequester) require reductions of 5.9% from the award amount for which the student would otherwise have been eligible to receive. The FY 2021 sequester-related reductions (for awards made on or after October 1, 2020 and before October 1, 2021) for the IASG will be 5.7%. For more details, see the Electronic Announcement posted June 23, 2020.

SCHEDULED AWARD, AWARD YEAR, & ANNUAL AWARD

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends *full-time* for a *full* academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2020-21 award year begins July 1, 2020, and ends June 30, 2021.

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

A part-time student who is enrolled in a term-based program will have an *annual award* that is less than the Scheduled Award. If the student attends part-time, the student's annual award is taken from the three-quarter-time, half-time, or less-than-half-time disbursement schedules. For instance, if a student's Scheduled Award is $6,345, but the student is enrolled as a half-time student in a term program, the student's annual award would be $3,173. The Department issues one schedule for full-time Scheduled Awards, and separate schedules for three-quarter-time, half-time, and less-than-half-time awards.

The tables below show selected EFC and COA amounts as they are displayed in the Pell Grant full-time Scheduled Award and half-time annual award schedules for the 2020-2021 award year. These tables show, for example, that the Scheduled Award for a full-time student with an EFC from 3501 to 3600 and a COA from $5,000 to $5,099 would be $1,500. A half-time student with the same EFC and COA would have an annual award of $750.

Federal Pell Grant Program Payment Schedule for Determining Full-Time Scheduled Awards in the 2020-2021 Award Year

Cost of Attendance			Expected Family Contribution								
			0	1	501	1001	2501	3501	4501	5701	5712
			To	To	To	To	To	To	To	To	To
			0	100	600	1100	2600	3600	4600	5711	99999
1000	-	1099	1050	1000	0	0	0	0	0	0	0
2000	-	2099	2050	2000	1500	1000	0	0	0	0	0
3000	-	3099	3050	3000	2500	2000	0	0	0	0	0
4000	-	4099	4050	4000	3500	3000	1500	0	0	0	0
5000	-	5099	5050	5000	4500	4000	2500	1500	0	0	0
6000	-	6099	6050	6000	5500	5000	3500	2500	1500	0	0
6345	-	99999	6345	6295	5795	5295	3795	2795	1795	639	0

Federal Pell Grant Program Payment Schedule for Determining Half-Time Scheduled Awards in the 2020-2021 Award Year

Cost of Attendance			Expected Family Contribution								
			0	1	501	1001	2501	3501	4501	5701	5712
			To	To	To	To	To	To	To	To	To
			0	100	600	1100	2600	3600	4600	5711	99999
1000	-	1099	0	0	0	0	0	0	0	0	0
2000	-	2099	1025	1000	750	0	0	0	0	0	0
3000	-	3099	1525	1500	1300	1000	0	0	0	0	0
4000	-	4099	2025	2000	1750	1500	750	0	0	0	0
5000	-	5099	2525	2500	2250	2000	1250	750	0	0	0
6000	-	6099	3025	3000	2750	2500	1750	1250	750	0	0
6345	-	99999	3173	3148	2898	2648	1898	1398	898	0	0

For more details, see Dear Colleague Letter GEN-20-01 (Pell Grant Payment and Disbursement Schedules), the March 4, 2020 Electronic Announcement (Operational Implementation Guidance - Federal Student Aid's Implementation of 2020-21 Federal Pell Grant Payment and Disbursement Schedules, and 34 CFR 690.63.

Pell Grant awards for 2020-21

The maximum Pell Grant award is $6,345 (see the Year-Round Pell & IASG section later in this chapter on how a student may be eligible to receive up to an additional 50% of their scheduled award). The maximum eligible EFC for the 2020-21 award year is 5711. For more detail, see the Pell Grant payment schedules and accompanying guidance in Dear Colleague Letter GEN-20-01, available on the IFAP website. Actual Pell awards are unique to each student and are based upon and limited by their enrollment status, EFC, COA, and Lifetime Eligibility Used (LEU). For more on LEU, see the subsection "Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU)" later in this chapter.

Prohibition on concurrent enrollment and Pell Grant

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

Children of Fallen Heroes (CFH) Scholarship Act

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

An FAA who identifies an applicant meeting the criteria for the CFH Scholarship Act will set the CFH indicator in FAA Access. This indicator becomes part of the ISIR file and is printed on the SAR, eSAR, and ISIR from EDExpress. Comment code 402 is assigned to students' records, alerting the student that they may be eligible for additional aid under the CFH Act and to contact their FAA for more information. Once an institution determines that a student has met the eligibility criteria for the CFH Scholarship Act, that institution (or any other institution) does not need to redetermine CFH Scholarship Act eligibility for subsequent award years for that student. See the Electronic Announcement of November 19, 2018 and HEA Sec. 473 [42 U.S.C. 3796b] for more details on the eligibility and treatment of Children of Fallen Heroes.

Minimum Pell Grant and LEU

Under section 401(b)(4) of the HEA, the minimum award is set at 10% of the maximum award appropriated each year. Because midpoints are used for the EFC and COA columns in constructing the Pell payment schedules, the minimum Pell award for a full-time student is actually slightly higher than 10% of the maximum Pell award. Students who are eligible for less than the minimum award are not Pell eligible for 2020-21, unless the reason for their low Pell eligibility was truncation due to Lifetime Eligibility Used (LEU) limitations (for more on LEU, see the "Pell & IASG LEU" section later in this chapter).

There is no de minimis award amount for purposes of determining a student's award because of the 600% LEU limitation. As such, even a student with a very small remaining LEU is eligible to receive the calculated amount of the Pell Grant, as long as the LEU is not exceeded. For example, a student with an EFC of 3750 and an LEU of 599.500% would be eligible for the remaining 0.500% which is $12.97 (if your school only disburses in whole dollars, this amount must be rounded down to $12, because $13 would exceed the student's maximum LEU).

Academic calendar and enrollment status changes

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

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

Enrollment status under consortium agreement

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

Enrollment status for cooperative education

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

DOD Match Flag and SAR Comment Code 298

If you received an ISIR containing the DOD Match Flag "Y", with the parent's date of death and SSN, the student could potentially be eligible for additional Title IV aid, including a maximum Pell Grant award or an Iraq and Afghanistan Service Grant. The DOD Match Flag is the result of the match with the Department of Defense to identify an applicant whose parent was a member of the U.S. Armed Forces who died as a result of service in Iraq or Afghanistan after September 11, 2001.

A SAR comment code is not always printed. When a student matches with the DOD file, the ISIR always shows a "Y" in the DOD Match Flag field and the parent's date of death is populated. But SAR comment code 298 (which informs the student of a possible change in the student's eligibility for federal student aid) is only generated when the CPS DOD Table is updated after the student filed the FAFSA (a system generated transaction occurs and generates the comment). For more details, see the 2021-22 ISIR Guide.

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

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

Pell Grant Administrative Cost Allowance (ACA)

For each student that receives a Pell Grant at your school each award year, your school is paid $5 to help pay the associated administrative costs. ACA amounts will be posted in G5 as an Available Balance (look for Award Number P063Q18####). ACA amount notifications will be sent to your SAIG mailbox (look for Message Class PGAS19OP). This money must be used solely to pay for the costs of administering the Federal Pell Grant, Federal Work-Study (FWS), and FSEOG programs. For more details, see 34 CFR 690.10, HEA Sec. 489(a), and the March 2, 2020 Electronic Announcement.

Ground rules for Pell Grants

Fractions

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

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

In this case, if you divide the fraction to get a decimal (0.333333...) and then round the decimal either down (0.33) or up (0.34), your calculation will result in a number that's too low (709.50) or too high (731).

Rounding

The Common Origination and Disbursement System (COD) accepts cents and whole dollar amounts in payment amounts for Pell. When rounding, you may round up if the decimal is 0.50 or higher; round down if its less than 0.50. When rounding for a student expected to be enrolled for more than one payment period in the award year, alternate rounding up and down. The amount used to round (whether it be a dollar or penny) is usually carried forward to the next payment and applied before the rounding calculation is performed for that payment period, unless a different Pell award amount is calculated for the following term, for example, when a student's enrollment status changes, in which case you may round up for two consecutive terms. Your policy on rounding must be applied equally to all students.

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

Additional aid eligibility for certain children of soldiers: Zero EFC treatment or Iraq & Afghanistan Service Grant

HEA Sec. 420R, November 6, 2009 Electronic Announcement

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

Zero EFC treatment for dependents of soldiers

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

Iraq and Afghanistan Service Grant

To receive the Iraq & Afghanistan Service Grant, the student must have an EFC that is not Pell eligible. Iraq & Afghanistan Service Grants are made under the same terms and conditions as Pell, and disbursements for each payment period are calculated in the same manner as described in this chapter for Pell.
Unlike Pell Grants, however, Iraq and Afghanistan Service Grant award amounts must be reduced as required by the federal budget cut known as the sequester. See "The Sequester and Iraq & Afghanistan Service Grants" earlier in this chapter.

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

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

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

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

For more information on code 298 and other SAR comment codes, see the 2021-22 SAR Comment Code Guide.

Basic Pell Grant calculations

Pell payment schedules: 34 CFR 690.62

Pell Grant formulas: 34 CFR 690.63

"Crossover" payment periods (e.g., summer sessions): 34 CFR 690.64

TERMS AND PAYMENT METHODS FOR CALCULATING PELL

Generally, if all coursework is scheduled to be completed within a specific time frame, the program can be considered term-based. Term-based programs can have either standard terms or nonstandard terms. Pell Grants are usually calculated differently for the two types of terms. Standard term programs may be treated similarly to nonstandard term programs if the program does not conform to a traditional academic calendar or meet certain other conditions. Regardless of whether coursework is generally offered using terms, schools always have the option of treating a program as a nonterm program for Title IV purposes. See *Chapter 1* of this volume for detailed guidance on standard term, nonstandard term, and non-term programs.

When calculating Pell Grants, you must generally use the same formula for all years in a student's program. In most cases, a program's academic calendar determines the particular formula that must be used to calculate Pell Grant awards, and that formula is then used for all years of the program. However, for programs offered in standard terms a school has the option of choosing between different Pell formulas, as explained later in this chapter. For such programs a school normally chooses one of the allowable formulas and uses that same formula for the duration of the program, but in rare cases a school may have reason to change from the originally selected formula to a different allowable formula. Any such change in Pell formulas for standard-term programs can only be made at the beginning of a new award year.

Determining the award year for crossover Pell awards

You may assign crossover payment periods to the award year that best meets the needs of your students and maximizes a student's eligibility over the two award years in which the crossover payment period occurs (you must source Pell funds from the award year to which the payment period is assigned). For more detail on crossover payment periods, see the section on crossover payment periods later in this chapter and 34 CFR 690.64.

CREDIT-HOUR TERM-BASED PROGRAMS

Annual award based on enrollment status

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

For standard terms in undergraduate programs, the minimum enrollment standards are:

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

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

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

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

Pell Grant payments by term

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

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

If any program uses standard terms, the enrollment status standards in the program don't have to be proportional—for instance, a program could have a 15-hour standard for full-time enrollment, but set a 9-hour minimum for three-quarter-time status and a 6-hour minimum for half-time status. In addition, your school's academic standard may differ from the enrollment standard used by the financial aid office for FSA purposes.

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

Enrollment status for students taking regular and correspondence courses

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

- The courses must apply toward the student's degree or certificate or must be remedial work to help the student in his or her course of study.

- The courses must be completed during the period required for the student's regular coursework, e.g., a term.

- The amount of correspondence work counted can't be more than the number of credit-hours of regular coursework in which the student is enrolled (although a student taking at least a half-time load of correspondence courses must be paid as at least a half-time student, regardless of the credit-hours of regular coursework).

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

Enrollment Status for Enrollment in Correspondence and Regular Coursework

Regular Work	*Correspondence Work*	*Adjusted Total Coursework*	*Enrollment Status*
3	3	6	Half-time
3	6	6	Half-time
3	9	6	Half-time
6	3	9	Three-quarter time
6	6	12	Full-time
2	6	6	Half-time

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

Consortium different units example

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

Because a quarter-hour is about two-thirds of a semester hour, Aroldis multiplies the number of quarter-hours by two-thirds:

9 quarter hours x 2/3 = 6 semester hours

Then the hours taken at both schools can be added together:

6 semester hours at Aroldis + 6 semester hours at Coghlan = 12 semester hours

Linda is also taking six semester hours at Aroldis University and nine quarter-hours at Coghlan Technical Institute, but her home institution is Coghlan Technical Institute.

Because Coghlan is paying her, it needs to convert the semester hours taken at Aroldis into quarter hours:

6 semester hours x 3/2 = 9 quarter-hours

Then, the hours taken at both schools can be added together:

9 quarter hours at Coghlan + 9 quarter hours at Aroldis =18 quarter hours

PELL FORMULA 1: CREDIT-HOUR TERM-BASED PROGRAMS

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

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

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

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

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

Alternate calculation

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

Formula 1: Basic Calculation

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

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

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

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

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

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

Formula 1: Basic Calculation Nontraditional Academic Calendar

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

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

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

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

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

Formula 1: Enrollment status change

Yan enrolls full-time in the fall semester at his local community college. He has a cost of $10,000 and EFC of 100, so his Scheduled Award, taken from the full-time payment schedule, is $6,295. Since he's attending full-time, this is also his annual award. If the school defines its academic year as 30 weeks of instructional time and 24 semester hours, Yan's annual award is divided by 2 to arrive at the disbursement for the fall semester.

$$\frac{\$6,295}{2} = \$3,147.50 \text{ for Fall}$$

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

$$\frac{\$4,271}{2} = \$2,360.50 \text{ for Spring}$$

Note that Yan's Scheduled Award is still $6,295, and he has only received $5,508. This means that he is still eligible for up to $787 in Pell funds from his first Scheduled Award if he attends a summer term assigned to the same award year (if this will not put him over his Pell Grant LEU limit). Yan may also be eligible for a Year-Round Pell award if he continues to be enrolled at least half-time. A student may receive funds from the initial Pell award and from the Year-Round Pell award in the same payment period. For more detail, see the Year-Round Pell & IASG section later in this chapter.

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

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

Formula 3 regulatory citations

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

Enrollment status for nonstandard terms: 34 CFR 668.2

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

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

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

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

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

Enrollment status standards for nonstandard terms

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

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

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

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

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

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

Disbursing more than half the annual award and the 50% requirement

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

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

Formula 3: Payments for standard terms

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

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

Formula 3: Payments for nonstandard terms of equal length

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

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

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

A student enrolled for 7 hours could be paid as a half-time student (7/10 = 0.7, which is less than 3/4 [0.75] but greater than 1/2 [0.5]). Because the student in our example will be enrolled on a full-time basis (10 hours each term), the student's annual award is the same as the Scheduled Award. This is a term-based, credit-hour program, so the payment period is the term.

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

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

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

Formula 3: Payments for nonstandard terms of unequal length

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

For the first and third term:

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

For the second term:

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

A student must enroll in nine semester hours (rounded up from 8.47) in the first and third terms, and eight semester hours (rounded up from 7.06) in the second term, to be full-time. Ryne is enrolled half-time in the first and third terms (6 semester hours/9 semester hours = 0.67). He is enrolled three-quarter time in the second term (6 semester hours/8 semester hours = 0.75). The COA does not need to be prorated because the fall through spring terms provide the same number of weeks of instructional time as in the academic year definition. Further, the school has determined the costs for a full-time student for a full academic year.

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

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

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

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

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

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

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

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

Formula 4
34 CFR 690.63(a) and (e)

All clock-hour and non-term credit-hour programs must use Formula 4.

Checking half-time enrollment status

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

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

Calculating payment amounts

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

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

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

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

or

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

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

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

For non-term programs, the enrollment minimums are:

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

Coursework completion requirement & withdrawal/re-entry

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

FORMULA 5: CORRESPONDENCE STUDY

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

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

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

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

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

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

Payments for clock-hour program (Formula 4)

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

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

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

In this example, the lesser fraction is the one based on weeks. Therefore, Chance's payment for the first payment period will be $1,121.15. He can get this payment when he begins the program. He can receive his second payment of $1,121.15 after he successfully completes the 450 clock-hours and 11 weeks in the first payment period.

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

Crossover Payment Periods
34 CFR 690.64
GEN-17-06

SUMMER TERMS & OTHER CROSSOVER PAYMENT PERIODS

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

Crossover payment from the proper award year

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

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

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

You may assign the Pell Grant award to a different award year than the rest of the student's Title IV aid. You can make a payment for a crossover payment period out of either award year, if the student has a valid SAR/ISIR for the award year selected. You may assign two consecutive crossover payment periods to the same award year. For example, you could treat summer 2020 and summer 2021 as both being in the 2020-21 award year. You may also source the Pell funds from different award years for different students, as their eligibility allows, depending on their remaining eligibility and financial need.

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

Term schools: using the formula for summer session

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

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

COA for summer terms

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

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

If the summer session is the first term in the award year for that student (for example, your school is paying a student for the summer 2020 term from the 2020-21 award year), you must establish the student's full-year cost based on the costs for the *summer* term. If the student enrolls in another term in that award year, you may have to recalculate the student's costs for the later term.

Receiving less than the Scheduled Award due to crossover

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

Crossover Pell and withdrawal

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

Summer minisessions

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

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

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

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

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

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

Minisession enrollment status example

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

Combined minisessions into one term

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

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

Minisessions treated as nonstandard terms

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

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

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

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

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

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

** Since Santo only offers courses in whole credits

Year-round Pell & IASG

Consolidated Appropriations Act of 2017

GEN-17-06

COD Technical Reference

YEAR-ROUND PELL & IRAQ AND AFGHANISTAN SERVICE GRANT

Year-Round Iraq & Afghanistan Service Grants are calculated and disbursed in the same manner as Year-Round Pell Grant awards. Note that students eligible for Year-Round Pell awards are still subject to the normal Pell Grant duration of eligibility, sequester, and LEU limits (see DCL GEN-17-06 and Sec. 401(c) of the HEA, and EAs posted April 9, 2020 and June 23, 2020).

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

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

For example, Bob has a Scheduled Award of $5,000 for 2020-21. He attends fall and spring semesters, during which he receives awards of $2,500 for each semester. He begins attendance in the summer 2021 term (which his school treats as a trailer) as a half-time student, and without Year-Round Pell, his Pell eligibility would be exhausted, but through Year-Round Pell, he'll receive his calculated award, up to $2,500 in additional Pell funds for the summer term.

Year-Round Pell clock-hour example

Eugene enrolls in Springfield University for an 1125 clock-hour program (over 32.5 weeks, see graphic below). His program occurs entirely within the 2020-21 award year, and has an Academic Year of 900 clock hours and 26 weeks of instructional time. Eugene has a Scheduled Award of $5550.

Springfield awards Eugene $2775 in Pell after he completes each of the first two segments of 450 clock-hours and 13 weeks of instructional time. For the remaining 225 hours and 6.5 weeks of instructional time in the program, Springfield calculates that Eugene would be eligible to receive $1,387.50 in Pell, if his Scheduled Award would allow it. Prior to Year-Round Pell, Eugene would be out of luck, as his Scheduled Award has been expended by the $5550 he's already received for 2020-21, but with Year-Round Pell, if he is enrolled at least half-time and remains in all other ways Pell-eligible, Eugene is eligible to receive up to an additional 50% of his $5550 Scheduled Award, for a maximum total of $8325.

Adding $1387.50 to the $5550 Eugene has already received, Springfield sees that he will be awarded a total of $6937.50 for 2020-21, which is within his $8325 Year-Round Pell maximum. Note that Springfield does **not** increase his final award for the award year to match his Year-Round Pell maximum; Eugene's awards for each term are calculated according to the normal Pell rules.

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

Year-Round Pell semester example

Gaston attends Green State University. His enrollment begins in the summer, which Green treats as a header to the 2020-21 award year. Gaston is enrolled three-quarter-time in the summer term, and has a Scheduled Award for 2020-21 of $5,795, and an EFC of 550, with a COA of $10,590. Based on these figures, Gaston's three-quarter-time summer award is $2,173, which is 37.4978% of his Scheduled Award ($5,795).

After the summer term, Gaston continues in the fall and now has time to enroll full-time in Green's fall semester. His fall Pell award is $2,897.50 (Green disburses 50% of a Scheduled Award for the fall semester). After receiving his fall Pell award, Gaston has received a total of 87.4978% of his Scheduled Award for 2020-21.

Continuing with his program in the spring semester, Gaston again enrolls full-time. Under normal Pell rules, Gaston only has 12.5022% of his Scheduled Award remaining, which would leave him only a maximum Pell award amount of $724.50. However, since he is enrolled at least half-time and meets all of the other standard Pell eligibility criteria, Gaston is eligible for an additional Year-Round Pell award amount of up to 50% of his Scheduled Award. This would mean that he could receive a total of up to $8,692.50 for the award year (though each term's payment would be calculated per the normal Pell rules, and he may receive less than this).

Since Green normally awards a student 50% of their annual award for a standard spring semester, and knows that their normal award calculation for the term is calculated for Year-Round Pell under the same method as for a student's initial Scheduled Award, they look at these numbers to see if they would fit within Gaston's expanded Year-Round Pell 150% Scheduled Award. To do this, they add $2,897.50 for the proposed spring award to the $5,070.50 Gaston has already received for the award year. This totals $7,968, which is within Gaston's 150% Scheduled Award for 2020-21 of $8,692.50 (i.e. 137.4978% of his annual award, lower than the 150% maximum), so Green is clear to award the spring Pell award of $2,897.50 as calculated.*

Summer 2020
(assigned to 2020-21)
Three-quarter time

Pell Award $2,173, which is 37.4978% of the Scheduled Award

Fall 2020 Full-time

Pell Award $2,897.50, which is 50% of the Scheduled Award

Total % of Scheduled Award received: 87.4978%

Spring 2021
Full-time

Pell Award: $2,897.50, which is 50% of the Scheduled Award amount of $5,795**

Total % of Scheduled Award received: 137.4978%

*Note that although Gaston has a Year-Round maximum Pell Scheduled Award of $8692.50, Green does not adjust his spring term Pell award upwards to meet this—the school must calculate and award Gaston's spring Pell as normal for the term. This also will leave Gaston some remaining Pell eligibility for the remainder of the award year, for example, if he decides to attend during a summer 2021 term.

**The Year-Round Pell Grant award cannot exceed 50% of a student's Pell grant Scheduled Award. In this example, the 50% is made up of 12.5022% ($724.50) remaining from the initial Pell Grant Scheduled Award and 37.4978% ($2,173) from the Year-Round Pell Grant award. The student has 12.5022% ($724.50) remaining from the Year-Round Pell Grant award for the 2020-21 award year. If the student had used up 100% of his Pell Grant Scheduled Award for Summer 2020 and Fall 2020, the entire Spring 2021 award amount would be from the Year-Round Pell Grant award. Schools may combine the amounts from initial and Year-Round Pell Grant awards and must submit as one amount for reporting to COD.

CALCULATING AND AWARDING REMAINING ELIGIBILITY

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

Calculating remaining eligibility

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

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

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

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

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

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

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

Transfer students and remaining eligibility

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

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

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

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

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

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

Transfer Student Remaining Eligibility Example

On August 1, 2020, Ernie enrolled at Maddux Hair Academy. After completing 400 of the 900 clock-hours in his program, Ernie withdrew from school. On February 1, 2021, Ernie enrolled at Bryant Esthetics Institute (BEI) as a transfer student. Ernie was awarded 400 clock-hours of transfer credit in BEI's 1,000 clock-hour program (the program's defined academic year is 900 clock-hours and 30 weeks of instructional time). Ernie's program is 600 clock-hours and 20 weeks of instructional time.

When the financial aid administrator (FAA) at BEI examined Ernie's 2020–2021 ISIR, he found the following entry:

%Sch. Used: 50.0 As Of: 01/28/2020 Pell Verification EFC: 0

The FAA subtracted the 50% used previously from 100% and found that the percentage of Ernie's Scheduled Award that remained unused was 50%*. Therefore, Ernie was eligible to receive 50% of his scheduled Pell award of $4,850 during the balance of the award year. In addition, the FAA used the 600 hours and 20 weeks of instructional time remaining in Ernie's program to establish the appropriate two payment periods (per 34 CFR 668.4(b)), each of 300 clock-hours and 10 weeks of instructional time. The aid administrator performed the required multiplication and determined that Ernie could receive as much as $2,425 (0.50 x $4,850 = $2,425) if he remained enrolled at BEI for the balance of the year.

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

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

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

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

Why percentages are used

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

Avoiding Pell Grant overawards

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

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

Finally, an overaward exists whenever a student is scheduled to receive or is receiving a Pell Grant for attendance at two or more schools concurrently. All of these Pell Grant overawards must be corrected. For more detail on the requirements and methods of resolving overawards, see *Volume 4*, *Chapter 3*. For more detail on liability for and recovery of Pell Grant overpayments, see 34 CFR 690.79.

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

NSLDS financial aid history and transfer monitoring

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

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

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

Pell & Iraq & Afghanistan Service Grants LEU

Consolidated Appropriations Act of 2012
HEA Section 401(c)
DCL GEN-12-01
DCL GEN-13-14
Electronic Announcement April 18, 2014
2021-22 ISIR Guide

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

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

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

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

- **Student not on report** (Code "N" on the student's ISIR under Lifetime Limit Flag) Students in this category have LEU of less than 400%. These students' Pell awards will be awarded as normal, since even if they receive a full Scheduled Award, they will not go over the 600% LEU maximum.

- **LEU greater than 400% but less than or equal to 500%** (Code "H" on the student's ISIR under Lifetime Limit Flag) Students in this category will likely have Scheduled Award eligibility for 2020-21. However, a student's 2020-21 Pell eligibility may be reduced if, for example, another Pell disbursement is reported after a report has been created, putting the student's 2020-21 baseline LEU over 500%.

- **LEU greater than 500% but less than 600%** (Code "C" on the student's ISIR under Lifetime Limit Flag) These students will not have full Pell eligibility for 2020-21, since their baseline LEU has less than 100% remaining.

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

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

To calculate an award for a student whose LEU level will reduce the student's eligibility (i.e., an LEU greater than 400% but less than 600%),you must first check the most current LEU level in COD. Subtract the LEU percentage from 600%, then multiply the student's Scheduled Award by the resulting percentage. For example, Jack has 534% LEU in COD. His school subtracts 534% from 600%, leaving him with 66% of a Scheduled Award remaining. His Scheduled Award is $5,650, so his school multiplies $5,650 by 0.66, which equals $3,729, which is then disbursed per the normal Pell formula and payment period rules.

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

Restoring Pell eligibility for students who attended closed schools

There is a limited circumstance in which Pell eligibility may be restored to certain students who attended schools which are now closed. Note that

Total Eligibility Used (TEU) is capped at 100% (or 150% in the case of Year-Round Pell) and is the maximum Pell a student may receive during a single Award Year, whereas LEU is the student's sum total of all Pell eligibility used, across all award years. A closed school may be considered for the Pell restoration process if all of the following are true:

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

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

- The student received a Pell Grant disbursement at an eligible closed school;
- The student did not complete their program at the closed school; AND
- The student had a valid enrollment status at the closed school within two years of the school's closure.

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

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

COD sends the updated LEU to NSLDS. For more detail on how this is handled in COD, please refer to the April 3, 2017 Electronic Announcement and the attachment to the October 4, 2017 Electronic Announcement.

Changes in LEU

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

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

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

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

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

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

NSLDS Reporting requirements

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

Declining and/or returning Pell funds

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

Pell Grant LEU Disputes

A school or student may dispute the accuracy of a student's Pell Grant data which resulted in the student's LEU percentage in COD. It is the re-

sponsibility of the student's current school to coordinate the resolution of the dispute. You may create, view, and edit Pell LEU disputes (including uploading documentation) using the COD Web Portal. For more detail, see the Electronic Announcements posted June 27, 2013 and April 18, 2014.

PELL RECALCULATIONS

Pell Recalculations
34 CFR 690.80

Initial calculation

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

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

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

Change in the EFC

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

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

SAR/ISIR with different EFC

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

Change in enrollment status

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

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

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

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

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

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

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

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

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

Enrollment change within payment period example

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

Change in COA

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

Enrollment change recalculation example

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

Tuition and fee charges and recalculation

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

Chapter 3 Appendices:

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

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

APPENDIX C— PELL FORMULA SUMMARIES

APPENDIX A

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

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

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

Formula 2 Alternate calculation

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

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

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

Let's take the example of Javier, who is attending Heyward College, which has fall and spring semesters of 14 and 15 weeks, and a summer term of 10 weeks. Heyward defines the academic year of Javier's program as 24 semester hours and 30 weeks.* His Scheduled Award is $3,450, and he is attending as a full-time student. Because the fall and spring terms provide less than the minimum 30 weeks of instructional time for an academic year, Javier's full-time award is prorated as follows:

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

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

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

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

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

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

**Fall through spring.

APPENDIX B

PELL FORMULA 5: CALCULATIONS FOR CORRESPONDENCE STUDY PROGRAMS

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

Pell COA (correspondence)

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

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

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

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

Pell enrollment status (correspondence)

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

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

Pell correspondence payment periods & timing of payments

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

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

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

Pell calculations in correspondence programs

Correspondence payment periods

Non-term — 34 CFR 690.66(b)

Term — 34 CFR 690.66(c)(3),(c)(4)

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

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

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

Non-term correspondence program—Formula 5A

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

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

or

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

Term correspondence program—Formula 5B

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

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

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

Correspondence multiple formulas exception

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

Academic coursework

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

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

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

APPENDIX C PELL FORMULA SUMMARIES

Formula 1 Summary

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

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

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

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

Step 1: Determine Enrollment Status

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

Step 2: Calculate Pell COA

Full-time, full academic year costs.

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is three-quarter-time, half-time, or less-than-half-time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

$$\frac{\text{Annual Award}}{\text{2 for programs with semesters or trimesters; 3 for programs with quarters}}$$

OR

For alternate calculation:

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

Formula 2 Summary

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

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

Step 1: Determine Enrollment Status

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

Step 2: Calculate Pell COA

Full-time, full academic year costs.

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

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is three-quarter-time, half-time, or less-than-half-time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

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

OR

For alternate calculation:

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

Formula 3 Summary

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

Step 1: Determine Enrollment Status

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

Step 2: Calculate Pell COA

Full-time, full academic year costs.

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

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

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

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

Step 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is three-quarter-time, half-time, or less-than-half-time, the annual award is taken from the appropriate part-time payment schedule.

Step 4: Determine Payment Periods

Payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

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

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

Formula 4 Summary

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

Step 1: Determine Enrollment Status

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

Step 2: Calculate Pell COA

Full-time, full academic year costs.

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

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

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

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

Step 3: Determine Annual Award

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

Step 4: Determine Payment Periods

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

Step 5: Calculate Payment for a Payment Period

Annual award multiplied by the lesser of:

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

OR

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

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

Formula 5A Summary

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

Step 1: Determine Enrollment Status

Enrollment status is never more than half-time.

Step 2: Calculate Pell COA

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

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

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

Step 3: Determine Annual Award

Annual award taken from half-time payment schedule

Step 4: Determine Payment Periods

Length of payment period measured in credit-hours.

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

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

Step 5: Calculate Payment for a Payment Period

Annual award is multiplied by the lesser of:

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

OR

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

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

Formula 5B Summary

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

Step 1: Determine Enrollment Status

Enrollment status is never more than half-time.

Step 2: Calculate Pell COA

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

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

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

Step 3: Determine Annual Award

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

Step 4: Determine Payment Periods

Length of payment period is the academic term.

Step 5: Calculate Payment for a Payment Period

Annual award multiplied by:

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

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

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

Calculating TEACH Grants

CHAPTER 4

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

CHAPTER 4 HIGHLIGHTS

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

TEACH GRANT BASICS

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

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

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

**Qualifying low-income schools and educational service agencies are listed in the Department's Teacher Cancellation Low-Income (TCLI) Directory.

TEACH Grant resources

COD School Relations Center: 1-800-848-0978

COD School Relations Center email: CODSupport@ed.gov

TEACH Grant FAQs: https://studentaid.gov/understand-aid/types/grants/teach

TEACH Grant servicing: MyFedLoan.org/TEACH

TEACH Grant Scheduled, Annual, and Aggregate Awards

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

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

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

CALCULATING TEACH GRANT PAYMENTS FOR PAYMENT PERIODS

Calculation of a TEACH Grant for a payment period
34 CFR 686.22

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

The formula you will use to calculate the amount of a student's TEACH Grant that will be awarded for a payment period depends on the academic calendar used by the student's program. These formulas are the same as for Pell Grants, with the exception of master's degree programs. For details on these payment formulas, see *Chapter 3* of this volume. For master's degree programs, a TEACH Grant eligible program's academic year must be defined as at least the required number of weeks of instructional time and the minimum number of credit or clock-hours that a full-time student would be expected to complete in the weeks of instructional time. Note that no payment for a payment period may be less than $25.

Crossover payment periods
34 CFR 686.23

Crossover payment periods

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

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

Payment for a payment period from two Scheduled Awards

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

Frequency of payment
34 CFR 686.33

Payment within payment period & retroactive payment

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

Transfer students
34 CFR 686.24

Transfer students

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

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

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

The sequester and TEACH Grants

On August 2, 2011, Congress passed the Budget Control Act (BCA) of 2011, which put into place a federal budget cut known as the sequester. All TEACH awards first disbursed during the federal fiscal year (FY) 2020 (on or after October 1, 2019, and before October 1, 2020) must be reduced by 5.9% from the award amount the student would otherwise be eligible to receive. In FY 21 (beginning on October 1, 2020), the reduction is 5.7%. For more details on the sequester and TEACH Grants, see the June 23, 2020 Electronic Announcement.

TEACH Grant formulas
Formula 1: 34 CFR 686.22(a)(1),(b)
Formula 2: 34 CFR 686.22(a)(2),(c)
Formula 3: 34 CFR 686.22(a)(3),(d)
Formula 4: 34 CFR 686.22(a)(4),(e)
Formula 5: 34 CFR 686.25

TEACH GRANT FORMULAS

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

As with Pell Grants, TEACH Grant Scheduled Awards are divided into at least two payments based on the payment periods in a year. The calculation formula you use depends on the academic calendar of a student's eligible program and would be the same formula used to calculate payments of Pell Grants for that academic program. For students ineligible for Pell Grants, such as master's degree students, you must use the calculation formula that corresponds to the academic calendar of the eligible student's program. Refer to *Chapter 3* of this volume on Pell Grants for a more detailed explanation of these formulas.

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

TEACH Grant counseling
34 CFR 686.32

TEACH GRANT COUNSELING

A student must complete initial counseling before receiving his or her first TEACH Grant and must complete subsequent counseling before receiving each subsequent TEACH Grant. Initial and subsequent TEACH Grant counseling must be completed on the Department's Student.Aid.gov website. You will receive reports from the Department on all students who have completed counseling.

You must ensure that TEACH Grant exit counseling is conducted with each TEACH Grant recipient before the student ceases to attend your school at a time that you determine. The exit counseling must be in person, by audio-visual presentation, or by interactive electronic means (such as on the Department's StudentAid.gov website). In each case, you must ensure that an individual with expertise in the FSA programs is reasonably available shortly after the counseling to answer the grant recipient's questions. (In the case of a grant recipient enrolled in a correspondence program or a study-abroad program approved for credit at the home school, the grant recipient may be provided with written counseling materials within 30 days after he or she completes the program.)

It is the school's responsibility to see that TEACH recipients receive TEACH Grant exit counseling before the student ceases attendance. If you require TEACH Grant recipients to complete exit counseling on the Department's StudentAid.gov website, you will receive reports from the Department on all students who have completed counseling. If a grant recipient doesn't complete the exit counseling session, you must ensure that

exit counseling is provided either in person, through interactive electronic means, or by mailing written counseling materials (such as the PDF version of the exit counseling program on the StudentAid.gov website) to the grant recipient's last known address. In the case of unannounced withdrawals, you must provide this counseling within 30 days of learning that a grant recipient has withdrawn from school (or from a TEACH Grant-eligible program).

PACKAGING TEACH GRANTS

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

RECALCULATING TEACH GRANTS

TEACH Grant recalculations
34 CFR 686.35

Recalculating for changes in enrollment status

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

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

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

Recalculating for changes in COA

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

Direct Loan Periods and Amounts

CHAPTER 5

The rules for awarding Direct Loans are different than for Pell Grants and other FSA programs. For Direct Subsidized Loans and Direct Unsubsidized Loans, there are annual loan limits that vary by grade level, and there are aggregate limits on the total (cumulative) loan amount that may be outstanding at one time. The timing of Direct Loan disbursements may not always correspond to timing of disbursements for other FSA programs. The requirement to prorate the annual loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans under certain circumstances differs from the requirements for calculating Pell Grants based on the student's enrollment status.

Chapter 5 Highlights

Measurements of academic and loan periods

- Loan periods, academic terms, & program length
- "SE9W" and "non-SE9W" nonstandard terms
- Scheduled Academic Year (SAY) and Borrower-Based Academic Year (BBAY) standards

Loan Limits

- Annual and aggregate loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans
- Undergraduate limits based on grade level and dependency status
- Proration of undergraduate limits for programs or remaining portions of programs less than an academic year
- Increased Direct Unsubsidized Loan annual and aggregate limits for certain health professions students
- Loan limits for transfer students, teacher certification coursework, and coursework necessary for enrollment in an eligible program

DIRECT LOAN ORIGINATION

Overview

Origination is the process of creating a Direct Loan award in the school's system. Before originating a Direct Loan, a school must determine the student's or parent's eligibility for the loan. For each Direct Loan that a school disburses to a student or parent, the school must submit a loan award record to the Common Origination and Disbursement (COD) system that includes the student's grade level, the loan period and academic year dates, the loan amount, the anticipated and actual dates and amounts of the loan disbursements, and other information. Submission of a loan award record serves as the school's certification that it has determined the borrower's eligibility for the loan.

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

Direct Loan amount that a student or parent borrower is eligible to receive is determined based on various factors such as the student's cost of attendance (COA), expected family contribution (EFC), other estimated financial assistance (EFA), and remaining eligibility under the annual and aggregate loan limits. Some of these factors are relevant only when determining eligibility for certain types of Direct Loans.

Direct Subsidized Loans and Direct Unsubsidized Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. You may not originate a Direct Loan for an amount that:

- Exceeds the amount requested by the borrower;
- In the case of a Direct Subsidized Loan, exceeds the student's COA minus the student's EFC and EFA;
- In the case of a Direct Unsubsidized Loan or Direct PLUS Loan, exceeds the student's COA minus EFA; or
- In the case of a Direct Subsidized Loan or Direct Unsubsidized Loan, would cause the student to exceed the annual or aggregate limit.

See *Chapter 7 o*f this volume for more information on packaging Direct Loans as part of a student's financial aid award.

Originating a loan

A financial aid administrator should be aware of the responsibility incurred in originating and disbursing a loan. The school, not the Department, determines the borrower's eligibility for a Direct Loan. Schools that originate and disburse loans for ineligible borrowers, or for loan amounts that exceed loan limits or the borrowers' need, are subject to administrative actions such as a fine, limitation, suspension, and termination, as well as liabilities including repayment to the government of interest and costs it has paid on the ineligible loans.

A school must originate a Direct Loan while the student is enrolled and eligible for the period of enrollment for which the loan is intended. A school may not originate a loan for a period in which the student is no longer enrolled. For example, you may not originate a loan for a prior academic year that has ended, even if the student is currently enrolled and eligible for the next academic year. Similarly, if a student who was enrolled at least half-time only for the fall and spring quarters of an academic year consisting of fall, winter, and spring quarters does not request a loan until the spring, you may not at that time originate a loan for the fall quarter.

You may not condition the disbursement of a loan on anything other than the eligibility criteria under the federal regulations that govern the Direct Loan Program. For example, you may not require students to participate in counseling beyond the required entrance counseling for first-time student borrowers as a condition for receiving a Direct Loan, nor may you require a student to complete a separate Direct Loan application as a condition for receiving a

Direct Loan. See Dear Colleague Letter GEN-15-16 and the Electronic Announcement posted on March 18, 2014. For Direct Loan entrance counseling requirements, see *Volume 2, Chapter 6, Providing Consumer Information.*

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

Refusing to originate a loan
HEA Sec. 479(A)(c)
34 CFR 685.301(a)(8)
DCL GEN-11-07

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

Checklist for loan origination

For all Direct Loans, you must document the student's COA, EFC, and EFA in the student's file. This information must be made available to the Department upon request.

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

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

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

- Determine the student's Pell Grant eligibility and, if eligible, include the grant in the student's aid package;
- For a Direct Unsubsidized Loan made to an undergraduate student, first determine the student's eligibility for a Direct Subsidized Loan and if the student is eligible, include the Direct Subsidized Loan in the student's aid package;
- Ensure that the amount of the loan will not exceed the student's annual or aggregate loan limit; and

- Prorate the annual loan limit for an undergraduate enrolled in a program or remaining period of study that is shorter than an academic year (as described in this chapter).

Direct Loans at multiple schools

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

No minimum Direct Loan amount in COD system

The COD system does not set a minimum amount for which a school may originate a Direct Loan.

Resolving conflicting information in NSLDS

If you can document that the student is eligible for FSA funds despite the information shown on NSLDS, you may award and disburse aid. An example would be if the NSLDS Financial Aid History page of the SAR or ISIR shows that the student has a defaulted loan, but you have obtained documentation from the holder of the loan that the borrower had made "satisfactory arrangements to repay."

DIRECT SUBSIDIZED, UNSUBSIDIZED, AND PLUS LOANS

Direct Subsidized Loans vs. Direct Unsubsidized Loans

Only students who have financial need may receive Direct Subsidized Loans. The federal government does not charge interest on Direct Subsidized Loans while the borrower is enrolled on at least a half-time basis, during the grace and deferment periods, and during certain other periods (for example, during certain periods of repayment under certain income-driven repayment plans).

If a student has received a determination of need for a Direct Subsidized Loan in an amount of $200 or less, the school may choose not to originate a Direct Subsidized Loan and may instead include that amount as part of a Direct Unsubsidized Loan.

Financial need is not an eligibility requirement to receive a Direct Unsubsidized Loan. The federal government generally charges interest on Direct Unsubsidized Loans during all periods, with limited exceptions (for example, during periods of deferment for cancer treatment).

Direct Unsubsidized Loans for students whose parents have ended financial support and refuse to file a FAFSA

If you verify that the parents of a dependent undergraduate student have refused to complete the parental information sections of the FAFSA and that they have ended financial support for the student, you may make a professional judgment decision to offer the student a Direct Unsubsidized Loan in an amount up to the applicable annual loan limit for a dependent undergraduate. For instance, under these circumstances a dependent second-year undergraduate could receive up to $6,500 in Direct Unsubsidized Loan funds. However, the student may not receive Direct Subsidized Loans or aid from any other FSA programs.

Self-certification from the dependent student is not sufficient to verify that the parents have ended financial support and refuse to complete the FAFSA. In most cases, this requirement can be met by obtaining a signed and dated statement from one of the student's parents specifically stating that the parents have stopped providing financial support to the student (including the date when the financial support stopped), will not provide financial support in the future, and refuse to complete the parental section of a FAFSA. For more information, see the "Professional Judgment" section in *Chapter 5* of the *Application and Verification Guide* and the discussion under "Discretion of the Student Financial Aid Administrators" on page 79 of DCL GEN-08-12.

Requirement to offer both subsidized and unsubsidized loans

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

Requirement to offer Direct PLUS Loans to both parent and student borrowers

If your school chooses to participate in the Direct PLUS Loan Program and has both undergraduate and graduate/professional students, you must make Direct PLUS Loans available to both the parents of your dependent undergraduate students and to your graduate/professional students. You may not limit Direct PLUS Loan borrowing only to parents or only to graduate/professional students. For more details, see DCL GEN-11-07.

Definition of "parent" for Direct PLUS Loan purposes

Assuming that they meet all other Direct PLUS Loan eligibility requirements, the following individuals can borrow Direct PLUS Loans on behalf of a dependent undergraduate student:

- The student's biological parent;
- The student's legal adoptive parent; or
- The student's stepparent (spouse of the student's biological or legal adoptive parent), but only if that individual is considered to be a parent in accordance with the instructions on the Free Application for Federal Student Aid (FAFSA) for purposes of reporting his or her income and assets on the FAFSA.

Grandparents and other family members are **not** eligible to take out Direct PLUS Loans on behalf of a dependent undergraduate student unless they have legally adopted the student.

In addition to the parent(s) whose resources are taken into account on a student's FAFSA, any otherwise eligible biological or legal adoptive parent of the dependent undergraduate student can also take out a Direct PLUS Loan on the student's behalf, even if that parent's information is not reported on the FAFSA.

Note also that more than one parent can take out a Direct PLUS Loan on behalf of the same dependent undergraduate student. For example, if a student's biological or legal adoptive parents are divorced, they may decide to each take out a Direct PLUS Loan for an agreed upon amount (not to exceed the student's COA, minus other EFA) to help pay for the cost of the student's education.

ACADEMIC TERMS, LOAN PERIODS, & REPORTING CHANGES TO LOAN INFORMATION

Standard term, nonstandard term, and non-term programs

As explained later in this chapter, different rules apply for purposes of determining the minimum loan period for a Direct Loan and the type of academic year that a school may use to monitor Direct Loan annual loan limits depending on whether a program is term-based (with either standard or nonstandard terms) or is a non-term program (all clock-hour programs are treated as non-term programs), and in the case of a term-based program with nonstandard terms, depending on the type of nonstandard term, as described below. For detailed information on standard term, nonstandard term, and non-term programs, see *Chapter 1 of* this volume.

Nonstandard terms may be one of the following types:

1. Nonstandard terms that are substantially equal (no term in the academic year differs in length from any other term by more than two weeks), and each of the terms is at least nine weeks in length.

2. Nonstandard terms that are substantially equal, but one or more of the terms in the academic year contains fewer than nine weeks.

3. Nonstandard terms that are not substantially equal in length (one or more of the terms in the academic year differs in length from another term by more than two weeks).

We refer to the first type as "SE9W" nonstandard terms. We group the second and third types together and refer to them as "non-SE9W" nonstandard terms.

Programs with SE9W nonstandard terms are treated the same as standard-term programs for purposes of determining minimum loan period length and monitoring annual loan limits. However, programs with non-SE9W nonstandard terms are treated the same as non-term programs for these purposes.

Note that substantially equal nonstandard terms (the first two types of nonstandard terms described above) are treated differently for purposes of determining Direct Loan payment periods than for determining minimum loan period length and monitoring annual loan limits. As explained in *Chapter 1* of this volume, if a program is offered in standard terms or in nonstandard terms that are substantially equal in length (regardless of the length of the nonstandard term), the payment period is the term.

However, for purposes of determining the minimum loan period for a Direct Loan and monitoring Direct Loan annual loan limits, substantially equal nonstandard terms that contain fewer than nine weeks are treated the same as nonstandard terms that are not substantially equal. This means that if a program has substantially equal nonstandard terms that are less than nine weeks in length, the school will make a Direct Loan disbursement each term (the same as would be the case if the program were offered in standard terms), but the minimum loan period for which the school may originate a Direct Loan and the type of academic year used to monitor Direct Loan annual loan limits must be determined in accordance with the rules that apply to non-term programs.

Loan period (period of enrollment)

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

It's important to define the loan period at the beginning of the loan awarding process, because the timing and amount of Direct Loan disbursements are tied to the loan period.

Minimum and maximum loan periods

Minimum and maximum loan periods
34 CFR 685.301(a)(10).

The **minimum** period for which a school may originate a Direct Loan varies depending on the school's academic calendar:

- For credit-hour programs with standard terms (semesters, quarters, or trimesters), or with SE9W nonstandard terms, the minimum loan period is a single academic term. For example, if a student will be enrolled in the fall semester only and will skip the spring semester, you may originate a loan with a loan period that covers only the fall term. The loan amount must be based on the reduced costs and EFC for that term, rather than for the full academic year.

- For all other programs (i.e., clock-hour, non-term, and non-SE9W nonstandard term programs), the minimum loan period is generally

the lesser of the program length (or remainder of the program, if there is less than full academic year remaining) or the academic year. There are exceptions to this minimum loan period rule when originating loans for transfer students, or for students who complete or otherwise cease enrollment in one program and then begin a different program at the same school. We discuss these exceptions in detail later in this chapter.

The **maximum** period for which a school may originate a Direct Loan is generally an academic year. However, if a school applies the annual loan limit for Direct Subsidized Loans and Direct Unsubsidized Loans to a period of time greater than an academic year, the school may originate a Direct Loan for that longer period of time. For example, a school might offer an 1100 clock-hour program and define the academic year as 900 clock-hours, but could choose to allow students to receive just one annual loan limit for the entire 1100-hour program. In that case, the loan period would correspond to the length of the program, a period of time that is longer than the academic year.

The loan period may not include terms in which a student is ineligible. For example, if the academic year consists of the fall, winter, and spring quarters, and a student is expected to be enrolled at least half-time in the fall and spring, but not enrolled in the winter, you may not originate a loan for a loan period covering the full academic year. Instead, you must originate separate loans for the fall and spring quarters.

Reporting loan information changes

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

- If the borrower requests that a loan, or a disbursement of a loan, be cancelled;
- When the borrower does not begin attendance, or does not begin attendance on at least a half-time basis, in a payment period that was included in the originally reported loan period and you did not make any disbursements for that payment period;
- When you determine that the borrower is not eligible to receive a Direct Loan for a payment period that was part of the originally reported loan period (for example, failure to meet Satisfactory Academic Progress standards, the borrower has an overpayment, or a change in circumstances makes the borrower ineligible for a subsidized loan);
- When the borrower withdraws during a payment period that

was included in the originally reported loan period, and as a result, the entire amount of the loan that was intended for that payment period is returned under the Return of Title IV Funds (R2T4) calculation;

- For clock-hour programs, non-term credit-hour programs, and certain types of nonstandard term credit-hour program, the borrower fails to progress to the next payment period or academic year as scheduled.

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

RESOURCES FOR SCHOOLS

FSA Assessments

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

DL Tools for Windows

Direct Loan Tools for Windows is a Windows-based application designed to provide various functionalities related to all Direct Loan schools' software. It is available for download on IFAP at https://ifap.ed.gov/software-and-other-tools.

COD School Relations Center

1-800-848-0978

SEQUESTRATION

Effect of the sequester on loans

The Budget Control Act (BCA) put into place an automatic federal budget cut known as the sequester. The sequester has the following effects on the Direct Loan program:

- For **Direct Subsidized Loans and Direct Unsubsidized Loans**, when the first disbursement of the loan is made after October 1, 2020, and before October 1, 2021, the loan fee (also known as the origination fee) will be 1.057% of the amount of each disbursement.

- For **Direct PLUS Loans** (for both student and parent borrowers), when the first disbursement of the loan is made after October 1, 2020, and before October 1, 2021, the loan fee will be 4.228% of the amount of each disbursement.

Loan fee calculations that result in more than two decimal places must be truncated (not rounded) to two digits after the decimal point (cents). For more information, see the **June 23, 2020 Electronic Announcement**.

Direct Loan annual loan limits
34 CFR 685.203

ANNUAL LOAN LIMITS

Overview

Direct Subsidized Loans and Direct Unsubsidized Loans have annual loan limits that vary based on the student's grade level and (for Direct Unsubsidized Loans) dependency status, as discussed below and summarized in a chart at the end of this section. The annual loan limits are the maximum amounts that a student may receive for an academic year. The actual loan amount that a borrower is eligible to receive may be less than the annual loan limit. (There are also aggregate loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans. See "Aggregate Loan Limits" later in this chapter.)

There are higher Direct Unsubsidized annual loan limits for borrowers enrolled in certain health professions programs, and special loan limits for certain students who are not enrolled in a program that leads to a degree or certificate awarded by the school they are attending. The annual loan limits for undergraduate students must be prorated (reduced) in some cases.

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

Annual loan limits: basic principles

- For undergraduate students, there is a combined overall annual loan limit for Direct Subsidized Loans and Direct Unsubsidized Loans, of which not more than a specified amount may be comprised of Direct Subsidized Loans.
- For graduate/professional students, there is an annual loan limit only for Direct Unsubsidized Loans. Graduate/professional students are not eligible to receive Direct Subsidized Loans.
- An undergraduate student who is ineligible for Direct Subsidized Loans may receive up to the total combined subsidized and unsubsidized annual loan limit in Direct Unsubsidized Loans.
- The Direct Subsidized Loan annual loan limits are the same for both dependent and independent undergraduates.
- Dependent students have lower total subsidized/unsubsidized annual loan limits than independent students; if a dependent student's parent(s) cannot borrow a Direct PLUS Loan, the student becomes eligible for the higher total subsidized/unsubsidized annual loan limits that are otherwise available only to an independent student, allowing the dependent student to receive additional Direct Unsubsidized Loan funds (note, however, that this does not change the student's dependency status).
- The annual loan limits apply to the academic year (that is, the annual loan limit is the maximum loan amount that a student may receive for one academic year).

- The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- For undergraduate students, the loan limit must be prorated if the student is enrolled in a program (or in the remaining portion of a program) that is less than an academic year.

Annual loan limit progression: SAY/BBAY

- For Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans, a school must use either a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY) to determine when a student is eligible for a new annual loan limit.
- An SAY generally begins/ends at the same time each year; a BBAY "floats" with the student's enrollment.
- An SAY may be used by **(1)** a program with standard terms and a traditional academic calendar, or **(2)** a program with SE9W nonstandard terms and a comparable calendar.
- A clock-hour or non-term program, or a program that does not have an SAY, **must** use a BBAY.
- In a clock-hour or non-term credit-hour program, or a program with nonstandard terms that are not SE9W, the borrower must successfully complete the credit/clock-hours and weeks of instructional time in the Title IV academic year before the borrower is eligible for a new annual loan limit.
- In a standard-term or SE9W nonstandard term program, it is possible for a student to advance a grade level and become eligible for a higher loan amount within an academic year.

Annual loan limits for dependent undergraduates

For dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain Direct PLUS Loans), the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limits are:

- $5,500 for **dependent first-year undergraduates**, not more than $3,500 of which may be subsidized;
- $6,500 for **dependent second-year undergraduates**, not more than $4,500 of which may be subsidized; and
- $7,500 for **dependent third-, fourth-, and fifth-year undergraduates**, not more than $5,500 of which may be subsidized.

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

Increased Direct Unsubsidized Loan eligibility for independent undergraduates and certain dependent undergraduates
34 CFR 685.203(c)

Increased unsubsidized loan limits for independent undergraduates and for certain dependent undergraduates

The maximum Direct Subsidized Loan amount that an undergraduate student may receive each academic year is the same for both dependent and independent undergraduates. However, there are higher Direct Unsubsidized Loan annual loan limits for independent undergraduate students and for dependent undergraduates whose parents unable to obtain Direct PLUS Loans. For these students, the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limits are:

- $9,500 for **independent first-year undergraduates** (and for dependent first-year undergraduates whose parents are unable to obtain Direct PLUS Loans), not more than $3,500 of which may be subsidized;
- $10,500 for **independent second-year undergraduates** (and for dependent second-year undergraduates whose parents are unable to obtain Direct PLUS Loans), not more than $4,500 of which may be subsidized; and
- $12,500 for **independent third-, fourth-, and fifth-year undergraduates** (and for dependent third-, fourth-, and fifth-year undergraduates whose parents are unable to obtain Direct PLUS Loans), not more than $5,500 of which may be subsidized.

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

Although a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan has access to the same higher Direct Unsubsidized Loan annual loan limits as an independent undergraduate at the same grade level, the student is still considered to be a dependent student for all other FSA purposes.

For more detail on the conditions under which a dependent undergraduate can receive increased Direct Unsubsidized Loan amounts, see "Criteria for additional Direct Unsubsidized Loans" later in this chapter.

Example: annual loan limit for independent undergraduate

Dottie is a first-year independent undergraduate student at Russell's Institute. Her combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit is $9,500, not more than $3,500 of which may be subsidized. Her COA is $14,500, her EFC is 1800, and she is receiving a $4,595 Pell Grant. Dottie has sufficient financial need to qualify for the maximum Direct Subsidized Loan amount of $3,500. She may also receive an additional $6,000 in Direct Unsubsidized Loan funds to fully cover her

unmet need and replace part of the EFC (see *Chapter 7* of this volume for information on using Direct Unsubsidized Loan funds to replace the EFC). Her total loan amount in Direct Subsidized Loans and Direct Unsubsidized Loans is $9,500. (Note that Dottie's loan eligibility would be the same if she were a dependent undergraduate whose parent was unable to obtain a Direct PLUS Loan.)

Annual loan limit for graduate and professional students

Graduate or professional student definition
34 CFR 668.2(b)

The annual loan limit for graduate or professional students is $20,500 in Direct Unsubsidized Loans per academic year. Graduate and professional students are not eligible to receive Direct Subsidized Loans.

A student in an undergraduate program is not eligible for the graduate loan limit based on taking graduate coursework as a part of the undergraduate program. In contrast, a graduate student taking some undergraduate coursework is eligible for the graduate loan limit if the student is enrolled at least half-time in courses (graduate or undergraduate) that can be applied to the graduate program. However, the student must already be admitted into the graduate program.

A borrower with a bachelor's degree who is taking preparatory work for graduate school (or whose full admission to the graduate program is contingent upon completion of certain undergraduate courses) is not eligible for graduate loan limits. See the discussion later in this chapter on annual loan limits for students taking preparatory coursework.

Annual limits for sub/unsub loans

	Total (sub & unsub)	*Maximum sub*
Dependent undergraduates (excluding dependent students whose parents can't get PLUS)		
First Year	$ 5,500	$ 3,500
Second Year	$ 6,500	$ 4,500
Third Year and Beyond	$ 7,500	$ 5,500
Independent undergraduates & dependent students whose parents can't get PLUS		
First Year	$ 9,500	$ 3,500
Second Year	$ 10,500	$ 4,500
Third Year and Beyond	$ 12,500	$ 5,500
Graduate & Professional Students (all years)	$ 20,500	$0

Note: All undergraduate annual loan limits are subject to proration.

See guidance elsewhere in this chapter on increased unsubsidized loan limits for certain health professions students, and loan limits for preparatory & teacher certification coursework.

Direct PLUS Loan amounts for parents & graduate/professional students

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. A graduate or professional student may be awarded a Direct PLUS Loan for up to the student's COA minus other EFA (see *Chapter 7* for packaging rules). Therefore, a graduate/professional student who has received the maximum Direct Unsubsidized Loan amount for an academic year may have additional Direct PLUS Loan eligibility. Similarly, the total Direct PLUS Loan amount borrowed by a parent on behalf of a dependent student may not exceed the student's estimated COA minus other EFA the student receives for the period of enrollment. This is the only borrowing limit for Direct PLUS Loans.

Loan limits for programs greater than one academic year, but less than two academic years in length

The "Eligibility and Certification Approval Report" (ECAR) lists "one-year" as the highest educational program offered by the school if its longest program is one academic year or longer, but less than two years in length. Students who have successfully completed the first academic year of such programs can be treated as second-year undergraduates for annual loan limit purposes, even though the ECAR lists the school's highest program offering as "one-year." For instance, a student enrolled in a 1,500 clock-hour program would be eligible for the second-year loan limits after completing the first 900 clock-hours and 26 weeks of instructional time. However, because the remaining portion of the program would be less than a full academic year in length, the loan limit would have to be prorated, as explained later in this chapter.

Loan limits for one-year and two-year programs

If a program can normally be completed in one year of full-time study, a student in that program can never receive more than the first-year annual loan limit, even if it takes the student more than one academic year to finish the program. Similarly, a student in a two-year program can never receive more than the second-year annual loan limit for an academic year.

Note also that a school may not link two stand-alone one-year programs by making one a prerequisite for admission, and then classify students beginning the second one-year program as second-year undergraduates for loan limit purposes. However, hours or credits earned in a prior certificate program could be used to classify a transfer student at a grade level higher than grade level 1, if the student transfers into a program that is greater than one academic year in length and the new school accepts a year's worth of credits/hours from the prior program. For instance, if a school admits a transfer student from a certificate program and accepts 900 clock-hours that the student earned toward its 1,500-hour program, the student could be eligible for the second-year loan limits if other students in the program are eligible for second-year loan limits after completing the first 900 hours of the program.

Annual loan limits for preparatory coursework and teacher certification programs

In *Volume 1, Chapters 1 and 6*, we discussed instances in which a student may receive Direct Loans for coursework that is not part of an eligible program (preparatory coursework and teacher certification programs). The annual loan limits for students enrolled in preparatory coursework or teacher certification programs are shown in the chart below.

For more detailed guidance on the eligibility of students to receive Direct Loans and other Title IV aid for teacher certification programs, see Dear Colleague Letter GEN-16-10.

Annual loan limits for preparatory coursework & teacher certification

Preparatory coursework (not to exceed 12 consecutive months)

Coursework required for enrollment in an undergraduate program:

Dependent undergraduates	$2,625
Independent undergraduates (and dependent undergraduates whose parents can't get Direct PLUS Loans)	$8,625 (maximum $2,625 subsidized)

Coursework required for enrollment in a graduate or professional program:

Dependent undergraduates	$5,500
Independent undergraduates (and dependent undergraduates whose parents can't get Direct PLUS Loans)	$12,500 (maximum $5,500 subsidized)

Teacher certification programs

Dependent undergraduates	$5,500
Independent undergraduates (and dependent undergraduates whose parents can't get Direct PLUS Loans)	$12,500 (maximum $5,500 subsidized)

Note that for dependent undergraduates, the annual loan limits shown above do not provide an additional unsubsidized loan amount beyond the maximum annual subsidized amount, as is the case with the loan limits for independent undergraduates and dependent undergraduates whose parents cannot get Direct PLUS Loans. For dependent undergraduates, there is just a single annual loan limit representing the maximum amount of subsidized and/or unsubsidized loans that the student may receive for an academic year. For example, a dependent undergraduate taking preparatory coursework required for enrollment in a graduate or professional program could receive up to $5,500 per academic year in Direct Loan funds, which could be all subsidized, all unsubsidized, or a combination of subsidized and unsubsidized.

Loan limits for preparatory coursework and teacher certification coursework are not subject to proration if the coursework is less than a full academic year. See "Prorating Annual Loan Limits for Direct Subsidized/Unsubsidized Loans (Undergraduate Only)" later in this chapter.

Criteria for additional Direct Unsubsidized Loans

Dependent students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other exceptional circumstances may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students. The additional Direct Unsubsidized Loan amount may not substitute entirely for the amount a parent could receive under the Direct PLUS Loan program, which may be up to the difference between COA and EFA. Therefore, you should determine whether the parents may be able to borrow a Direct PLUS Loan by obtaining an endorser who does not have an adverse credit history before originating additional unsubsidized loan amounts for the dependent student.

Before a dependent student can receive the additional Direct Unsubsidized Loan amount, you must document the basis of the student's eligibility. Some basic guidelines for making this determination are discussed below.

- None of the following, by themselves, are sufficient to make a dependent student eligible for additional unsubsidized loans: the parent's unwillingness to borrow a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan program, or the aid administrator's belief that a parent should not borrow a Direct PLUS Loan.
- If only one of a student's parents has applied for a Direct PLUS Loan and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the additional unsubsidized loan amounts.
- The dependent student may become eligible at any time during an academic year if a parent has first been approved and then later denied a Direct PLUS Loan. For example, if a parent was approved for and received the full amount of a Direct PLUS Loan for a fall-spring loan period, but the parent is subsequently determined ineligible due to having an adverse credit history when he or she requests additional Direct PLUS loan funds later during the spring semester, you may award additional Direct Unsubsidized Loan funds to the student. However, the Direct PLUS Loan funds that the parent previously received during the same period of enrollment must be treated as estimated financial assistance when determining the additional Direct Unsubsidized Loan amount that the student is eligible to receive.

In addition to cases in which a parent has been denied a Direct PLUS Loan due to adverse credit, a dependent undergraduate student may also be eligible for increased unsubsidized loan amounts if you determine and document the existence of other exceptional circumstances that would prevent a parent from borrowing a Direct PLUS Loan.

Note that you may award increased Direct Unsubsidized Loan amounts to a dependent undergraduate even if the student's parent previously applied for a Direct PLUS Loan and was found to not have an adverse credit history, if you determine that exceptional circumstances other than adverse credit would preclude the parent from borrowing and document the basis for the student's eligibility. Similarly, if you make such a determination before a parent has requested a Direct PLUS Loan, you may award the increased Direct Unsubsidized Loan funds to the dependent student without requiring the parent to apply for a Direct PLUS Loan.

Examples of such exceptional circumstances include, but are not limited, to the following:

- The parent is incarcerated.
- The parent's whereabouts are unknown.
- The parent has filed for bankruptcy and has provided a letter from the bankruptcy court stating that as a condition of the bankruptcy filing, the parent may not incur any additional debt.
- The parent's income is limited to public assistance or disability benefits, and you have documented that the parent would not be able to repay the Direct PLUS Loan.
- You have examined the family financial information and documented the parent's likely inability to repay the Direct PLUS Loan due to an existing debt burden or the parent's expected income-to-debt ratio.
- The parent of a dependent student is not a U.S. citizen or permanent resident or is not able to provide evidence from the U.S. Citizenship and Immigration Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Before originating a loan for the increased Direct Unsubsidized Loan amounts based on a parent's ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.

A determination that a parent is ineligible for a Direct PLUS Loan in one academic year based on adverse credit or other exceptional circumstances does not automatically support the dependent student's additional unsubsidized loan eligibility in subsequent years. If a dependent student is determined to be eligible for additional unsubsidized loan amounts in one academic year, you must re-examine and document that the basis for the student's eligibility continues to exist before originating additional unsubsidized loan amounts for the dependent in a subsequent year.

Increased unsubsidized loan limits for certain health professions students

There are higher annual Direct Unsubsidized Loan limits for certain graduate and professional health professions students. Schools may award the increased unsubsidized amounts to students who are enrolled at least half-time in certain health professions programs. The programs must be accredited by specific accrediting agencies. The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular $20,500 Direct Unsubsidized Loan annual loan limit for graduate and professional students.

The programs that are eligible for the increased Direct Unsubsidized Loan amounts and the approved accrediting agencies for these programs are shown in the chart that follows this section. As shown in the chart, the increased unsubsidized loan annual limits vary by program and academic year length.

Graduate and professional students who qualify for the higher annual Direct Unsubsidized Loan limits are also eligible for a higher combined subsidized/unsubsidized aggregate loan limit. For details, see the "Aggregate Loan Limits" section later in this chapter.

Note: Foreign schools that participate in the Direct Loan Program may not award the increased Direct Unsubsidized Loan amounts to health professions students.

Health Professions Programs Eligible for
Additional $20,000 in Unsubsidized Loans for an Academic Year Covering 9 months
Additional $26,667 in Unsubsidized Loans for an Academic Year Covering 12 months

Program	Approved Accrediting Agency
Doctor of Allopathic Medicine	Liaison Committee on Medical Education
Doctor of Osteopathic Medicine	American Osteopathic Association, Bureau of Professional Education
Doctor of Dentistry	American Dental Association, Commission on Dental Accreditation
Doctor of Veterinary Medicine	American Veterinary Medical Association, Council on Education
Doctor of Optometry	American Optometric Association, Council on Optometric Education
Doctor of Podiatric Medicine	American Podiatric Medical Association, Council on Podiatric Medical Education
Doctor of Naturopathic Medicine, Doctor of Naturopathy	Council on Naturopathic Medical Education

Health Professions Programs Eligible for
Additional $12,500 in Unsubsidized Loans for an Academic Year Covering 9 months
Additional $16,667 in Unsubsidized Loans for an Academic Year Covering 12 months

Doctor of Pharmacy	Accreditation: Accreditation Council for Pharmacy Education
Graduate in Public Health	Accreditation: Council on Education for Public Health
Doctor of Chiropractic	Accreditation: Council on Chiropractic Education, Commission on Accreditation
Doctoral Degree in Clinical Psychology	Accreditation: American Psychological Association, Committee on Accreditation
Masters or Doctoral Degree in Health Administration	Accreditation: Commission on Accreditation of Healthcare Management Education

Note: Students in all of the programs on this page are also eligible for a higher aggregate limit for combined subsidized/unsubsidized loans. See the "Aggregate Loan Limits" section later in this chapter.

Proration of annual loan limit for academic year covering 10 or 11 months: For programs with an academic year covering 10 or 11 months, the annual additional unsubsidized loan limit must be prorated. If the academic year covers 10 or 11 months, the prorated annual loan limit is determined by dividing the applicable loan limit for an academic year covering 9 months by 9, and then multiplying the result by 10 or 11.

Example of annual loan limit: The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular Direct Unsubsidized annual loan limits. For example, a student enrolled in a 9-month Doctor of Dentistry program is eligible for the regular Direct Unsubsidized annual loan maximum for a graduate/professional student ($20,500 in unsubsidized), plus the maximum increased unsubsidized amount of $20,000, for a total Direct Unsubsidized Loan maximum of $40,500.

Graduate vs. undergraduate annual loan limits: special cases

- ***Combined undergraduate/graduate programs***

Some programs combine undergraduate and graduate study, where the first years of the program are undergraduate study and the final years of the program are graduate study. For instance, in a 5-year program leading to a graduate or professional degree, the school may define the first three or four years of study as being at the undergraduate level, but after the fourth year, it must be treated as graduate level. .

The regulations define a graduate/professional student as a student who is enrolled in a program or course above the baccalaureate level or in a professional program and who has completed the equivalent of three academic years of full-time study either prior to entering the program or as part of the program itself. Also, a student who is receiving Title IV aid as an undergraduate student can't be considered a graduate/professional student for that same period of enrollment.

To satisfy the requirement that a graduate student has completed three academic years of full-time study, a student must have completed a minimum of at least 72 credit/semester hours, or the equivalent number of quarter hours (at least 108). You may also assign a higher number of credits required to satisfy the credit requirement component to be considered a graduate student at your school, for example, 90 credit/semester hours (which may match your school's grade level progression standard for Direct Loans). Note that these three academic year's worth of credits may be taken over a longer or shorter period of time than three calendar years in the program.

- ***Students returning for second baccalaureate degree***

If a student with a baccalaureate degree enrolls in another baccalaureate program, the student's grade level for loan limit purposes would be based on the amount of work that the school counts toward satisfying the requirements of the new program. For instance, if your school accepts 30 semester hours of a student's work in a previous baccalaureate program toward the requirements for a BS in Chemistry at your school and, on that basis, classifies the student at the second-year level, then the student would be eligible for second-year undergraduate loan limits (see below for the loan limit that applies when a student is required to have a prior associates or baccalaureate degree as condition for being admitted to an undergraduate program).

- ***Transfer from graduate to undergraduate program during an academic year***

If a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate annual loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. However, the total amount awarded for the academic year may not exceed the higher (grad/professional) annual loan limit.

As an example, consider a student who received $10,250 in Direct Unsubsidized Loan funds for a fall semester loan as a graduate student, then enrolls in an undergraduate program in the spring semester and is classified as a third-year independent undergraduate. The school uses an SAY consisting of fall and spring semesters. As a third-year independent undergraduate, the student's annual loan limit is $12,500, not more than $5,500 of which may be subsidized. However, the student may not receive the full $12,500, since that amount, when added to the $10,250 the student received as a graduate student in the fall, would exceed the $20,500 graduate/professional student annual loan limit. Therefore, the student's maximum loan eligibility for the spring semester is $10,250, not more than $5,500 of which may be subsidized.

- ***Baccalaureate or associate degree required for admission to an undergraduate program***

For a student who has an associate or baccalaureate degree that is required for admission into a program, but who is not a graduate or professional student, the annual loan limit is the same as for a third-year and beyond undergraduate (see the "Annual Limits for Sub/Unsub Loans" chart earlier in this chapter).

MONITORING ANNUAL LOAN LIMIT PROGRESSION

Academic Year & Loan Limits

The academic year is used as the basis for the student's annual loan limits. That is, a student may receive up to the applicable annual loan limit each academic year. (The award year concept for Pell and the Campus-Based Programs is not a factor for Direct Subsidized Loans and Direct Unsubsidized Loans.) The loan period is often the same as the academic year, though it may also be for a period shorter than the academic year (see *Chapter 1* of this volume for guidance on defining the academic year).

Two types of academic years for monitoring annual loan limits: SAY and BBAY

There are two types of academic years that may be used to monitor annual loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans: a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY). (Note that although there is no fixed annual loan limit for Direct PLUS Loans, Direct PLUS Loans are awarded for the same SAY or BBAY period that is used for Direct Subsidized Loans and Direct Unsubsidized Loans.)

An SAY corresponds to a traditional academic year calendar that is published in a school's catalog or other materials, and is a fixed period of time that begins and ends at the same time each year. Examples of SAYs for a standard term program are fall and spring semesters, or fall, winter, and spring quarters. If a program has SE9W nonstandard terms, an SAY could consist of two or more SE9W nonstandard terms running from fall through spring. For both standard term and SE9W nonstandard term programs, the number of credit hours and weeks of instructional time in the fall through spring SAY period must meet the regulatory requirements for an academic year.

A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's (or group of students') attendance and progression in a program of study. There are 3 types of BBAY, described below.

If a program is offered in an SAY calendar, you have the option of using either an SAY or BBAY 1 to monitor the annual loan limits for students in that program. You **must** use a BBAY to monitor the annual loan limits for any academic program that does not meet the definition of a program allowed to use an SAY. However, there are significant differences between the different types of BBAY:

- BBAY 1, for credit-hour programs using an SAY with standard terms or SE9W nonstandard terms.
- BBAY 2, for credit-hour programs not using an SAY, with standard terms or SE9W nonstandard terms.
- BBAY 3, for clock-hour programs, non-term programs, programs with nonstandard terms that are not SE9W, or programs with standard and nonstandard terms not described above.

We describe the differences between SAY, BBAY 1, BBAY 2, and BBAY 3 in more detail on the following pages.

SAY for credit-hour programs using standard terms with traditional academic calendar or using SE9W nonstandard terms with comparable calendar

SAY with standard terms

As noted previously, an SAY corresponds to a traditional academic year calendar, and usually begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of the spring semester). An SAY must meet the FSA requirements for an academic year (as defined in *Chapter 1*). An SAY may include one or more terms that a student does not attend.

Standard terms are semesters, trimesters, or quarters. See *Chapter 1* of this volume for more detail on standard terms. A standard-term program may use an SAY if it has a traditional academic calendar (i.e., has terms that start and end at about the same time each year, such as an academic calendar consisting of the fall and spring semesters or the fall, winter, and spring quarters).

Summer terms are generally not considered to be part of the SAY, but for loan limit purposes they may be treated as a "trailer" to the preceding SAY or as a "header" to the following SAY. Your school has the option to establish a policy that designates its summer term as either a trailer or header to the SAY for all students. You can also choose to make different designations for different educational programs, or for different students, as long as you ensure that there is no overlap in academic years. Note that a fixed designation of the summer term can limit a student's eligibility. For instance, if you always treat your summer term as a trailer to a preceding fall-spring SAY, a student who receives the full annual loan limit for fall-spring would have no remaining loan eligibility for summer.

If the summer term is split into minisessions (e.g., "summer 1" and "summer 2"), the minisessions can be combined and treated as a single trailer or header, or they can be treated separately and assigned to different SAYs. If the summer minisessions are grouped together and treated as a single term, the summer COA cannot include costs for a minisession for which the student is not expected to be enrolled.

The annual loan limit applies to the SAY, plus the summer trailer or header. For example, if the SAY consists of fall and spring semesters followed by a summer trailer, a student could receive a full annual loan limit for the fall-spring-summer period. Once the calendar period associated with all of the terms in the SAY and the summer header or trailer (if any) has elapsed, a student regains eligibility for a new annual loan limit.

SAY with SE9W nonstandard terms

A program with SE9W nonstandard terms may use an SAY if all of the following requirements are met:

- it has a fixed academic calendar comparable to a traditional academic calendar (i.e., terms that start and end at about the same

time each year, with the academic year comprised of two or more SE9W nonstandard terms in the fall through spring);

- all of the nonstandard terms, including any summer term, are SE9W; and
- the number of credit hours and weeks of instructional time in the comparable fall-spring academic calendar meet the regulatory requirements for an academic year.

SE9W SAY Example

Baez Business College has programs with an academic calendar using semester hours with three quarters, each 12 weeks of instructional time in length, offered over the fall through spring (comparable to a traditional academic year calendar) and a 10 week term offered in the summer. Baez defines its academic year as 36 weeks of instructional time and 24 semester hours. As "quarters" using semester hours, the terms are nonstandard terms.

Because these terms are SE9W nonstandard terms offered in a fixed schedule with an academic calendar comparable to a traditional calendar, Baez may use an SAY (with the summer term treated as a trailer or header) or BBAY 1 (consisting of any three consecutive terms) for these programs.

BBAY 1 for credit-hour programs with SAY

If a program is offered in a SAY, you have the option of using a BBAY (BBAY 1) as an alternative to the SAY for monitoring annual loan limit progression. Unlike an SAY, a BBAY is not a fixed period that begins and ends at the same time each year. Instead, a BBAY's beginning and ending dates depend on the individual student's enrollment.

For programs with an SAY, a BBAY must include the same number of terms as the SAY that would otherwise be used (not including any summer "trailer" or "header"). For example, if the SAY includes three quarters (fall, winter, spring), a BBAY would consist of any three consecutive terms. A BBAY may include terms the student does not attend if the student could have enrolled **at least half-time** in those terms, but (unlike an SAY) it must begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-half-time for the first term and not eligible for a loan for that term). Also, any minisessions (summer or otherwise) that run consecutively within a term **must** be combined and treated as a single term.

Like an SAY, a BBAY must meet the minimum FSA requirements for an academic year. However, a BBAY that includes a summer term may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY. This is because a summer term may be shorter than a standard term in an SAY, but is recognized as academically equivalent to a standard term when used as one of the terms in a BBAY. (Note: This exception applies only to a BBAY used as an alternative for a program with an SAY.)

You may use BBAYs for all students, only for students in certain programs, or on a student-by-student basis. For example, you could use a

BBAY for students enrolled in a program that begins in a term other than the first term of the SAY. You can even alternate BBAYs and SAYs for a student, provided the academic years don't overlap. This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard.

As with an SAY, the annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

Alternating SAY/BBAY 1

This treatment may allow a student to receive another loan sooner than would be allowed with an SAY. For instance, if you normally use an SAY consisting of fall and spring semesters with a summer trailer, a student who received the maximum annual loan limit for fall-spring could not receive another loan until the start of a new SAY in the fall. If the student enrolls for summer and wants a loan, you could choose to switch the student to a BBAY consisting of the summer and fall terms. The student could then receive a loan for the summer term, since summer would be the start of a new academic year. A school that has these choices for academic year standards must have a written policy that explains how it applies these options when calculating loan eligibility.

BBAY 2 for standard-term programs and SE9W nonstandard term programs without SAY

If a program with standard terms or SE9W nonstandard terms is not offered in a traditional academic year calendar (SAY), BBAY 2 **must** be used. If the program uses semesters or trimesters, a BBAY consists of any two consecutive terms. If the program uses quarters, a BBAY consists of any three consecutive terms. If the program uses SE9W nonstandard terms, a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program's academic year.

As with the optional BBAY 1 that may be used for programs with an SAY, BBAY 2 may include terms that a student does not attend (as long as the student could have enrolled at least half-time in those terms), but it must begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-full-time for the first term and not eligible for a loan for that term). Unlike the optional BBAY 1 for programs offered in an SAY, there is no exception to the minimum academic year requirements for a BBAY 2 that includes a summer term: the BBAY 2 for standard-term programs that are not offered in a traditional academic calendar, or for SE9W nonstandard term programs not offered in a comparable academic calendar, must always include enough terms to meet the minimum Title IV academic year requirements for weeks of instructional time.

The annual loan limit applies to the BBAY 2. Once the calendar period associated with all of the terms in the BBAY 2 has elapsed, a student regains eligibility for a new annual loan limit.

Standard term, credit-hour programs not using a traditional academic year calendar: BBAY 2

Soler Academy has a program that measures academic progress in credit-hours and uses 15-week semesters, but it is not offered in a traditional academic year calendar (SAY). New students begin the program each month, and a 15-week semester begins at that time for that cohort of students. The school must use BBAY 2 to monitor annual loan limits. A BBAY consists of any two consecutive semesters, beginning with a semester in which a student is enrolled:

Semester #1 (begins program)	Semester #2	Semester #3	Semester #4 (not enrolled)	Semester #5	Semester #6
First BBAY		Second BBAY		Third BBAY	

BBAY 3 for clock-hour, non-term credit-hour, and non-SE9W nonstandard-term programs

All clock-hour programs, non-term credit-hour programs, and non-SE9W nonstandard-term programs must use a BBAY 3 that meets the minimum requirements for an academic year. That is, the BBAY must contain at least 30 (or, for clock-hour programs, 26) weeks of instructional time and at least the minimum number of credit or clock-hours:

- For undergraduate programs, 24 semester or trimester hours, 36 quarter-hours, or 900 clock-hours;
- For graduate programs, the number of hours a student would complete under the school's full-time standard in the weeks of the Title IV academic year, which must be a minimum of 30 weeks of instructional time for credit hour programs, or at least 26 weeks of instructional time for clock-hour programs.

The BBAY 3 begins when a student enrolls and does not end until the later of the date the student successfully completes the hours in the academic year or the number of weeks of instructional time in the academic year. Because a student must successfully complete the minimum number of hours or weeks of instructional time in an academic year (whichever comes later) before a new BBAY 3 begins, a student's enrollment status may affect how soon the student regains eligibility for a new annual loan limit. For example, a student who is attending part-time will take longer to complete a BBAY 3 than a full-time student. (In contrast, an SAY, BBAY 1, or BBAY 2, ends when the calendar period associated with the terms in the SAY or BBAY has elapsed, regardless of how many credit-hours or weeks of instruction the student completed during the SAY or BBAY.)

Individual academic progress in BBAY 3

In many clock-hour, non-term, and nonstandard-term programs, students are allowed to progress at an individual pace. For example, a school that defines its academic year as 900 clock-hours and 26 weeks of instructional time offers a 900 clock-hour program that most students complete in 26 weeks. However, one student might complete 900 clock-hours in 22 weeks, and another in 30 weeks.

As we explain later in this chapter, the annual loan limit must be prorated (reduced) if an undergraduate student is enrolled in a program that is less than a full academic year in length, or is in a remaining period of study that is shorter than a full academic year. However, in the scenario described here you do not have to prorate the loan limit for the occasional student who completes the program in fewer than 26 weeks. This policy applies only to programs that are exactly one academic year in length. If a program is longer than an academic year, proration may be required for a loan covering the remaining portion of the program if a student completes more than the minimum number of hours during the first 26 weeks of instructional time. See loan limit proration Example 3 later in this chapter.

BBAY 3 for programs with both standard and nonstandard terms

BBAY 3 must also be used if a program has standard terms and nonstandard terms and does not qualify to use an SAY. For example, if you offer a program with a 4-week intersession between a 15-week fall semester and a 15-week spring semester, and you do not combine the intersession with one of the standard terms but instead treat it as a standalone nonstandard term, you would be required to use BBAY 3 to monitor annual loan limit progression. In this circumstance it is not permissible to simply ignore the intersession and consider the program to be offered only in standard terms. In contrast, if you combine the intersession with one of the semesters, you could use an SAY consisting of the fall and spring semesters.

Monitoring Annual Loan Limits with an SAY or BBAY

Credit-hour programs offered in a Scheduled Academic Year (SAY) An SAY uses 1) a traditional academic calendar with at least two semesters or trimesters or three quarters in the fall through spring, or 2) a comparable academic calendar with SE9W nonstandard terms, if **a)** all of the nonstandard terms, including the summer term, are SE9W, and **b)** the number of hours/weeks in the comparable fall-spring academic calendar meets the regulatory requirements for an academic year.		Credit-hour programs not offered in an SAY, but with 1) standard terms, or 2) SE9W nonstandard terms	Clock-hour programs, non-term programs, programs with non-SE9W nonstandard terms, and programs that mix standard and nonstandard terms and do not qualify to use an SAY
May use SAY	May use BBAY 1	Must use BBAY 2	Must use BBAY3
1) SAY generally begins/ends at same time each year. 2) Student does not have to be enrolled in first term of SAY. 3) SAY must at least meet program's Title IV academic year in weeks/hours. 4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit 5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed. 6) After original loan, student may receive additional loans during same SAY if: • Student did not receive maximum annual loan amount and has remaining eligibility; • Student progresses to grade level with higher annual loan limit; or • Student changes from dependent to independent. 7) Summer term may be "trailer" or "header" per: • Strict policy; • By program; or • Case by case, by student.	*May use BBAY 1 for all students; certain students; or certain programs* *May alternate SAY and BBAY1 for a student provided academic years do not overlap* 1) BBAY1 float" with student's enrollment. 2) Student must be enrolled in first term of BBAY1 (may be less than half-time). 3) Length of BBAY1 must equal number of terms in program's SAY, excluding summer trailer/header. • Number of hours/weeks in BBAY1 need not meet regulatory requirements for academic year if BBAY1 includes summer term. • May include terms student does not attend (except first term) if student could have enrolled at least half-time. 4) Total of all loans received within BBAY1 may not exceed annual loan limit. 5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed. 6) After original loan, student may receive additional loans during same BBAY1 if: • Student did not receive maximum annual loan amount and has remaining eligibility; • Student progresses to grade level with higher annual loan limit; or • Student changes from dependent to independent. 7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term (affects all FSA programs). • Student need not enroll in each minisession, but must have been able to enroll at least ½-time in the combined term.	1) BBAY2 floats with student's enrollment. 2) Student must be enrolled in first term of BBAY2 (may be less than half-time). 3) BBAY2 may include terms student does not attend (except first term) if student could have enrolled at least half-time 4) BBAY2 must meet at least the minimum requirements for hours/weeks of program's Title IV academic year, and must consist of: • at least 2 consecutive semesters or trimesters; • at least 3 consecutive quarters; or • at least the number of consecutive SE9W nonstandard terms covered by program's Title IV academic year. 5) Total of all loans received within BBAY2 may not exceed annual loan limit. 6) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed 7) After original loan, student may receive additional loans during same BBAY2 if: • Student did not receive maximum annual loan amount and has remaining eligibility; • Student progresses to grade level with higher annual loan limit; or • Student changes from dependent to independent. 8) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term (affects all FSA programs) • Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term	1) BBAY3 floats with student's enrollment. 2) BBAY3 begins with student's enrollment on at least a half-time basis. 3) BBAY3 must meet at least the minimum requirements for hours/weeks of program's Title IV academic year. 4) Total of all loans received within BBAY3 may not exceed annual loan limit. 5a) Student becomes eligible for new annual loan limit only after successfully completing clock or credit-hours AND weeks of instructional time in BBAY3. 5b) Student may not become eligible for next grade level annual loan limits until after completion of BBAY3. 6) After original loan, student may receive additional loans within BBAY3 only if: • Student did not receive maximum annual loan amount and has remaining eligibility; or • Student changes from dependent to independent.

Standard term, credit-hour programs using a traditional academic year calendar: BBAY 1

1. BBAY where SAY contains 2 semesters

Examples *1a* through *1c* illustrate the optional use of BBAY 1 for a program that is offered in an SAY consisting of two semesters, fall and spring, each 15 weeks of instructional time in length. (Note that in each example, the first BBAY is the same as the SAY.)

In example 1a, the initial fall and spring terms could be considered either an SAY or BBAY. If the student attends the summer session at the school, the aid administrator can elect to treat the summer term and the next fall as a BBAY for the student. In that case, the following spring and summer would also constitute a BBAY. The maximum loan limit for an academic year applies to each BBAY. If these were the first three years of study for a dependent student who progressed a grade level each academic year, the student would be eligible for up to the applicable annual loan limit each academic year.

1a.

Fall	Spring	Summer	Fall	Spring	Summer
Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. In example 1b, the student is not enrolled in the second term (fall) of year 2.

In example 1c, if the student does not attend a term that otherwise would have been the beginning of a BBAY (in this case, spring), then the student's next BBAY cannot begin until the next term that the student attends. As with example 1a, the annual loan limit applies to each BBAY.

1b.

Fall	Spring	Summer	Fall (not enrolled)	Spring	Summer
Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

1c.

Fall	Spring	Summer	Fall	Spring (not enrolled)	Summer	Fall
Year 1: SAY or BBAY		Year 2: BBAY			Year 3: BBAY	

2. BBAY where SAY contains 3 quarters

The same concepts apply to quarter-term programs. For instance, in example 2, the fall, winter, and spring terms constitute the school's SAY. If the student attends the summer session at the school, it can be the first term of a BBAY that includes the following fall and winter terms.

Fall	Winter	Spring	Summer	Fall	Winter
Year 1: SAY or BBAY			Year 2: BBAY		

BBAY 3 for clock-hour, non-term, and non-SE9W nonstandard-term programs

Example: Clock-hour program

Soler Academy has an 1,800 clock-hour program with 52 weeks of instructional time, and defines its academic year as 900 clock-hours and 26 weeks of instructional time. The first BBAY 3 begins with a student's initial enrollment date and ends when the student has successfully completed the first 900 clock hours and 26 weeks of instructional time in the program, whichever comes later. The second BBAY 3 would be the period of time it takes the student to successfully complete the final 900 hours and 26 weeks of instructional time in the program. A student who completes the first 900 hours in less than 26 weeks must still complete 26 weeks of instructional time before the second BBAY 3 begins. . Similarly, a student who has completed fewer than 900 clock-hours after 26 weeks of instructional time must successfully complete 900 hours before the second BBAY 3 begins.

During the first BBAY 3, the student may receive up to the full annual loan limit for a first-year undergraduate. The student becomes eligible for a new annual loan limit (at the second-year undergraduate level) when the second BBAY 3 begins.

The same principles described above for a clock-hour program would also apply to a non-term credit-hour program, or a non-SE9W nonstandard term credit-hour program. For example, if a school offers a non-term 48 semester hour, 60 weeks of instructional time program with a defined academic year of 24 semester hours and 30 weeks of instructional time, the second BBAY 3 would not begin until a student has successfully completed the first 24 semester hours and 30 weeks of instructional time.

Similarly, in a 72 quarter-hour program with 60 weeks of instructional time offered in a series of non-SE9W nonstandard terms, with a defined academic year of 36 quarter-hours and 30 weeks of instructional time, the second BBAY 3 would not begin until a student has successfully completed the first 36 quarter hours and 30 weeks of instructional time, whichever comes later, regardless of the number of terms that have elapsed. For instance, a student who successfully completes only 33 quarter hours in the first 30 weeks of instructional time must successfully complete an additional three quarter hours before the second BBAY 3 begins and the student becomes eligible for a new annual loan limit at the second-year undergraduate level.

ANNUAL LOAN LIMIT INCREASE BASED ON GRADE LEVEL PROGRESSION

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in grade level. Generally, a student's grade level for loan limit purposes is set according to the school's academic standards.

While the law defines minimum coursework for an academic year, it doesn't define how much coursework a student must complete to progress from one grade level to another. Unless a student's program of study or a school's academic standards clearly specify when this grade-level progression takes place, a reasonable approach would be to base grade levels on the number of credits required for the program, divided by the number of academic years it takes a typical student to earn that number of credits. For instance, if your school has a baccalaureate program that requires 120 semester hours of work and is typically completed in four academic years, then you might use a standard of 30 hours completed at each grade level.

Grade level progression within same academic year: standard term and SE9W nonstandard term programs

In standard term programs or SE9W nonstandard term programs, a student who has already received the full annual limit within an academic year can receive additional loan funds if the student progresses to a grade level with a higher annual loan limit during that same academic year. (See *Volume 3*, *Chapter 1* for a discussion of academic year requirements.)

For instance, consider a dependent student who was classified as a 2nd-year undergraduate at the beginning of the academic year and who received a first disbursement of $3,250 in Direct Subsidized/Unsubsidized Loan funds at the beginning of the fall term of a fall-spring SAY. If the student progresses to 3rd-year academic status at the beginning of the spring term based on the coursework completed in the fall semester, the student would now be eligible for the $7,500 Direct Subsidized/Unsubsidized annual limit that applies to 3rd year and beyond dependent undergraduates. If otherwise eligible, for the spring term the student could receive up to the difference between the amount already received in the fall and the new annual limit in the spring term ($7,500 minus $3,250 = $4,250). However, only the COA and EFA associated with the spring term can be used in determining the student's eligibility for the additional loan amount in that term. The COA and EFA for the fall term cannot be considered.

Grade level progression: clock-hour, non-term credit hour, and non-SE9W nonstandard term programs

In contrast to standard term and SE9W nonstandard term program, progression to a higher grade level and the beginning of a new BBAY for loan limit purposes always happens at the same time for a student in a clock-hour program, non-term program, or non-SE9W nonstandard-term program. In order to advance to the next grade level for annual loan limit purposes, a student must successfully complete both the weeks and hours in the program's Title IV academic year. That is, the student must

complete at least 30 weeks of instructional time (or, for clock-hour programs, at least 26 weeks) and the number of credit or clock-hours in the academic year, whichever comes later. For instance, a first-year student in a 2-year non-term program with a defined academic year of 36 quarter hours and 30 weeks of instructional time who earns 36 quarter-credits over 24 weeks of instructional time cannot progress to the next grade level (and begin a new BBAY for annual loan limit purposes) until another 6 weeks of instructional time are completed.

Increasing the loan when grade level changes during academic year

There are two options for awarding an additional loan amount when a student progresses to a grade level with a higher annual loan limit during an academic year:

1. Originate a new loan at the new grade level for the applicable amount (the difference between the new loan limit and the amount of the first loan). The loan period for the new loan must correspond to the term(s) during which the student qualifies for the higher loan limit. You could also choose to cancel any pending disbursements of the first loan and originate a new loan for an amount equal to the canceled disbursements of the first loan plus the additional amount for which the student is eligible due to the grade level change.

2. Adjust the amount of the current loan. Change the grade level in the loan record and increase the amount of the existing loan to the new amount.

With either option, the student's remaining loan eligibility must be calculated using only the costs and estimated financial assistance for the term(s) during which the student qualifies for the higher loan limit.

As a reminder, a student can progress to a higher grade level during an academic year only in a program with standard terms or SE9W nonstandard terms.

New annual amount for same grade level

Progression to a higher grade level does not always coincide with the beginning of a new academic year. For both standard-term programs and SE9W nonstandard term programs, if a student is enrolled at the same grade level after a full academic year has elapsed, the student may be eligible for a new annual maximum amount at the same grade level, provided that the student maintains satisfactory academic progress. For example, a student in a standard term or SE9W nonstandard term program who completes only 12 semester hours during the first SAY, BBAY 1, or BBAY 2 could receive another loan when the calendar period associated with that academic year has elapsed, but the borrower would still be classified as a first-year undergraduate at the start of the second academic year.

As long as a student is maintaining satisfactory academic progress, your school is not permitted to have a general policy that limits the number of times the student can receive the maximum annual loan limit at one grade level. A school may refuse to originate a loan or may originate a loan for an amount less than the borrower's maximum eligibility only on a case-by-base basis.

Remedial work & grade level

Remedial coursework can be counted towards the student's grade level progression, but only if the school's written and officially approved academic grade level progression policy specifies that remedial coursework can be counted for this purpose. Example: A school requires that the student complete 30 semester hours to progress to second-year grade level, and specifies that up to 10 of the hours may be in the form of remedial coursework.

Transfers & grade level

If you're awarding a Direct Loan to a student who is transferring from a program at another school to a program at your school that is greater than one academic year in length, you may use the loan limits for a second-year or higher undergraduate if your school classifies the student at that level based on the number of academic credits it accepts from the prior school, or based on the granting of advance standing in the new program. Note, however, that if the student already has an associate or bachelor's degree and if that degree is required for entry into a program at your school, you *must* use the 3rd-year and beyond undergraduate loan limits for a student who transfers to that program.

Increasing loan amount when student changes dependency status during academic year

For any type of educational program (whether term-based or non-term, credit-hour or clock-hour), a dependent student who has already borrowed up to the annual loan limit within an academic year may be eligible to receive additional loan funds if his or her dependency status changes to independent during that same academic year.

PRORATING ANNUAL LOAN LIMITS FOR DIRECT SUBSIDIZED/UNSUBSIDIZED LOANS (UNDERGRADUATE ONLY)

Loan proration
34 CFR 685.203(a),(b),(c)

The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is:

- enrolled in a program that is shorter than a full academic year; or
- enrolled in a program that is one academic year or more in length, but is in a remaining period of study (a period of study at the end of which a student will have completed all requirements of the program) that is shorter than a full academic year.

The annual loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans are prorated only in these two situations. Loan limits are not prorated based on a student's enrollment status, such as when a student is enrolled less than full-time or is enrolled for a period of less than a full academic year that is not a remaining period of study. In addition, the annual loan limit for Direct Unsubsidized Loans is not prorated for students enrolled in graduate or professional level programs.

Loan proration requirements also do not apply to students taking preparatory coursework or coursework necessary for teacher certification. The annual loan limit must be prorated only when a student is enrolled in a program or remaining portion of a program that is shorter than an academic year. For purposes of awarding Title IV aid, students taking preparatory coursework or coursework needed for teacher certification are not considered to be enrolled in a program.

It's important to understand that loan limit proration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually receives. In some cases, the actual loan amount that a student is eligible to receive (based oncosts, EFC, and other aid) may be less than the prorated loan limit.

Prorating loan limits for programs of study shorter than full academic year

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser* of —

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

or

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

The result is the prorated annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.) For more information, see the "Note on fractions and decimals for prorating Direct Loans" later in this chapter.

Prorating loan limits for remaining periods of study shorter than academic year

You must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study (also sometimes called a "final" period of study) needed to complete the program will be shorter than an academic year. Proration is required only when it is known in advance that a student will be enrolled for a final period of study that is shorter than an academic year. If a student originally enrolls for a final period of study that is a full academic year in length, but completes the program early in less than a full academic year, it is not necessary to retroactively prorate the annual loan limit.

In a *standard term program, or a credit-hour program using SE9W nonstandard terms,* a remaining period of study is considered shorter than an academic year if the remaining period contains fewer terms than the number of terms covered by the school's Title IV academic year. For programs that are offered in an SAY, the number of terms covered in the

school's Title IV academic year usually does not include a summer "header" or "trailer" term.

For standard term programs or credit-hour programs with SE9W nonstandard terms, the length of the loan period does not determine whether a student is enrolled in a remaining period of study that is shorter than an academic year. The determining factor is the length of the remaining period of study in which the student is enrolled, which may not be the same as the loan period. For example, if an undergraduate student is enrolled for a full SAY consisting of fall and spring semesters, and will complete the program at the end of the spring term, but is enrolled less than half-time during the spring, the student is eligible to receive a Direct Loan only for the fall semester. Although the loan period (fall only) would be shorter than an academic year, the remaining period of study (fall through spring) is a full academic year. Therefore, if the student receives a Direct Loan in the fall, proration of the annual loan limit is not required.

In a *clock-hour program, non-term program, or a program with non-SE9W nonstandard terms,* a remaining period of study is considered less than an academic year if the remaining period consists of fewer clock or credit hours than the program's defined Title IV academic year. In contrast to standard term and SE9W nonstandard term programs, if a student enrolled in a clock-hour, non-term, or non-SE9W nonstandard term program is in a remaining period of study shorter than an academic year and receives a Direct Loan, the loan period and the remaining period of study will always be the same. This is because for these programs the minimum loan period is the lesser of the length of the program (or remaining portion of a program) or the academic year.

For all types of programs, where there is a remaining period of study less than an academic year, the annual loan limit for the student's grade level is multiplied by the following fraction to determine the prorated loan limit:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

Unlike proration for programs that are shorter than an academic year, there is no comparison of weeks and hours. *Only the credit or clock-hours that the student is scheduled to attend or is actually attending at the time of origination are used in the calculation.*

Separate calculations for combined subsidized/unsubsidized annual loan limit and maximum subsidized annual loan limit

As explained earlier in this chapter, for undergraduate students there is a maximum combined annual loan limit for Direct Subsidized Loans and Direct Unsubsidized Loans, and a maximum portion of that combined annual loan limit that a student may receive in Direct Subsidized Loans. If the annual loan limit for an undergraduate student must be prorated, you must first determine the combined Direct Subsidized Loan and Direct Unsubsidized Loan prorated annual loan limit, and then separately determine the Direct Subsidized Loan prorated annual loan limit. This is illustrated in the proration examples that follow.

Prorating annual loan limits for borrowers in remaining portions of term-based programs

A student who is enrolled in a four-year program that is offered in an SAY consisting of three quarters plus a summer "trailer" has completed four academic years of study. However, the student needs to attend an additional quarter term to complete the program requirements. The final quarter term would fall in a new academic year, and thus the annual loan limit would have to be prorated, because the remaining period of study (a single quarter) is less than a full academic year.

A student who is enrolled in a two-year program not offered in an SAY where the Title IV academic year covers two 15-week semesters has completed two academic years of study, but needs to return for an additional semester to complete the program requirements. Again, the loan limit would have to be prorated if the student receives a loan for the final semester.

Use of fractions vs. decimals when prorating loan limit

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this conversion is not a requirement. Although in the following examples the fractions are converted to decimals, you may choose to multiply the annual loan limit by the original fraction. However, you should be consistent in the method you use, since the fraction and decimal calculations sometimes result in slightly different prorated loan limits.

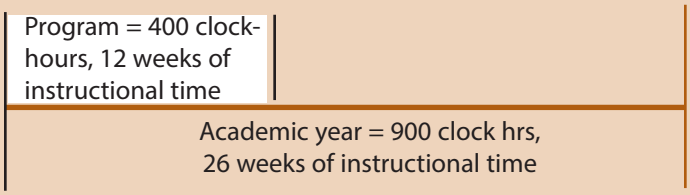
For instance, using the decimal 0.44 in Example 1 below results in a prorated loan limit of $2,420. In contrast, using the fraction 400/900 would result in a slightly higher prorated loan limit of $2,444. In Example 2, using the decimal 0.67 results in a prorated loan limit of $6,365. Using the fraction 24/36 would result in a slightly lower prorated loan limit of $6,333.

Using school's definition of academic year if longer than the Title IV minimum

A school may choose to define its academic year as longer in weeks or hours than the minimum statutory requirements. If so, the school's standard – not the statutory minimum – determines whether a program or a final period of study is shorter than an academic year.

Proration examples for programs shorter than an academic year

Example 1



Jill is a dependent student enrolled in a 400 clock-hour, 12-week program at Epstein Career College (ECC). ECC defines the academic year for this program as 900 clock-hours and 26 weeks of instructional time.

To determine the maximum loan amount she can borrow, convert the fractions based on weeks (12/26 = 0.46) and hours (400/900 =0 .44) to decimals. Multiply the smaller decimal (0.44) by the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year dependent undergraduate ($5,500, not more than $3,500 of which may be subsidized):

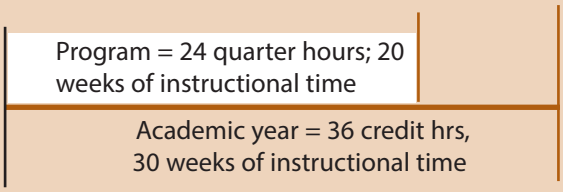
$5,500 x 0.44 = $2,420 combined subsidized/unsubsidized prorated annual loan limit

To determine the maximum portion of the $2,420 prorated annual loan limit that Jill may receive in subsidized loan funds, multiply the maximum subsidized annual loan limit of $3,500 by the smaller decimal (0.44):

$3,500 x 0.44 = $1,540 subsidized prorated annual loan limit

The maximum combined Direct Subsidized Loan and Direct Unsubsidized Loan amount Jill can borrow for the program is $2,420, but no more than $1,540 of this amount may be in subsidized loans.

Example 2



Morgan is an independent student enrolled in a 24 quarter-hour, 20-week program at Epstein Career College. ECC defines the academic year for this program as 36 quarter-hours and 30 weeks of instructional time. To determine the maximum loan amount she can borrow, convert the fractions based on weeks (20/30 = 0.67) and quarter-hours (24/36 = 0.67) to decimals. Multiply the smaller decimal (in this case, both are 0.67) by the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year independent undergraduate ($9,500, not more than $3,500 of which may be subsidized):

$9,500 x 0.67 = $6,365 combined subsidized/unsubsidized prorated annual loan limit

To determine the maximum portion of the $6,365 prorated annual loan limit that Morgan may receive in subsidized loan funds, multiply the maximum subsidized annual loan limit of $3,500 by the same decimal (0.67):

$3,500 x 0.67 = $2,345 subsidized prorated annual loan limit

The maximum combined Direct Subsidized Loan and Direct Unsubsidized Loan amount Morgan can borrow for the program is $6,365, not more than $2,345 of which may be in subsidized loans.

Proration examples for remaining period of study shorter than an academic year

Example 1: Academic year contains 3 quarters
Remaining period = 1 quarter

Fall	Winter	Spring
Fall	Winter	Spring
Fall	Winter	Spring

Chuck has attended 6 quarters in a 2-year program at Hartlieb Community College (HCC), but to finish the program, he needs to attend an additional quarter as a half-time student (6 quarter hours). Chuck is a dependent undergraduate student, and HCC defines its academic year (covering three quarters) as 36 quarter hours and 30 weeks of instructional time.

To determine the prorated Direct Loan limit for Chuck's remaining period of study, convert the fraction based on the hours that Chuck is expected to attend and the hours in the academic year to a decimal (6/36 = 0.17).

Multiply this decimal by the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a dependent second-year undergraduate ($6,500, not more than $4,500 of which may be subsidized):

$6,500 x 0.17 = $1,105 combined subsidized/unsubsidized prorated annual loan limit

To determine the maximum portion of the $1,105 prorated annual loan limit that Chuck may receive in subsidized loan funds, multiply the maximum subsidized annual loan limit of $4,500 by the same decimal (0.17):

$4,500 x 0.17 = $765 subsidized prorated annual loan limit

The maximum combined Direct Subsidized Loan and Direct Unsubsidized Loan amount Chuck can borrow for the remaining portion of the program is $1,105, not more than $765 of which may be subsidized.

Example 2: Academic year contains 2 semesters
Remaining period = 2 semesters, with less than half-time enrollment in one of the semesters

Fall	Spring
Fall	Spring

Chuck transfers to a BA program at Reiff College. During his second year, he will be enrolled full-time in the fall and less than half-time in the spring, and will graduate at the end of the spring term. Although Chuck is eligible to receive a Direct Loan only for the fall term, his remaining period of study (two semesters) is equal to a full academic year. Therefore, proration of the annual loan limit is not required if he receives a Direct Loan for the fall term.

Example 3: Academic year contains 900 clock-hours and 26 weeks.
Remaining period = 760 clock-hours

Year 1: Student completes 1,040 clock-hours in 26 weeks

Year 2: 760 clock-hours remaining in program

Bulaga Career College has an 1800 clock-hour program and defines its academic year as 900 clock-hours and 26 weeks of instructional time. Sally, a dependent undergraduate student, successfully completes the first 900 clock-hours of the program in 22 weeks of instructional time. However, she must complete an additional four weeks of instructional time before she may receive a second loan. After 26 weeks of instructional time have elapsed, Sally has successfully completed 1040 clock-hours. She may then receive a second loan, but the loan limit must be prorated based on the number of clock-hours remaining in her program at this point (760). To determine the prorated loan limit for Sally's second loan, convert the fraction based on the number of clock-hours remaining to a decimal (760/900 = 0.84). Multiply this decimal by the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a dependent second-year undergraduate ($6,500, not more than $4,500 of which may be subsidized):

$6,500 x 0.84 = $5,460 combined subsidized/unsubsidized prorated annual loan limit

To determine the maximum portion of the $5,460 prorated annual loan limit that Sally may receive in subsidized loan funds, multiply the maximum subsidized annual loan limit of $4,500 by the same decimal (0.84):

$4,500 x 0.84 = $3,780 subsidized prorated annual loan limit

The total prorated loan limit for the remaining period of study is $5,460, not more than $3,780 of which may be subsidized.

Proration examples for remaining period of study shorter than an academic year (continued)

Example 4: Academic year contains 3 quarters

Remaining period of study = two quarters, separated by a period of non-enrollment

Fall	Winter	Spring

McNutt Institute has an academic year that covers three quarters: fall, winter, and spring. Bob, an independent fourth-year undergraduate, will be enrolling at least half-time in the fall and spring quarters, but will not be enrolled in the winter quarter, and will graduate at the end of the spring quarter. Because the fall quarter is in the same academic year as Bob's final quarter, it is part of the final period of study, even though there is a term between the final quarter and the fall quarter in which he will not enroll. McNutt Institute must award Bob separate loans for fall and spring.

Bob's final period of study (two terms) is shorter than an academic year, so the annual loan limit for each loan must be prorated based on the number of hours for which Bob is enrolled in each term.

In this example, Bob will be enrolled for 12 hours in each of the two quarters (fall and spring). The prorated loan limit is determined separately for each term by converting the fraction based on the number of hours in each term to a decimal (12/36 = 0.33). Multiply this decimal by the combined Direct Subsidized Loan/Direct Unsubsidized Loan annual loan limit for an independent fourth-year undergraduate ($12,500, not more than $5,500 of which may be subsidized):

$12,500 x 0.33 = $4,125 combined subsidized/unsubsidized prorated annual loan limit for a single term (fall or spring)

To determine the maximum portion of the $4,125 prorated annual loan limit that Bob may receive in subsidized loan funds for a single term, multiply the maximum subsidized annual loan limit of $5,500 by the same decimal (0.33):

$5,500 x 0.33 = $1,815 subsidized prorated annual loan limit for a single term (fall or spring)

The combined total prorated loan limit for the two single-term loans (fall-only and spring-only) in the remaining period of study is $4,125, not more than $1,815 of which may be subsidized. This means that the maximum loan amount Bob may receive for the two terms in the final period of study combined is $8,250, not more than $3,630 of which may be subsidized.

Example 5: Remaining period of study shorter than an academic year, with less than half-time enrollment in one of the terms.

Fall	Winter	Spring (not enrolled)

Turner College has an academic year that covers three quarters: fall, winter, and spring. Linda, a dependent fourth-year undergraduate, will be enrolling in the fall and winter quarters, but not the spring quarter, and will graduate at the end of the winter term. Linda will be enrolled for 12 quarter hours (full-time) during the fall quarter, but will be enrolled for only three hours (less than half-time) in the winter quarter. Turner defines its academic year as 36 quarter hours and 30 weeks of instructional time.

Linda's final period of study (two terms) is shorter than an academic year, so the annual loan limit must be prorated. However, because Linda will be enrolled less than half-time during the winter quarter (and therefore ineligible to receive Direct Loan funds for that term), the loan period will cover the fall quarter only, and only the 12 quarter hours for the fall term are used to determine the prorated annual loan limit.

To determine the prorated loan limit for Linda's final period of study, convert the fraction based on the hours that Linda is expected to attend in the fall quarter and the hours in the academic year to a decimal (12/36 = 0.33). Multiply this decimal by the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a dependent fourth-year undergraduate ($7,500, not more than $5,500 of which may be subsidized):

$7,500 x 0.33 = $2,475 combined subsidized/unsubsidized prorated annual loan limit

To determine the maximum portion of the $2,475 prorated annual loan limit that Linda may receive in subsidized loan funds, multiply the maximum subsidized annual loan limit of $5,500 by the same decimal (0.33):

$5,500 x 0.33 = $1,815 subsidized prorated annual loan limit

The total prorated annual loan limit for the fall quarter loan is $2,475, not more than $1,815 of which may be subsidized.

ANNUAL LOAN LIMITS FOR STUDENTS WHO TRANSFER OR CHANGE PROGRAMS WITHIN THE SAME ACADEMIC YEAR

The annual loan limits are based on an academic year. If a student who received a Direct Loan transfers from one school to another school or changes to a different program at the same school and there is an overlap between the academic year associated with the loan received for the first school or program and the academic year for the new school or program, this overlap may affect the amount that the student is initially eligible to borrow at the new school or for the new program.

An overlap in academic years exists if the academic year at the new school (or the academic year for the new program at the same school) begins before the calendar end date of the academic year at the prior school or program. In the case of a transfer student from another school, you may obtain documentation from the prior school of the specific beginning and ending dates for the prior academic year or look for the academic year dates of Direct Loans originated by the prior school on the "award detail information page" in the Common Origination and Disbursement (COD)Web interface.

Transfer into standard term or SE9W nonstandard term program (SAY, BBAY 1, or BBAY 2)

If a student enrolls in a program with standard terms or SE9W nonstandard terms after already having taken out a loan at another school with an overlapping academic year, the student initially may not receive more than the annual loan limit at the new school minus the amount received at the prior school.

However, the student may borrow again for a subsequent term within the same academic year at the new school if the term begins after the end of the academic year at the prior school. For a subsequent term that begins after the end of the prior school's academic year, but within the initial academic year at the new school, the student may borrow up to the difference between the applicable annual loan limit and the amount already received for the new school's academic year, if the student's COA supports that amount.

Likewise, if a student transfers to a different program at the same school at the beginning of a new term within the same academic year, the student's loan eligibility for the remaining term(s) of the academic year is equal to the difference between the applicable loan limit for the new program and the loan amount the student received for the prior program within the same academic year.

Exceptions to minimum loan period rules (abbreviated loan periods)
34 CFR 685.301(a)(10)(ii), (iii)

Transfer into clock-hour, non-term, or non-SE9W nonstandard term program (BBAY 3)

Transfers between schools:

If a student enrolls in a clock-hour, non-term, or non-SE9W nonstandard term program after already having taken out a loan at another school for an academic year that overlaps the academic year

at the second school, the student is restricted to the remaining balance of the student's annual loan limit (that is, the difference between the applicable annual loan limit at the new school and the loan amount received for the overlapping academic year period at the prior school) until the ending date of the academic year reported by the prior school. Although the minimum loan period in a clock-hour, non-term, or non-SE9W nonstandard term program is normally the lesser of the academic year or the length of the program (or remaining portion of the program), in this circumstance the new school may originate an initial loan for an "abbreviated loan period" equal to the remaining portion of the prior school's academic year that began at the prior school. For more detailed information, see the discussion under "Loan periods when a student transfers to a new school or new program with an overlapping academic year" later in this chapter.

Transfers between programs at the same school

If certain requirements are met, when a student who has received a Direct Loan for one program transfers to a different program at the same school, you have the option of considering the student to remain in the same payment period and loan period. Otherwise, you must place the student in a new payment period and originate a new loan with a new loan period.

Same payment period and same loan period

At your option, you can consider a student who transfers from one program to another program at the same school to be in the same payment period and loan period if:

- The student is continuously enrolled at the school;
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers to the new program;
- The student's current payment period and the payment periods that would otherwise apply in the new program are substantially equal in length in weeks of instructional time and credit or clock-hours, as applicable;
- There are few or no changes in school charges associated with the transfer to the new program; and
- The credits or clock-hours from the payment period the student is transferring out of are accepted toward the new program.

If you choose to keep the student in the same payment period, the loan period for the loan the student received for the first program would also remain the same. However, you must take into account any changes as to when the student is expected to complete the hours and weeks of instructional time of the academic year and make any necessary adjustments to the ending date of the loan period or the dates of the second and any subsequent disbursements.

New payment period and new loan period

If the requirements described above are not met, or if they are met but you choose to place a student who transfers from one program to a different program in a new payment period, you must perform a Return of Title IV calculation for the student's withdrawal from the payment period in the first program (assuming that the student did not complete that payment period without starting a new one before transferring into the new program if the return of Title IV funds is done on a payment period basis, or assuming the student did not complete the loan period if the R2T4 is done on a period of enrollment basis). That calculation would close out the original loan period. Then the student would start over with a new loan period for his new program that uses the remaining annual loan limit eligibility from the academic year associated with the first program (see below for more detailed information).

If a student transfers from one program at your school to a different program at your school within the same academic year and is not considered to remain in the same payment period and loan period (regardless of whether the student completed the first program or is changing to a different program without having completed the first program), you may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program.

The abbreviated loan period described above is an exception to the normal rule that for a clock-hour, non-term credit hour, or non-SE9W program, the minimum period for which a school may originate a loan is the lesser of the academic year or the length of the program (or remaining portion of the program). For the abbreviated loan period, the student may receive up to the difference between the applicable annual loan limit for the new program and the loan amount that the student received for the prior program during the same academic year. For more detailed information, see the discussion under "Loan periods when a student transfers to a new school or new program with an overlapping academic year" later in this chapter.

Loan periods when a student transfers to a new school or new program with an overlapping academic year

Transfer to a new school

If a student transfers into a clock-hour, non-term, or non-SE9W nonstandard term program at a new school and the academic year associated with the last loan the student received at the prior school overlaps the initial academic year for the program at the new school, the new school may originate an initial loan for a loan period that covers the remaining portion of the academic year that began at the prior school. The loan period for this initial loan is often called an "abbreviated loan period," because it is shorter than the loan period that would otherwise be required under the normal minimum loan period requirements.

The new school may originate a loan for an abbreviated loan period regardless of whether or not the new school accepts transfer hours from the prior school. The abbreviated loan period begins with the date of the student's enrollment at the new school, and ends on the calendar period ending date of the academic year that began at the prior school, without regard to the number of credit/clock-hours or weeks of instructional time that the student has completed during the abbreviated loan period. After the abbreviated loan period is completed, the student progresses to a new loan period and academic year (BBAY 3), and a new annual loan limit.

If the new school accepts credits/hours from the prior school, this may give the student advance standing that reduces the length of time it will take to complete the program at the new school. If the remaining portion of the program at the new school following the completion of the abbreviated loan period is shorter than an academic year, the annual loan limit for the next loan must be prorated.

Generally, the loan amount for the abbreviated loan period at the new school may not exceed the remaining balance of the full annual loan limit applicable to the student at the new school, minus the loan amount the student received at the first school for the same academic year. However, if the program at the new school is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the program at the new school, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the program or remaining portion of the program.

Rules for abbreviated loan periods:

1. The abbreviated loan period begins when the student starts at the new school.
2. The abbreviated loan period ends when the academic year would have ended at the old school, without regard to how many hours or weeks of instructional time the student has completed at the new school during the abbreviated loan period.
3. Generally, the maximum loan amount that the student can receive for the abbreviated loan period is the difference between the full annual loan limit applicable to the student at the new school and the loan amount that was disbursed at the prior school during the overlapping academic year (see the preceding discussion for an exception to this general rule when the program at the new school is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length).
4. The first disbursement of the loan for the abbreviated loan period at the new school is made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be disbursed in at least two installments, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.
5. The next loan period and a new BBAY 3 at the new school would begin the day after the last day of the abbreviated loan period.
6. Once the new loan period and BBAY 3 begin, all of the normal rules for the timing of disbursements and annual loan limit progression apply.

Loan periods when student transfers to a new school or new program with an overlapping academic year (continued)

Transfer to a new program at the same school

When a student transfers within the same academic year from one program to a different program at the same school, and the new program is a clock-hour, non-term, or non-SE9W nonstandard term program, the school may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program. The same abbreviated loan period rules that apply when a student transfers from one school to another school (see above) also apply when a student transfers within the same academic year to a new program at the same school.

Transfer student with overlapping academic years

James transfers on September 15 into Hammett Technical College, entering a 3-year program that has an academic year of 26 weeks and 900 clock-hours.

James received a Direct Loan at the school he was previously attending. The financial aid administrator at Hammett determines that the academic year for the most recent loan James received at his previous school began July 15 and was scheduled to end January 15. The aid administrator at Hammett may originate a loan for the period during which James would have completed the academic year at the prior school, which was scheduled to end on January 15th. The dates for the abbreviated loan period will be September 15 to January 15. During this period, James will be eligible to receive up to the difference between his annual loan limit at Hammet and the loan amount he received at the prior school for the overlapping academic year period.

Unless Hammett qualifies for the exemption from the multiple disbursement requirement based on its cohort default rate, the loan must be disbursed in at least two installments, with the second disbursement made at the calendar midpoint of the abbreviated loan period, regardless of how many clock-hours or weeks of instructional time James has completed.

On January 16th, the day after the last day of the abbreviated loan period, James will start a new BBAY and regain eligibility for a new annual loan limit. The loan period for the first loan after the end of the abbreviated loan period will be for a full academic year (the period of time in which James will be expected to complete 900 clock hours and 26 weeks of instructional time).

Remaining loan eligibility on transfer/program change

Transfer into a standard term or SE9W nonstandard term program

A student receives a $2,000 Direct Subsidized Loan at School A for a loan period from May 1 to August 31. School A reports the academic year for this loan as May 1 to November 27. The student, a dependent undergraduate, transfers to a program at School B in September and is admitted at grade level 2. The student requests a loan for the fall and spring semesters (September-May). The program at School B uses an SAY consisting of fall and spring semesters, followed by a summer trailer term.

Because the academic year at School B begins before the end of the academic year at School A, the student may initially receive only up to a maximum of $4,500 for the fall semester at School B, not more than $2,500 of which may be subsidized. This amount represents the difference between the annual loan limit of $6,500 (maximum $4,500 subsidized), and the amount received at School A ($2,000 subsidized) for the overlapping academic year period.

The initial loan period at School B corresponds with the fall term. Assuming that the student receives the maximum of $4,500 for the fall semester, at the start of the spring semester in January, the student may borrow up to an additional $2,000 (the difference between the 2nd year dependent undergraduate annual loan limit and the amount already borrowed for the fall-spring academic year at School B). If the student received the maximum $2,500 in subsidized loan funds for the fall term, the additional $2,000 would be limited to unsubsidized.

As an alternative, School B could choose to place the student on a BBAY 1 schedule beginning with the Spring semester. The student would then be eligible to borrow up to the full annual loan limit for a spring--summer BBAY.

Transfer into a clock-hour, non-term, or non-SE9W nonstandard term program

Example 1

A dependent first-year undergraduate student receives the first disbursement ($2,750) of a Direct Unsubsidized Loan at School A. The loan period and academic year dates are April 1 to December 31. For purposes of this example, assume that the student has no financial need for a Direct Subsidized Loan and receives only Direct Unsubsidized Loans. The student leaves School A on June 18 and transfers to an 1,800 clock-hour program at School B, and begins attendance at School B on June 25th. The student is still classified as a dependent first-year undergraduate.

The student's first loan period at School B will be an abbreviated loan period from June 25th through December 31st (the beginning date of attendance at School B through the date the academic year would have ended at School A). For the initial abbreviated loan period, School B may originate a loan for up to the difference between the student's annual loan limit and the loan already received at School A for the overlapping loan period. This is $2,750.

On January 1, the day after the last day of the abbreviated loan period, a new BBAY begins and the student becomes eligible for a new annual loan limit. The loan period for the new loan the student receives following the completion of the abbreviated loan period will correspond to the lesser of the academic year or the remainder of the program at School B. If there is less than a full academic year of the program remaining after the abbreviated loan period has ended, the loan limit for the new loan must be prorated.

Example 2

A dependent first-year undergraduate student receives the first disbursements of a Direct Subsidized Loan ($1,750) and Direct Unsubsidized Loan ($1,000) at School A. The loan period and academic year dates are January 26 to July 31.

The student leaves School A and transfers into a 300 clock-hour/12-week program at School B on June 15. School B defines its Title IV academic year as containing 900 clock-hours and 26 weeks of instructional time. The combined subsidized/unsubsidized prorated annual loan limit for the 300-hour program at School B is $1,815, not more than $1,155 of which may be subsidized.

For the abbreviated loan period at School B (June 15 to July 31), a transfer student would normally be eligible to receive the difference between the full first-year annual loan limit and the loan amount received at School A (that is, an additional $1,750 subsidized and $1,000 unsubsidized). In this example, however, the student may not receive those amounts, because they would exceed the prorated annual loan limits for the 300 clock-hour program. Therefore, the maximum loan amount the student may receive for the abbreviated loan period at School B is $1,815, not more than $1,155 of which may be subsidized (the prorated loan limits for the program). Because the student has received the maximum prorated loan limit for the program, there is no remaining loan eligibility for the program following the completion of the abbreviated loan period.

Example 3

A school offers some programs in a standard term academic calendar and other programs in a non-term calendar. A first-year dependent undergraduate student enrolls in a standard term program with an SAY consisting of fall, winter, and spring quarters and receives the first and second disbursements of a Direct Subsidized Loan (total of $2,234) and a Direct Unsubsidized Loan (total of $1,334). The loan period and academic year dates are September 1 to May 31.

The student decides not to finish the program and after completing the winter quarter transfers to a 2-year non-term credit hour program offered at the same school. The academic year for the new program is defined as 24 semester hours and 30 weeks of instructional time. The student begins the new program on March 1. For the new program, the school may originate an initial loan for an abbreviated loan period that begins on March 1 and ends on May 31, the ending date of the academic year associated with the loans the student received for the first program. For the abbreviated loan period, the student can receive up to $1,932, not more than $1,266 of which may be subsidized. This represents the difference between the first-year dependent undergraduate annual loan limit ($5,500, maximum $3,500 subsidized) and the loan amounts received for the first program during the overlapping academic year.

On June 1, the first BBAY for the new program will begin. Because this is a non-term credit hour program, the school must use BBAY3, and the loan period will be for the first full academic year of the new program (the period during which the student will be expected to complete 24 semester hours and 30 weeks of instructional time).

Aggregate loan limits
34 CFR 685.203(d), (e)

AGGREGATE LOAN LIMITS

General

A borrower who has reached his or her aggregate borrowing limit for Direct Subsidized Loans and Direct Unsubsidized Loans may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans.

To ensure that a student doesn't exceed the aggregate loan limits, the student's FAFSA data is matched with the National Student Loan Data System (NSLDS) and if the student has exceeded or is approaching the aggregate loan limits, this will be noted in the ISIR. If a student transfers to your school, you must inform NSLDS so that it can begin the Transfer Student Monitoring process.

The maximum outstanding total subsidized and unsubsidized loan debt, excluding capitalized interest, is:

- $31,000 for a dependent undergraduate student (no more than $23,000 of this amount may be in the form of subsidized loans).
- $57,500 for an independent undergraduate student (or a dependent undergraduate student whose parents do not qualify for Direct PLUS Loans). No more than $23,000 of this aggregate amount may be in the form of subsidized loans.
- $138,500 for a graduate or professional student (including loans for undergraduate study). No more than $65,500 of this aggregate amount may be in the form of subsidized loans (for a graduate or professional student, the subsidized aggregate includes subsidized loans received for undergraduate study and subsidized loans received as a graduate or professional student for periods of enrollment beginning before July 1, 2012, when graduate and professional students were eligible to receive subsidized loans).

The loan amounts counted towards these maximums include any outstanding Direct Subsidized Loan and Direct Unsubsidized Loan amounts, and also any outstanding Subsidized and Unsubsidized Federal Stafford Loans previously borrowed under the Federal Family Education Loan (FFEL) Program. In the case of a Direct Consolidation Loan or a Federal Consolidation Loan made under the FFEL Program, the outstanding amount of the consolidation loan representing any Direct Subsidized Loans, Direct Unsubsidized Loans, Subsidized Federal Stafford Loans, or Unsubsidized Federal Stafford Loans that were paid off by the consolidation loan is counted toward the aggregate subsidized and unsubsidized loan limits. (NOTE: No new loans have been made under the FFEL Program since June 30, 2010.)

Aggregate Limits for Sub/Unsub Loans

	Total (sub & unsub)	*Maximum sub*
Dependent undergraduates (excluding those whose parents can't borrow PLUS)	$ 31,000	$23,000
Independent undergrads & dependent students whose parents can't borrow PLUS	$ 57,500	$ 23,000
Graduate & professional students	$ 138,500*	$ 65,000**

* The aggregate loan limit for graduate and professional students includes loans received for undergraduate study.

** The $65,500 subsidized aggregate loan limit for graduate and professional students includes subsidized loans received for prior undergraduate study. For students who were enrolled in graduate or professional programs before July 1, 2012, it also includes any subsidized loans they received for prior graduate or professional study (subsidized loan eligibility for graduate and professional students was eliminated effective for loan periods beginning on or after July 1, 2012).

Aggregate loan limit for undergraduate student with graduate degree

In some cases, a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program. Only the loans that the student received for the first undergraduate program are included in determining the student's remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits. Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits.

Example: Returning to undergraduate program after receiving loans for graduate study

An independent student has received the following loan amounts for a first undergraduate program and a graduate program:

	Subsidized:	*Unsubsidized:*	*Total*
Undergraduate	$19,000	$26,000	$45,000
Graduate	$0	$86,000	$86,000
Total	$19,000	$112,000	$131,000

The student has now enrolled in a second undergraduate program. Only the loans received for the first undergraduate program are counted toward the student's undergraduate aggregate loan limit. Because the total amount received for the first undergraduate program ($45,000) does not exceed the aggregate loan limit for an independent undergraduate ($57,500, maximum $23,000 subsidized), the student has remaining loan eligibility for the second undergraduate program.

The difference between the independent undergraduate aggregate loan limit and the total amount of the loans received for the first undergraduate program is $12,000. However, the student may not receive the full $12,000, because that amount, when combined with the amount received for the first undergraduate program and the amount received for the graduate program, would exceed the combined undergraduate/graduate aggregate loan limit of $138,500 ($45,000 + $86,000 + $12,500 = $143,500). Therefore, the student's remaining loan eligibility for the second undergraduate program is $7,500 ($138,500 minus $131,000 already received for the first undergraduate program and the graduate program). Not more than $4,000 of this amount may be subsidized ($23,000 undergraduate subsidized aggregate loan limit minus $19,000 in subsidized loans received for the first undergraduate program).

Higher aggregate loan limit for certain health professions students

As explained earlier in this chapter, graduate and professional students who are enrolled in certain health professions programs are eligible for higher annual Direct Unsubsidized Loan limits. These students also have a higher combined subsidized/unsubsidized aggregate loan limit.

The combined subsidized/unsubsidized aggregate loan limit for graduate and professional health professions students who are eligible to receive the increased annual unsubsidized amounts is $224,000. Not more than $65,500 of this amount may be from subsidized loans. The subsidized component of the aggregate limit includes subsidized loans that students may have received for graduate/professional study prior to July 1, 2012 (when graduate and professional students were still eligible to receive subsidized loans) and/or for undergraduate study.

If a student who received increased Direct Unsubsidized Loan amounts for a qualifying health profession program later enrolls in a non-health professions program, the student is no longer eligible for the increased Direct Unsubsidized Loan limits. However, the additional loan amounts received for the health professions program are not counted toward the normal aggregate loan limit for that student.

Checking loan amounts in NSLDS

Before originating a Direct Subsidized Loan or Direct Unsubsidized Loan, it's important to make sure the student still has remaining eligibility under the aggregate loan limits. As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as in NSLDS) and the Transfer Student Monitoring process to tell you if a student is about to exceed the aggregate loan limits. (The NSLDS financial aid history may affect eligibility for other FSA programs, so it is discussed in more detail in *Volume 1*, *Chapter 3*.)

The Loan History shown in NSLDS for a borrower who has received Title IV loans shows Aggregate Loan Information for the borrower's outstanding subsidized and unsubsidized loans. The Aggregate Loan Information subsidized and unsubsidized Outstanding Principal Balance amounts shown in a borrower's NSLDS loan history do not include unpaid accrued interest, capitalized interest (unpaid interest that has been added to the principal balance of the loan), or other charges, as these amounts are not counted against the aggregate loan limits. For each individual loan that a borrower has received, NSLDS shows both the outstanding principal balance (OPB) and the aggregate outstanding principal balance (Agg. OPB). The OPB is what the borrower owes, which may include capitalized interest and other charges. The Agg. OPB is the portion of the OPB that counts against the aggregate loan limits for subsidized and unsubsidized loans.

For instance, suppose a student has a Direct Unsubsidized Loan disbursed in the amount of $5,000. Over time, $200 in interest accrues and is capitalized. Assuming that the borrower has made no payments

on the loan, the OPB on the loan will be $5,200 (this is the amount the borrower owes), and the Agg. OPB will be $5,000 (this is the amount that is counted against the aggregate loan limit). If you are looking at the individual loans as displayed in the student's NSLDS Loan Detail, it is the Agg. OPB that you should use to determine remaining loan eligibility under the aggregate loan limits.

The Aggregate Loan Information subsidized and unsubsidized Outstanding Principal Balance amounts shown in a borrower's NSLDS loan history also include the outstanding portion of consolidation loans (both Direct Consolidation Loans and Federal Consolidation Loans made under the FFEL program) attributable to Direct Subsidized Loans, Direct Unsubsidized Loans, Subsidized Federal Stafford Loans, and Unsubsidized Federal Stafford Loans that were repaid by the consolidation loan.

Unallocated consolidation loan amounts

NSLDS may also show a "Consolidation Loans, Unallocated" amount that is not counted against a borrower's aggregate loan limits. The "Consolidation Loans, Unallocated" amount represents the portion of a consolidation loan that cannot be attributed to other loans in the borrower's loan history (for example, it may represent capitalized interest or non-Title IV loans that were consolidated). You are not responsible for determining the origin of any unallocated consolidation loan amounts.

Treatment of consolidated Perkins Loans and PLUS loans

A consolidated Perkins Loan or PLUS loan becomes part of the unsubsidized portion of a consolidation loan, but it is not counted toward the borrower's aggregate Direct Loan limits.

Effect of change in student status on aggregate loan limits

In some cases, a student may qualify for higher loan limits, but then lose eligibility for the higher limits due to a change in status. One such situation is when a dependent undergraduate qualifies for increased Direct Unsubsidized Loan amounts because the student's parent is unable to obtain a Direct PLUS Loan, but in a subsequent academic year the student's parent is able to qualify for a Direct PLUS Loan. The dependent student then loses eligibility to receive Direct Unsubsidized Loans at the higher independent undergraduate annual and aggregate loan limits, and is once again subject to the dependent undergraduate annual and aggregate loan limits. However, the increased unsubsidized loan amounts that the student previously received as a result of the parent's inability to obtain a Direct PLUS Loan are not counted against the dependent undergraduate aggregate loan limit (see the example that follows)..

A similar situation occurs when a student who received loans for a graduate or professional degree program later returns to school and enrolls in an undergraduate program. In this case, loan amounts that the student received as a graduate or professional student are not counted against the undergraduate aggregate loan limit. For more detailed information and an example, see the discussion under "Undergraduate student with graduate degree" earlier in this chapter.

Example: Aggregate loan limits and additional Direct Unsubsidized Loan amounts when parents are unable to obtain Direct PLUS Loans

A dependent student is treated as an independent student for loan limit purposes and receives additional Direct Unsubsidized Loan funds (up to the additional amounts available to independent undergraduates) for the first three years at your school because the student's parent was unable to obtain a Direct PLUS Loan for each of those years, but the parent was eligible to borrow a Direct PLUS Loan for the student's fourth year. The student would be eligible for the following Direct Loan amounts:

1st year (independent student loan limit) = $9,500 (maximum $3,500 subsidized)
2nd year (independent student loan limit) = $10,500 (maximum $4,500 subsidized)
3rd year (independent student loan limit) = $12,500 (maximum $5,500 subsidized)

For each of the first three years, the student receives the maximum subsidized amount and the maximum additional unsubsidized amount. In the 4th year, the parent is eligible to borrow a Direct PLUS Loan, so the student is then subject to the annual and aggregate loan limits for a dependent undergraduate. Although it might appear that the student would have no remaining loan eligibility for year 4 because the total amount received for years 1-3 exceeds the $31,000 dependent undergraduate aggregate loan limit, the additional Direct Unsubsidized Loan amount that the student received as a result of the parent Direct PLUS Loan denials in the first three years of the undergraduate program does not count against the $31,000 dependent aggregate limit.

The student received a total of $19,000 in additional Direct Unsubsidized Loan funds for the first three years ($6,000 each in years 1 and 2, and $7,000 in year 3). Of this total additional unsubsidized amount, the student would have been eligible to receive $6,000 ($2,000 each year) as a dependent undergraduate if the student's parent had qualified for a Direct PLUS Loan. The extra $13,000 in unsubsidized funds that the student received as a result of the parent being unable to obtain a Direct PLUS Loan for the first three years ($4,000 in years 1 and 2, and $5,000 in year 3) is not counted against the $31,000 dependent undergraduate aggregate when determining the student's loan eligibility for year 4. Excluding this amount, only $19,500 of the total $32,500 the student received for the first three years counts against the $31,000 dependent undergraduate aggregate loan limit. This means that for year 4, the student is eligible to receive up to the full annual loan limit for a dependent fourth-year undergraduate: $7,500 (maximum $5,500 subsidized).

SUBSIDIZED LOAN ELIGIBILITY TIME LIMITATION

In addition to the aggregate loan limits, which limit loan eligibility based on the amount of funds received over a student's academic lifetime, there is also a loan eligibility limitation based on the passage of time. First-time borrowers (those who have no principal or interest balance on any Direct Loan or FFEL Program loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are **currently** enrolled (including all past subsidized loans the student has received; see "**subsidized usage periods**" below). This limitation on subsidized loan eligibility is often informally referred to as the "150% rule" or "SULA" (SULA = Subsidized Usage Limit Applies).

This length of time is also known as the "**maximum eligibility period**" (or MEP). For example, a first-time borrower in a 4-year program would have six years of Direct Subsidized Loan eligibility, and a borrower in a one-year program would have 1.5 years of Direct Subsidized Loan eligibility. COD will edit and reject awards that would exceed 150% subsidized usage for a student (Reject Edit 206). **This is also known as a "Subsidized Usage Limit Applies" situation, or SULA flag, in COD**.

If the program's published length is in months or weeks, COD and NSLDS converts the length to years using one of the following formulas:

$$\frac{\text{Program length in weeks}}{\text{Weeks in program's acad. year}} = \text{program length in years}$$

$$\frac{\text{Program length in months} \times 30}{\text{Weeks in program's acad. yr} \times 7} = \text{program length in years}$$

There are two exceptions to the maximum eligibility period:
First, for bachelor's degree completion programs, the maximum eligibility period is six years. Note that not every bachelor's degree-granting program is a bachelor's degree *completion* program—For purposes of the subsidized loan time limitation, bachelor's degree completion programs are defined as 2-year programs that require an associate degree or the successful completion of at least two years of postsecondary coursework as a prerequisite for admission to the program. For such programs, schools will report a program length of four years (even though the actual length of the program is two years) and a "Special Program Indicator" of "B" in COD and NSLDS.

Secondly, for special admission associate degree programs, the maximum eligibility period is six years. For these purposes, a special admission associate degree program is an associate degree program that:

- Requires an associate degree, or the successful completion of at least two years of postsecondary coursework as a prerequisite for completion;

Subsidized loan eligibility time limitation (150% rule)

First Time Borrower: 34 CFR 685.200(f)(1)(i)
Maximum Eligibility Period: 34 CFR 685.200(f)(1)(ii)
Subsidized Usage Period: 34 CFR 685.200(f)(1)(iii)
Remaining Eligibility Period: 34 CFR 685.200(f)(iv)
Moving Ahead for Progress in the 21st Century Act (MAP-21), HEA Sec. 455(q)
For more information about the150% limit, see the 150% Direct Subsidized Loan Limit Information page

COD SULA edit codes

Edit 046: Academic year less than 26 weeks
Edit 219: Loan amount is greater than sum of disbursements
Edit 220 if $0 disbursement has a payment period start date (PPSD) within the loan period

- Admits only a selected number of applicants based on additional competitive criteria, which may include entrance exam scores, class rank, grade point average, written essays, or recommendation letters; and

- Provides the academic qualifications necessary for a profession that requires licensure or certification by the State in which the coursework is offered.

For such programs, schools will report a program length of four years (even though the real length of the program is two years) and a "Special Program Indicator" of "A" in COD and NSLDS.

Subsidized Usage Periods (SUP)

A first-time borrower's progress toward expending his or her maximum eligibility period is measured in "subsidized usage periods" (SUP). Subsidized usage periods are calculated by the following formula, the result of which is rounded up or down to the nearest tenth of a year (for example, a SUP of 0.44 would be rounded to 0.40, and a SUP of 0.45 would be rounded to 0.5):

$$\frac{\text{Number of days in the borrower's loan period for a Direct Subsidized Loan}}{\text{Number of days in the academic year for which the borrower receives the Direct Subsidized Loan}}$$

The academic year referenced above is the scheduled academic year (SAY) or borrower-based academic year (BBAY) dates to which the annual loan limit applies. **There are two exceptions to this calculation**:

1. Annual loan limit: When a first-time borrower receives a Direct Subsidized Loan equal to the annual loan limit for a loan period that is less than a full academic year in length, the borrower's subsidized usage period is one year; and

2. Enrollment status proration: For a first-time borrower whose enrollment status is three-quarter time or half-time, the calculated subsidized usage period is prorated by 0.75 or 0.5, respectively.

If a borrower meets the criteria for both exceptions described above, the annual loan limit exception will be applied, and then the enrollment exception will be applied.

A loan disbursement that is returned within 120 days of the disbursement date (that is, when the school adjusts that disbursement down to zero, returns the funds, and removes the corresponding term from the loan period) will no longer be included in that term/payment period for purposes of calculating SUP. On the other hand, a loan that has been paid off does NOT remove that loan's portion of SUP.

A borrower's Remaining Eligibility Period (REP) is calculated by subtracting the sum of all prior subsidized usage periods from the borrower's **current** maximum eligibility period. This includes subsidized usage periods for **all** subsidized loans received over the student's entire history of higher education, with the exception of subsidized loans received for teacher certification programs. Subsidized usage periods for teacher certification programs do not count against maximum eligibility periods for non-teacher certification programs, and subsidized usage periods from non-teacher certification programs do not count against the maximum eligibility period for teacher certification programs. If the loan/loan disbursement's SUP exceeds the REP, COD will reject the loan (edit code 206). The REP cannot be used to award subsidized loan funds unless the loan can be reconfigured to not exceed the REP (unsubsidized can still be awarded). Note that a borrower may regain eligibility for a subsidized loan if their **current** MEP is higher than a previous MEP under which they lost subsidized loan eligibility.

For example, Bob currently has a subsidized usage period of two years, then transfers to a four-year program. Because the remaining eligibility period is calculated as the difference between the borrower's current maximum eligibility period and the sum of all subsidized usage periods, Bob has a remaining eligibility period of four years (a 6-year maximum eligibility period for the new program, minus the existing subsidized usage period of two years).

Loss of interest subsidy on Direct Subsidized Loans

For borrowers who have a remaining eligibility period that is less than an academic year, the borrower can only receive a Direct Subsidized Loan if the school can properly originate a Direct Subsidized Loan that creates a subsidized usage period (see "SUP" ***description and formula, above) that is equal to or less than the borrower's remaining eligibility period (REP).***

In COD, there will be a "SULA" flag indicating the student's status. For example, if a borrower has a remaining eligibility period of 0.2 years, and is enrolled full-time in a semester-based credit-hour program and has sufficient financial need to support receiving $4,000 in Direct Subsidized Loans, the minimum period for which the school could originate a loan is a term.

Because the number of terms in a semester-based program's academic year is generally two semesters, the subsidized usage period for the shortest loan period for which the school could originate a loan would be 0.5 years (a single semester), which is greater than the student's remaining eligibility period. Therefore, the student is not eligible for the subsidized loan.

If a first-time borrower exhausts his or her maximum eligibility period (that is, has a remaining eligibility period of zero or less), or has a remaining eligibility period that is so short than the school cannot originate another Direct Subsidized Loan for the student, the borrower may not receive a Direct Subsidized Loan, but may receive the Direct Subsidized Loan amount the borrower otherwise could have received as

part of a Direct Unsubsidized Loan (in addition to the student's regular Direct Unsubsidized Loan eligibility).

A borrower loses the interest subsidy on any outstanding Direct Subsidized Loans (including the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan) if the borrower attends any undergraduate program (or preparatory coursework necessary for enrollment in an undergraduate program) on at least a half-time basis, at a school that participates in the Title IV programs, while having a remaining eligibility period of zero or less. When interest subsidy is lost it is not retroactive. Rather, the borrower is only charged interest from the date the borrower loses the interest subsidy as a result of exceeding the 150% limit. Loss of interest subsidy on a Direct Subsidized Loan (or on the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan) means that interest will be charged to the borrower during all periods, including in-school, grace, and deferment periods.

Exception for borrowers who graduate before losing subsidy
Borrowers who graduate before losing the interest subsidy on their Direct Subsidized Loans will never lose the interest subsidy on the loans that were outstanding at the time that they graduated from their program of study.

When to update loan periods and academic years

In light of SULA concerns, it's very important to update loan periods and academic years in the following situations:

- Student requests the loan/disbursement be cancelled;
- Disbursement was not made for a term/payment period included in the loan at origination;
- An actual disbursement was made but later zeroed out;
- Student enrolled in a non-term or clock-hour program and has failed to progress from one payment period to another as originally scheduled;
- Summer is not a required term and student attends the summer term and requests a loan for summer.

Reporting and tracking the 150% limit

The Department will track, calculate, and inform borrowers and schools of borrower eligibility for Direct Subsidized Loans and loss of subsidy benefits based on program length information that schools report to COD and NSLDS. It is essential that any changes in enrollment or program be reported to NSLDS in a timely manner to ensure correct calculation of subsidy periods. For each loan origination record, COD will send a disclosure statement which will include the SUP for that loan, the sum of the student's SUPs, and the REP. There are several common mistakes in tracking and reporting students' progress towards the 150% limit:

- For standard term (and SE9W nonstandard term) programs, **reporting academic year dates that are the length of a single term**—All BBAY & SAY academic years for these programs consist of more than one term;
- **Misreported program length for students in bachelor's degree completion programs**—They should be reported as 4-year programs.
- For non-term, non-SE9W nonstandard term, and clock-hour programs, **reporting academic year dates that result in periods shorter than what is permitted**; ("see common reporting issues" below)
- **Reporting "weeks" or "months" instead of years**—Years is the measure. Report 1.5 for one year and six months, for example.
- **Accidentally reporting inappropriately short program lengths**—Program length is a 6 digit field in NSLDS, with an implied decimal point in between the third and fourth digits. A 4-year program is reported as "004000." Reporting "000400" is a program length of just 0.4 years.
- **Reporting too high a loan amount.** A loan which is at the student's annual loan limit ($3,500, $4,500, or $5,500) triggers a full year of SUP to be reported, but the correct SUP for the loan may be shorter. You should reduce the loan amount to the total of actual disbursements (and zero out any related pending disbursements).
- **Reporting too much SUP for a loan period which contains terms/payment periods in which a disbursement wasn't made** (or was made but later zeroed out). The SUP calculation takes all terms into account, so for SUP calculation and reporting purposes, remove from the loan period any terms/payment periods where a disbursement isn't made/retained.
- **Reporting dates of terms/payment periods which don't coincide with the dates of the loan period**. Either the entire term is in the loan period or none of it is. The loan period end date should not be shortened to the last date of attendance. If the loan can't be reconfigured correctly, the remaining eligibility simply can't be used. If this happens, the student can only be awarded unsubsidized loans.
- **Academic year reported as single term, so the excessively short academic year causes SUP to be too high.** Report the program's defined academic year (regulatory minimum is 26 or 30 weeks of instructional time; see *Chapter 1* of this volume for weeks of instructional time requirements).

Transferring from a closed school and the 150% limit

When a student transfers to your school from another school, remaining eligibility period (REP) data may need to be updated and revised before REP calculations at your school can be properly made and submitted for Direct Loan awarding and disbursing purposes. The Department is working with closed schools to make award and disbursement adjustments to update student's REP status. Pending disbursements of a Direct Loan awarded at the closed school with disbursement dates after the school's closure date will not be made. You can ignore any pending disbursements when awarding the student

Direct Loan funds at your school, and you don't need to wait for pending disbursements to be reduced to zero before submitting a Direct Loan origination to COD. For more details, see the September 21, 2016 EA.

Common reporting issues

For more detailed information on common reporting issues related to the 150% subsidized loan limitation, see the April 20, 2015 and May 13, 2016 EAs.

Exceptions for borrowers who are enrolled in teacher certification programs

There are special rules for borrowers who are enrolled in teacher certification programs consisting of coursework that must be completed in order for a borrower to receive a teaching certification from the state that is required by the state before the borrower may teach elementary or secondary education in the state. Borrowers do not receive an academic credential from the institution where they complete the required teacher certification coursework.

Direct Subsidized Loans received for enrollment in such a teacher certification program only count against a borrower's maximum eligibility period for enrollment in other teacher certification programs. When a borrower enrolls in an undergraduate program, any Direct Subsidized Loans received for enrollment in a teacher certification program will not count against the borrower's maximum eligibility period for enrollment in the undergrad program.

In addition, enrollment in a teacher certification program will never result in the loss of interest subsidy—either on Direct Subsidized Loans received for prior undergraduate enrollment or on Direct Subsidized Loans received for enrollment in a teacher certification program.

SULA and preparatory coursework

The regulations provide varying SULA treatment for borrowers who are enrolled in preparatory coursework necessary for enrollment in an undergraduate program or a graduate/professional program. For more detail, see 34 CFR 685.200(f)(6).

150 Percent Rule: Calculation, reporting, loss of subsidy example

Kirk is enrolled in a 4-year semester-based bachelor's degree program at McCaffrey University. Since his program is four years, under the 150% rule, Kirk has a "maximum eligibility period" of six years.

McCaffrey measures Kirk's progress towards expending his maximum eligibility period by adding up all of Kirk's "subsidized usage periods," or SUPs. Kirk is in his third year of study, so McCaffrey looks at the SUPs that COD has previously calculated for Kirk, and finds that his Sum Actual Subsidized Usage Period is two years.

Kirk has six years of eligibility for his 4-year program under the 150% rule, so his remaining eligibility period is four years. Because his remaining eligibility period is at least one year, McCaffrey awards a Direct Subsidized Loan to Kirk like it normally would. After McCaffrey submits records to COD indicating that Kirk is in a 4-year program, it receives a response from COD stating Kirk's SUP for the loan McCaffrey just submitted, the sum of all of Kirk's SUPs, and Kirk's remaining eligibility period (REP). Once McCaffrey disburses the new Direct Subsidized Loan to Kirk, his remaining eligibility period will be three years.

Between his third and fourth year, Kirk decides to change to a new (also semester-based) program. His new program is a 2.5 year program, so his 150% limit is now 3.75 years. Even though he is studying in a different program, Kirk's existing SUPs are taken into account when measuring his 150% progress. Since Kirk already has three SUPs, his remaining eligibility period is now just 0.75 years. Since Kirk will need to attend for 2.5 years to complete his new program, the final 1.75 years of his program will be cut off from subsidized loan eligibility.

So, when exactly does Kirk get cut off from subsidized loans? Kirk can only receive Direct Subsidized Loans if McCaffrey can properly originate a loan that creates a SUP that is equal to or less than Kirk's remaining eligibility period (REP). In this case, McCaffrey can originate a Direct Subsidized Loan for Kirk's first fall semester, which consists of 0.5 SUP, but cannot include his spring semester if Kirk attends full-time, as Kirk only has 0.25 SUP remaining, and the spring semester is 0.5 SUP. McCaffrey must originate only unsubsidized loans for Kirk beginning with the spring semester. COD will send a response to its records listing Kirk's remaining eligibility when McCaffrey originates a loan.

150 Percent Rule: Remaining eligibility period of less than one year

An eligible student can receive a Direct Subsidized Loan when their Remaining Eligibility Period (REP) is less than one year. In this case, the student can receive a Direct Loan if the school can originate a Direct Loan in compliance with all of the requirements in 34 CFR 685.301 (pay particular attention to minimum loan period, which varies by program type), and the loan period, academic year, enrollment status, and loan amount result in a Subsidized Usage Period (SUP) that is equal to or less than the student's REP.

For example, Kris attends a credit-hour, semester-based program at Sandburg College, has a REP of 0.5 years, and is full-time. Kris will be able to receive a single-term subsidized loan if he's otherwise eligible, because the minimum loan period for his program is a semester, and the academic year will be at least two semesters. This loan for one semester (with a two-semester academic year) would create a 0.5 SUP, and will expend his 0.5 REP.

But consider if Kris was enrolled in a clock-hour program which is one year in length and had a REP of 0.5 years. Kris would not be able to receive another Direct Subsidized Loan because the minimum loan period under the regulations is the length of the program (one year) and since the academic year would also be one year, the SUP would be one year, which is greater than Kris's REP of 0.5 years.

As noted in the main body text section on the 150% limit, SUPs are prorated for enrollment status—multiply by 0.75 or 0.5 for three-quarter time or half-time. As such, even when a borrower has only a small remaining SUP, it may still be possible for them to receive a Direct Subsidized Loan if they are enrolled less than full-time.

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The following three scenarios present three different loan awarding scenarios that Sandburg College faces with its various students. Sandburg wonders if each loan will be accepted or rejected by COD due to the limitations related to the 150% limit. For each case, we give the loan period, academic year, and SUP, as measured in days. Will COD accept or reject each loan award?

Award Scenario 1

Remaining Eligibility Period 0.8 years
Loan Period: 9/10/16- 5/10/17 (244 days)
Academic Year: 9/10/16-5/10/17 (244 days) SUP: 244/244 = one year
COD **rejects** the loan, because the SUP is one year, exceeding the student's REP of 0.8 years.

Award Scenario 2

Remaining Eligibility Period 0.8 years
Loan Period: 9/10/16- 12/20/16 (102 days)
Academic Year: 9/10/16-5/10/17 (244 days) SUP: 102/244 = 0.4 years (0.418 to be precise, but this is rounded to the nearest tenth—see the rounding guidance in the body text section on SUP calculation)
COD **accepts** the loan, because the SUP is 0.4 years, which is less than the student's REP of 0.8 years.

Award Scenario 3

Remaining Eligibility Period 0.8 years
Loan Period: 9/10/16- 5/10/17 (244 days)
Academic Year: 9/10/16-5/10/17 (244 days) SUP: 244/244 = one year
Enrollment status: half-time
COD **accepts** the loan, because the SUP is one year, multiplied by 0.5 for half-time enrollment status, resulting in 0.5 SUP, which is less than the student's REP of 0.8 years.

MANAGING DIRECT LOANS IN MODULES

If a program is offered in modules, this does not change the minimum loan period rules for Direct Loans. For example, if a standard or SE9W nonstandard term is divided into two or modules, the minimum loan period for a Direct Loan is still the term, even if the student does not attend all of the modules within the term. Similarly, if a clock-hour, non-term credit-hour, or non-SE9W nonstandard term program is offered in modules, the minimum loan period is still the lesser of the academic year or the program length (or remaining portion of the program).

For Title IV aid purposes, students are allowed to skip one or more modules. However, if a loan period includes modules that the student does not attend, the COA for the loan period may not include costs associated with those modules.

ENROLLMENT STATUS CHANGES AND DIRECT LOANS

A change in enrollment status to less-than-half-time as a result of a student's failure to begin attendance in all scheduled classes would not affect the student's eligibility for any Direct Loan funds previously disbursed because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. However, a student who is no longer enrolled at least half time may not receive as a late disbursement any second or subsequent disbursement of the loan.

If a student does not withdraw, but ceases to be enrolled on at least a half-time basis, the regulations at 34 668.164(j)(3)(iii)allow a school to make a late disbursement of a Direct Loan for costs incurred by the student for a period in which the student was eligible. However, this does not apply if the student dropped all future classes or modules because the student never really began classes as a half-time student.

Title IV program funds (including Direct Loans) are disbursed to a student on the presumption that the student will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of a Direct Loan until a student has begun attendance in enough hours to establish half-time enrollment status. However, if a school has not yet made a Direct Loan disbursement to a student who has dropped classes, and the school determines that the student never began attendance in enough classes to establish half-time enrollment status, the school may not make a first disbursement of a Direct Loan to that student.

Likewise, if a student who was enrolled in a series of modules dropped all future classes before beginning attendance in enough modules to establish half-time enrollment status, the school may not make a first disbursement of a Direct Loan because the school knows the student never began attendance on at least a half-time basis.

If a student who dropped to less-than-half-time status resumes enrollment on a half-time basis during the payment period or period of enrollment, the school may make remaining disbursements of a Direct Loan if the school documents (1) the student's revised COA, and (2) that the student continues to qualify for the entire amount of the loan, despite any reduction in the student's cost of attendance caused by the student's temporary cessation of enrollment on at least a half-time basis. (HEA Sec. 471, Part F) (34 CFR 685.303(b)(3)(iv)(A) through (C)).

RESOLVING INADVERTENT OVERBORROWING & CORRECTING DIRECT SUBSIDIZED LOAN/DIRECT UNSUBSIDIZED LOAN AWARDING ERRORS

Repayment or reaffirmation after inadvertent overborrowing

A student who has inadvertently received Direct Loan funds in excess of the annual or aggregate loan limits is ineligible to receive *any* FSA funds until the overborrowing is resolved. The student can regain eligibility for aid by repaying the amount that exceeded the annual or aggregate loan limits, or by making satisfactory arrangements with the loan servicer to repay the excess amount. The loan servicer will allow a borrower to "reaffirm" that he or she will repay the excess according to the terms of the promissory note that the borrower signed. For more details on the various steps involved in reaffirmation, see Dear Colleague Letter GEN-15-20 and 34 CFR 668.35(d).

The school where the student is requesting additional FSA funds is responsible for identifying the loan(s) that resulted in the overborrowing, discussing the overborrowing with the student, and resolving any discrepancies in the information that is obtained. If the loan(s) that caused the student to exceed the annual or aggregate loan limit were received for attendance at a different school, in some cases it may be necessary for the school the student is currently attending to contact the other school for additional information needed to determine that the excess borrowing was inadvertent. Overborrowing is not considered inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the school that determined the borrower's eligibility for the loan, or on the part of the borrower who received the loan. If you determine that the overborrowing was the result of deliberate action on the part of another school or the borrower, you must notify FSA's School Participation Division and provide evidence.

Once you have documented that the student has either repaid the excess loan amount or has made satisfactory arrangements with the loan holder to repay the excess amount, you may award additional aid. However, the student may or may not be eligible to receive additional loan funds, depending on the circumstances. For example, a dependent undergraduate who inadvertently exceeded the $23,000 (subsidized) aggregate limit could not receive any additional Direct Subsidized Loan funds as a dependent undergraduate unless the outstanding debt was paid down below the $23,000 limit.

However, the student could potentially receive additional Direct Unsubsidized Loan funds, up to the $31,000 aggregate loan limit, or non-loan aid. An independent undergraduate who inadvertently exceeded the $23,000 subsidized limit (but who has not reached the $57,500 combined aggregate loan limit for independent undergraduates) could borrow additional Direct Unsubsidized Loan funds once he or she makes satisfactory arrangements to repay the subsidized amount that exceeds $23,000. For more on overborrowing and overawards, see *Volume 4*.

The effective date when a student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq & Afghanistan Service Grant programs begins with the payment period in which the overborrowing was resolved, and for Direct Loans, eligibility is retroactive to the beginning of the academic year in which the overborrowing was resolved.

Consolidation of loan amounts that exceed the annual or aggregate loan limit

If a borrower who inadvertently received more than the annual or aggregate loan limits has consolidated the loan(s) that caused the borrower to exceed the loan limit, the consolidation loan is considered to be a satisfactory arrangement to repay the excess amount that restores the borrower's eligibility for FSA aid. (Note, however, that consolidation of an amount that exceeded the aggregate Direct Subsidized/Unsubsidized Loan limits does not automatically make a student eligible for additional Direct Loan funds.)

Correcting Direct Subsidized Loan or Direct Unsubsidized Loan awarding errors

If you discover that, due to an error, a student borrower has received Direct Subsidized Loan funds in excess of their financial need, and the student is still enrolled for the loan period, you must return the subsidized loan amount for which the borrower was ineligible and ask the borrower if they wish to replace it with a Direct Unsubsidized Loan. If the student agrees to accept the unsubsidized loan funds and the borrower also received a Direct Unsubsidized Loan for the same loan period as the Direct Subsidized Loan, you may increase the amount of the Direct Unsubsidized Loan disbursements by the amount of the Direct Subsidized Loan that the borrower was ineligible to receive. If the student did not receive a Direct Unsubsidized Loan, you may originate a new Direct Unsubsidized Loan for the amount of the Direct Subsidized Loan that the student was ineligible to receive. The new Direct Unsubsidized Loan should have the same loan period and disbursement dates as the Direct Subsidized Loan.

If the borrower does not agree to have the excess subsidized loan funds replaced by a Direct Unsubsidized Loan, you must still return the ineligible Direct Subsidized Loan amount.

If you discover that a student received Direct Subsidized Loan funds in excess of financial need after the student is no longer enrolled for the loan period, you are not required to take any action to eliminate the excess subsidized loan amount.

If you discover that, due to an error, a student borrower who was eligible for a Direct Subsidized Loan instead received a Direct Unsubsidized Loan, you must correct the error (even if the loan period has ended) by submitting a downward adjustment to reduce or eliminate

the Direct Unsubsidized Loan, as appropriate, and replacing it with the same amount of Direct Subsidized Loan funds. You may do this either by adjusting an existing Direct Subsidized Loan upwards, or, if the borrower does not have an existing Direct Subsidized Loan, by originating a new Direct Subsidized Loan. Replacing a Direct Unsubsidized Loan with a Direct Subsidized Loan in this circumstance does not require obtaining the borrower's consent.

Awarding Campus-Based Aid

CHAPTER 6

Your school has some latitude in selecting recipients of its Campus-Based funds. This chapter discusses the criteria that you must consider when selecting Campus-Based recipients and the amounts that you may award to them. In addition, the student must meet the general eligibility criteria discussed in Volume 1, and your Campus-Based awards may not exceed the Campus-Based aid recipient's financial need, as described in Chapter 7 of Volume 3.

Chapter 6 Highlights

FSEOG:
- Undergraduate only — see Volume 1 for rules.
- Maximum $4,000, Minimum $100.
- Priority order for FSEOG recipients is based on Pell Grant eligibility and lowest EFCs.

FWS:
- Undergraduate/graduate eligibility.
- Awards based on academic workloads & other factors, packaged based on net earnings, after taxes and job-related costs are subtracted.
- Student may be employed during certain periods of nonattendance.

Related Information:
- See *Chapter 7* of this volume for a discussion of packaging Campus-Based aid so as not to exceed the student's financial need.
- See *Volume 1* for rules on undergraduate vs. graduate status.
- See *Volume 4* for rules governing timing of disbursements & general FSA funds management.
- See *Volume 6* for information on operating an FWS program, including allowable types of employment, the Job Location and Development Program, and the Work Colleges Program.

GENERAL CAMPUS-BASED PROGRAM RULES

Selecting independent & part-time students

Selecting independent & part-time students

34 CFR 674.10(b)
34 CFR 675.10(c)
34 CFR 676.10(b)

If any part of a school's FSEOG or FWS allocation is directly or indirectly based on the financial need of independent students or students who are attending part-time, then you must offer a *reasonable proportion* of the FSEOG allocation and the FWS allocation to such students. This requirement includes part-time students at eligible additional locations, as well as part-time students on the main campus. A policy that excludes part-time or independent students is not acceptable.

"Part-time students" also includes correspondence students. To be considered enrolled in a program of correspondence study, the student must be enrolled in a degree-seeking program and must have completed and submitted the first lesson.

Uneven costs/unequal disbursements

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, you may make unequal disbursements of FSEOG. There is no explicit provision for unequal disbursements in FWS. However, because FWS wages are disbursed as work is performed, usually on a weekly or biweekly schedule, total disbursement amounts are likely to be different from one payment period to the next. In addition, as we'll discuss in the FWS section, a student may be paid for work performed during certain periods of nonattendance.

Summer school and special sessions

A student who enrolls as a regular student in an eligible program during a summer term or a special session may receive Campus-Based aid if he or she meets the same general eligibility requirements that apply to a student enrolled in a regular session. If a student is not enrolled during the summer or special session, the student is not eligible to receive Campus-Based aid during the period of **nonattendance**, except in the case of an FWS job. (See FWS discussion in this chapter.)

Campus-Based FSA Assessments

To assess your school's compliance with the provisions of this chapter, see the FSA Assessment modules: Awarding & Disbursement, FSEOG and FWS programs under the "Campus-Based Programs" category, at:

https://ifap.ed.gov/ilibrary/functional-types/fsa-assessments

No new Perkins Loans

No Perkins disbursements of any type were permitted under any circumstances after June 30, 2018. If you awarded a Perkins Loan after September 30, 2017, or made a disbursement after June 30, 2018, the award or disbursement was made in error. A school that made an erroneous award or disbursement must reimburse the Perkins Loan Revolving Fund for the amount of the loan(s), correct the FISAP, notify the borrower, and update NSLDS accordingly. For more details, see DCL GEN-17-10 and the December 20, 2018 Electronic Announcement.

Underuse of funds

If your school does not use all of its Campus-Based funds annual authorization, this is called "underutilization." Schools with an underutilization of over 10% of their annual authorization will have their annual authorization for the following year reduced by the dollar amount of the underutilization. For more details, see 34 CFR 673.4(d)(3).

AWARDING FSEOG

FSEOG citations

Selection Procedures 34 CFR 676.10

Frequency of disbursements 34 CFR 676.16(a) and (e)

Minimum and maximum awards 34 CFR 676.20

Award amounts

The maximum Federal Supplemental Educational Opportunity Grant (FSEOG) for a full academic year is usually $4,000. However, you may award as much as $4,400 to a student participating in a study-abroad program that is approved for credit by the home school. The minimum FSEOG amount is $100, but you may prorate this amount if the student is enrolled for less than an academic year.

The FSEOG maximum award for a student applies to both the federal share and the required non-federal share. However, when your school has a waiver of the non-federal share, the FSEOG maximum applies to just the FSEOG federal funds. When there is no waiver, the FSEOG federal dollars awarded to a student are considered to be 75 percent of that student's total FSEOG award, and the school must account for the remaining 25 percent non-federal share, regardless of the type of school resources used and the method used to match. For more detail on the requirements of federal and non-federal shares, see *Volume 6, Chapter 1*.

Selecting FSEOG recipients

When awarding FSEOG funds for an award year, you must first select students with the lowest Expected Family Contribution (EFC) who will also receive Pell Grants in that award year. This group is known as the FSEOG first selection group. A student who will receive a Pell Grant in the award year is a student who has demonstrated Pell Grant eligibility for the same award year based upon an EFC that you have calculated for the student or the EFC on the student's valid SAR or ISIR.

A student who receives a Pell Grant at any time in the award year may be awarded an FSEOG for that award year; the student does not have to receive a Pell Grant in the same payment period as the FSEOG. For example, in the case of a student who receives a Pell Grant for the fall semester only due to reaching his lifetime eligibility used (LEU), the student may be awarded an FSEOG for both the fall semester and subsequent spring semester.

You must keep documentation of the eligible EFC that was calculated for the student, and you must confirm Pell Grant eligibility prior to disbursement of the FSEOG. If the FSEOG recipient does not actually receive a Pell Grant during the award year, but the documentation shows that the FSEOG award and disbursement was made in good faith, you are not required to recover the FSEOG funds. If the student loses Pell Grant eligibility prior to disbursement of the FSEOG, you must cancel the FSEOG award.

If you have remaining FSEOG funds after making awards to all Pell Grant recipients for that award year, you must next select students with the lowest EFCs who are not receiving Pell Grants. This group of students is known as the FSEOG second selection group. This group also includes students who are no longer eligible for a Pell or Iraq & Afghanistan Service Grant because they have reached their maximum LEU limit. LEU is covered fully in *Chapter 3* of this volume.

Establishing categories of students

Your selection procedures may specify categories of students to ensure that the students in each category have an opportunity to be awarded FSEOG funds. Categories may be based on class standing, enrollment status, program, date of application, or a combination of factors. You may choose to assign a percentage or dollar amount of FSEOG funds to each category; there is no requirement to make the percentage or dollar amount proportional to the need of students in a particular category or even to the number of students in the category. However, categorization may not be used to exclude certain students or groups of students from consideration. If you know that your school's funds are so limited as to effectively exclude year after year categories that come later in the sequence, your school may not be in compliance with the "reasonably available" provision.

Your school's written selection procedures must ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year. If your school enrolls students as often as monthly or weekly, FSEOG funds can be reserved for use throughout that award year (on the basis of your school's experiences from previous periods), and selection practices can be applied in a manner that would assure a reasonable consistency over the entire award year.

When you use categories to package FSEOG, within each category you must first award the assigned FSEOG funds to students with the lowest EFCs who will also receive a Pell Grant. If FSEOG funds assigned for that category still remain, you must next award FSEOG funds to students in the category with the lowest EFCs who will not receive a Pell Grant.

Frequency & amount of FSEOG disbursements

If you're awarding an FSEOG for a full academic year, you must pay a portion of the grant during each payment period, *even if the student's program doesn't use standard academic terms.* (See *Chapter 1* of this volume for an explanation of payment periods.)

To determine the amount of each disbursement, you would usually divide the total FSEOG award by the number of payment periods the student will attend. However, you are allowed to pay an FSEOG in unequal amounts if the student has costs or resources that are different for different payment periods. You may make payments *within* a payment period in whatever installments will best meet the student's needs.

Award year & payment period

"Award year" is defined as "the period of time from July 1 of one year through June 30 of the following year." As discussed in *Chapter 1* of this volume, the payment period for a program that uses standard academic terms is a semester, trimester, or quarter. See *Chapter 1* for a description of payment periods in programs not using terms or not using standard terms.

FSEOG & Pell Grant LEU

Students who are no longer eligible for a Pell or Iraq & Afghanistan Service Grant because they have reached 600% of their Pell or Iraq & Afghanistan Service Grant LEU may still be eligible to receive FSEOG, however, they are in the second selection group.

AWARDING FEDERAL WORK-STUDY (FWS)

FWS community service requirement
34 CFR 675.18(g)

Taxes and job-related costs cite
34 CFR 675.25(a)

Unlike other Campus-Based Programs, the FWS Program does not require that priority be given to students who have *exceptional* financial need. However, you must make FWS jobs reasonably available, to the extent of available funds, to all eligible students. Your selection procedures must be in writing, uniformly applied, and kept in your school's files.

There are no specific award limits for FWS earnings, other than the requirement that the amount of the FWS award not exceed the student's financial need. For a full discussion of packaging FWS with other aid, see *Chapter 7* in this volume.

When deciding on an appropriate FWS award for a student, you should consider the student's academic work load and any other factors that might affect the hours that a student could work each week.

Basing FWS awards on net work earnings

The *gross* amount of the award is based on the total number of hours to be worked multiplied by the anticipated wage rate. For awarding and packaging purposes, you should use the student's *net* FWS earnings, which exclude taxes and job-related expenses. To determine the student's *net* FWS earnings, you should subtract any job-related costs and non-refundable taxes from the student's *gross* FWS earnings. If you are certain that the student's federal or state taxes paid will be refunded, you should not subtract those taxes paid from the student's gross earnings.

Job-related costs are costs the student incurs because of his or her job. Examples of job-related costs include uniforms, the cost of meals at work, and transportation to and from work. For work during vacation periods, job-related costs can include room and board as long as the FWS student incurs these costs only because of the FWS employment. For example, room and board during the summer *cannot* be included in job-related costs if the FWS student also takes summer courses.

Earnings for the next period of enrollment

Many FWS students must pay the bulk of their education costs in the beginning of each period of enrollment, before they have had a chance to earn FWS wages. Therefore, you may allow a student to earn FWS wages to cover educational expenses in the next period of enrollment that your school offers. The student must be planning to enroll in that next period of enrollment and must demonstrate financial need for that period of enrollment. The next period of enrollment is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.

A student may earn FWS funds *for the next period of enrollment* during any period of enrollment, including a period of enrollment that is comprised, in whole or in part, of minisessions. A student may also earn FWS wages toward the next period of enrollment during a period of nonattendance, as discussed below.

Working during periods of nonattendance

A student may be employed under FWS during a period of nonattendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an unattended fall or spring semester. To be eligible for this employment, a student must be planning to enroll for the next period of enrollment and must have demonstrated financial need for that period of enrollment. This period of potential FWS eligibility may include a period prior to enrolling or beginning a program at your school, as long as they have applied and been accepted for the next period of enrollment at your school.

The student's net earnings (earnings minus taxes and job-related costs) during this period of nonattendance must be used to cover expenses associated with his or her financial need for the next period of enrollment.

When a student who had an FWS job in a period of nonattendance fails to enroll in the next academic period, you must be able to demonstrate that the student was eligible for employment and that, at the time the FWS was awarded, you had reason to believe the student intended to enroll in the next period. At a minimum, you must keep a written record in your files showing that the student had accepted the school's offer of admittance for the next period of enrollment. If, during the period of nonattendance, you learn that the student will no longer enroll in the next period of enrollment, the student must immediately stop working under FWS.

For further information about working during vacation periods or periods of nonattendance, see the discussion of enrollment requirements in *Volume 1.*

FWS for period preceding study abroad

A student in an eligible study-abroad program may be employed during a period of nonattendance preceding the study abroad if he or she will be continuously enrolled in his or her American school while abroad and if the student's study is part of the American school's own program. In such a case, a student may be employed in a qualified position in the United States, at the American school's branch campus in a foreign country, or at a U.S. government facility abroad.

FWS and minisessions

If your school combines a series of minisessions or modules into one term (e.g., three summer minisessions into one summer semester), an FWS student attending any of the minisessions may earn FWS wages at any time throughout that term. You may apply those earnings towards the student's financial need for the minisession(s) attended and/or the next period of enrollment. You must base the student's financial need for attending the summer term on the period when the student is actually enrolled in the minisessions.

The amount of FWS wages a student may earn at any given point in the term does not depend on whether or not the student is enrolled in a minisession at that time. You have some flexibility in deciding with the student how to distribute the hours worked throughout the summer term.

FWS minisession example

Lutz University has a summer term made up of three minisessions. Robert enrolls in classes for the June and August minisessions but does not enroll in any classes for the July minisession. Robert has a financial need of $500 for his attendance in two of the summer minisessions. Robert also plans to enroll in the following fall semester and has a remaining need of $250 for that semester.

Robert is given a $750 FWS award in the summer ($500 for the two summer minisessions and $250 for the fall semester). Robert knows his June minisession courses will be very demanding and he will not have time to work. So, Robert earns $500 during the July minisession when he has no classes. Robert has classes again in August, but his academic workload is lighter. In August, Robert earns $250 toward his education costs in the upcoming fall semester.

Certain FWS students exempt from FICA taxes

Under certain IRS specified conditions, FWS student wages for students employed by the school may be exempt from FICA taxes (for more detail, see *https://www.irs.gov/Charities-&-Non-Profits/Student-Exception-to-FICA-Tax*).

Calculating maximum gross earnings example

Kris has unmet financial need of $1,000 at Grace University. Because Kris has a Social Security tax of 7.65% (that will not be refunded) and $108 in job-related costs, the school may allow Kris to earn an FWS award amount that is higher than his $1,000 unmet financial need in order for him to earn the allowable $1,000 net FWS earnings.

To calculate the FWS award amount to reflect the maximum gross FWS earnings that Kris may earn without the net FWS earnings exceeding the student's $1,000 financial need, the school must do the following:

1. Add the amount of job-related costs to the amount of his unmet need ($108 + $1,000 = $1,108) for a total of $1,108.

2. Account for the Social Security tax by determining that his net FWS earnings are 92.35% of his gross earnings (100% - 7.65% = 92.35%) or (0.9235).

3. Divide the total in step 1 by the ratio in step 2 ($1,108/0.9235 = $1,199.78) for a result of $1,199.78 ($1,200 after rounding).

Grace University may give Kris a $1,200 FWS award and his net FWS earnings will not exceed his $1,000 unmet financial need.

Packaging Aid

CHAPTER 7

In this chapter we explain how to package a student's aid once you've received the student's FAFSA information, including the expected family contribution (EFC), and have calculated the student's aid eligibility. The general rule in packaging is that the student's need-based aid must not exceed the student's financial need, and total financial aid and other Estimated Financial Assistance (EFA) must not exceed the student's cost of attendance (COA). If you discover that a student's aid package exceeds the student's financial need or COA, you must attempt to adjust the aid package to eliminate the overaward. See Volume 4, Chapter 3 for guidance on handling overawards and overpayments.

Chapter 7 Highlights

- **Related software: EDExpress Packaging Module**
  - » Available on IFAP at https://ifap.ed.gov/software-and-other-tools
- **Packaging principles**
- **Iraq & Afghanistan Service Grants**
- **Treatment of need-based earnings**
- **Treatment of other aid: special cases**
  - » AmeriCorps and veterans educational benefits
  - » Vocational rehabilitation assistance
  - » Bureau of Indian Affairs grants

PACKAGING OVERVIEW

For some Title IV programs, eligibility is limited to students who have financial need. Students are considered to have financial need if their COA exceeds their EFC. These "need-based" programs include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Direct Subsidized Loan programs. The total aid that a student receives from need-based programs may not exceed the student's financial need. Pell Grants are considered to be the first source of aid for students with financial need. A student's eligibility for aid from the other need-based programs is then determined by subtracting the student's EFC and EFA (including the student's Pell Grant) from the COA (COA – EFC – EFA = remaining need).

For other Title IV programs, eligibility is not based on the student's EFC. These "non-need-based" programs include the Teacher Education for College

and Higher Education (TEACH) Grant, Direct Unsubsidized Loan, and Direct PLUS Loan programs. A student's eligibility for non-need-based aid is determined by subtracting EFA (including any need-based aid) from the COA (COA – EFA = eligibility for non-need-based aid). As explained later in this chapter, non-need-based aid may be used to replace the EFC.

Depending on individual circumstances, students may receive only need-based aid, only non-need-based aid, or a combination of need-based and non-need-based aid. In general, the total amount of need-based aid cannot exceed the student's financial need and the total amount of all aid cannot exceed the student's COA. However, there are some exceptions to the normal packaging process under certain circumstances or for certain Title IV programs, as will be explained later in this chapter

The COA for the Campus-Based, TEACH Grant, and Direct Loan programs is based on the student's enrollment status and costs for the period for which the aid is intended. The COA used for Pell Grants and Iraq & Afghanistan Service Grants is always the full-year costs for a full-time student, so you may have to prorate actual or average costs up for students who are attending less than an academic year (or who are part-time in a term program) or prorate down for students who are attending for periods longer than an academic year.

The process of awarding aid without exceeding the student's financial need (for need-based aid) or COA (for total aid received) is traditionally called packaging. Packaging is a process that varies from school to school, depending on the types of scholarship and other aid available at the school, and the characteristics of the student population. Schools may have different packaging philosophies, but they generally try to find the best combination of aid to meet the financial need of the students they serve.

To help you package federal student aid with your other aid awards, we provide a packaging module in EDExpress. You can enter information about your school's student aid programs and set up factors to be considered in packaging, and then use the software to automate the packaging process. Most schools use some form of packaging software, whether EDExpress or software from a commercial vendor. You are not required to use EDExpress to package Title IV awards, and you do not have to report the student's aid package to the Common Origination and Disbursement (COD) system.

DIRECT LOAN PACKAGING CONSIDERATIONS

- Before you originate a Direct Subsidized Loan or Direct Unsubsidized Loan for an undergraduate student, you must determine the student's eligibility for a Pell Grant.

- You may originate a Direct Subsidized Loan only for the amount of the student's financial need—the student's costs, minus the student's EFC and estimated financial assistance.

- A student may qualify for a combination of Direct Subsidized and Unsubsidized Loans.

- If they meet program requirements, the parents of a dependent student can take out a Direct PLUS Loan to pay for the student's COA. There is no fixed loan limit for Direct PLUS Loans.

- If the student is independent, or if a dependent student's parents can't borrow a Direct PLUS Loan, the student is eligible for additional Direct Unsubsidized amounts.

- Direct Unsubsidized Loans and Direct PLUS Loans (as well as TEACH Grant funds) can be used to replace the EFC, as well as to cover the student's unmet need.

- Direct Subsidized Loans are available only to undergraduate students.

- Direct PLUS Loans are available to parents of dependent undergraduate students and to graduate and professional students.

- You may not limit Direct Loan borrowing by students or parents on an across-the-board or categorical basis (for more information, see "Refusing to originate a loan or originating for less than maximum eligibility" in *Chapter 5* of this volume).

PELL GRANTS AS FIRST SOURCE OF AID

Pell Grants are considered to be the first source of aid to the student, and packaging Title IV funds begins with Pell eligibility. Pell Grant awards are determined by using the appropriate Pell Payment Schedule for a student's enrollment status, COA, and EFC. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. When awarding aid from the other Title IV programs, you must ensure that the student's need or COA is not exceeded.

You must also adjust non-federal aid awards (e.g., institutional aid or private education loans), if necessary, to ensure that the student's financial need is not exceeded. In some cases a student who receives a Pell Grant may receive a scholarship or other aid that you can't adjust and that is large enough (in combination with the Pell Grant) to exceed the student's COA. In this case, the student is still eligible for a Pell Grant based on the appropriate payment schedule. However, you can't award any Title IV funds other than the Pell Grant.

For instance, the National Collegiate Athletic Association's rules for athletic aid sometimes permit a school to award athletic aid that covers a student's full COA (see "NCAA Considerations" in *Chapter 2* of this volume for more information). You must still pay the full Pell Grant to the student, but you may not pay other Title IV funds to the student.

Pell can't be used to pay a loan

If a Pell Grant recipient's aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell Grant funds can't be used to pay back the loan—a loan repayment isn't an educational expense.

PACKAGING RULES

Campus-Based Aid

You should consider a number of things when developing a packaging policy. For instance, some schools give more grant assistance to beginning students, who may have more difficulty adjusting to campus life, increasing the proportion of loans and work-study in subsequent years. For the Campus-Based Programs and other programs where the available funds may not be sufficient to meet every eligible student's need, some schools decide to give a higher proportion of aid to the neediest students. Other schools award funds as an equal proportion of each student's need.

Many schools use software, such as the Packaging module in EDExpress, that can be configured to implement the school's packaging philosophy. For instance, in EDExpress, you can specify the order in which aid sources are to be applied to the student's unmet need, and set overall percentage limits on the amount of gift (grants/scholarships) and self-help aid that will be included in the aid package.

Iraq & Afghanistan Service Grants

An Iraq & Afghanistan Service Grant awarded to an ineligible student is an overaward, as is a grant based on a Pell Grant Payment Schedule for an enrollment status different than that for which a student is enrolled. Finally, an Iraq & Afghanistan Service Grant that **by itself** exceeds the student's COA is an overaward. All of these Iraq & Afghanistan Service Grant overawards must be corrected (for more detail on how to resolve overawards, see *Volume 4, Chapter 3 of the FSA Handbook*).

Pell and Iraq & Afghanistan Service Grant Lifetime Eligibility Used

You must check the COD common record or COD Web to make sure students close to the 600% lifetime limit on a Pell Grant are not packaged in such a way as to go over 600% of the LEU for either program; to do so would be to overaward the student. The Department will also provide weekly reports in the SAIG mailbox (message class PGLEXXOP, where XX=year) for your school's Pell-eligible applicants that have a Pell LEU greater than or equal to 450%. See *Chapter 3* for more detail on the effects of various levels of Pell/Iraq & Afghanistan Service Grant LEU.

Packaging Direct PLUS Loans for graduate/professional students

A Direct PLUS Loan does not count against a graduate/professional student's Direct Unsubsidized Loan annual or aggregate loan limits.

Use net FWS earnings when packaging

To determine the net amount of a student's FWS earnings that will be available to help pay for the student's costs, you must subtract estimated taxes and job-related costs from the student's gross FWS earnings (see *Chapter 6* of this volume).

Estimated Financial Assistance
34 CFR 673.5(c)
HEA: Sec. 428(a)(2)(C)(ii)
DL: 34 CFR 685.102(b)

ESTIMATED FINANCIAL ASSISTANCE (EFA)

In contrast to Pell & Iraq and Afghanistan Service Grants, you must take other aid into account when awarding TEACH Grant funds, Campus-Based

aid, or Direct Loans. As noted earlier, the other aid that must be considered is called "estimated financial assistance" (EFA). EFA is generally used in the same way for the Direct Loan Program as for the TEACH Grant and Campus-Based programs. However, there are differences in the treatment of AmeriCorps benefits (discussed later in this chapter).

In general, EFA as defined for the Direct Loan, Campus-Based, and TEACH Grant programs refers to aid from the Title IV programs, as well as other grants, scholarships, loans, and need-based employment that you can reasonably anticipate at the time you award aid to the student, whether the assistance is awarded by the school or by an individual or organization outside the school.

If aid is excluded from either EFA or COA, that amount must be excluded from both EFA and COA. For Direct Loans, the regulations specify that "estimated financial assistance" is aid that the student will receive for the same period of enrollment as the loan. As noted in *Chapter 1*, it's usually best to originate a loan for a period that matches the academic year or other period that you're using to award funds from other Title IV programs. The amount of a private education loan which exceeds the EFC when substituting for the EFC is considered EFA.

When classifying non-FSA sources of aid, if a student receives the award because of postsecondary enrollment (for example, a scholarship from a local social club that requires a student to be attending a postsecondary school), it counts as EFA if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need. Any amount that appears as income on the tax return will also be included on the appropriate line of item 44 or 93 on the FAFSA. If the award is considered wages for employment but is not based on need, then it is not EFA and it remains in income.

Prepaid tuition plans

Prepaid tuition plans are not considered EFA; instead, they are treated the same as Coverdell education and 529 savings accounts. Their value is considered an asset of the owner of the account, unless the owner of the account is a dependent student. When the owner is a dependent student, the value of the account is reported as an asset of the parents on the FAFSA. For more detail, see Volume 1, Chapter 2, under the heading "Qualified Education Benefits."

Estimated financial assistance provided by a state

If the assistance provided by a state is not considered Title IV assistance (such as a LEAP Grant), and is designated by the state to offset a specific component of the student's COA, the amount of that assistance may be excluded from both COA and Estimated Financial Assistance. You may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and Estimated Financial Assistance. If the amount excluded is less than the allowance provided in the student's COA, you must exclude the lesser amount. For more detail, see HEA Sec. 480(j).

Examples of Estimated Financial Assistance

Counted as EFA

Any educational benefits paid because of enrollment in postsecondary education, such as:

- Pell Grants;
- Direct Subsidized Loans (gross amount, including origination fees);
- Direct Unsubsidized and PLUS Loans (gross amount, including origination fees), except amounts used to replace the EFC (see below);
- Long-term need-based loans, including loans made by the school (short-term emergency loans are not considered to be Estimated Financial Assistance);
- Grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs) and state grants;
- Scholarships, including athletic scholarships and scholarships that require future employment but are given in the current year;
- Employer reimbursement of employee's tuition
- Waivers of tuition and fees;
- Fellowships or assistantships, except non-need-based employment portions of such awards;
- Income from insurance programs that pay for the student's education;
- Net income from need-based employment such as FWS;
- AmeriCorps awards or post-service benefits (except when determining eligibility for Direct Subsidized Loans);
- McNair Postbaccalaureate Achievement Program;
- TEACH Grants (except amounts used to replace the EFC - see "Not counted as EFA"); and
- Private education loans (except amounts used to replace the EFC - see "Not counted as EFA").

Not counted as EFA

- Iraq & Afghanistan Service Grants;
- Wages from non-need based employment;
- Veterans education benefits listed in *Appendix A* at the end of this chapter;
- When awarding Campus-Based or TEACH Grant funds, the amount of any Direct Subsidized Loan that is equal to or less than the amount of the student's AmeriCorps national service education awards or post-service benefits paid for the student's COA;
- When determining eligibility for Direct Subsidized Loans, AmeriCorps national service education awards or post-service benefits; and
- The amounts of any TEACH Grants, Direct Unsubsidized Loans, Direct PLUS Loans, and non-federal non-need-based loans, including private, state-sponsored, and institutional loans, that are used to replace the EFC (amounts that exceed the EFC must be treated as EFA).

PACKAGING AID FOR DEPENDENTS OF DECEASED IRAQ & AFGHANISTAN SOLDIERS OR PUBLIC SAFETY OFFICERS

Pell-eligible dependents of deceased Iraq and Afghanistan soldiers

As described in *Chapter 3* of this volume, a student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, may receive increased amounts of Title IV aid, if, at the time of the parent or guardian's death, the student was 1) less than 24 years old, or 2) enrolled at an institution of higher education. The aid award and the method of packaging depends upon whether a student who meets the above criteria has a Pell-eligible EFC.

If a student who meets the above requirements has a Pell-eligible EFC, **you must award and package all Title IV aid based on an EFC of zero**, without regard to the student's calculated EFC. (Note that the zero EFC is only used for packaging purposes; you don't actually change the student's EFC).

If a student who meets the above requirements has an EFC that is too high to qualify for a Pell Grant, the student is potentially eligible to receive an Iraq & Afghanistan Service Grant.

Pell-eligible dependents of deceased public safety officers (Children of Fallen Heroes)

Chapter 3 of this volume also explains that beginning with the 2018-19 award year, an otherwise Pell-eligible student whose parent or

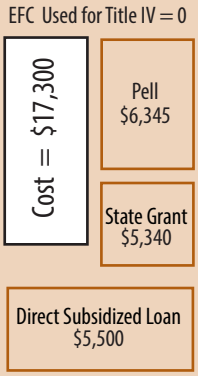
guardian died as a result of active service in the line of duty as a public safety officer may receive the maximum Pell Grant amount and increased amounts of other federal student aid if, at the time of the parent's or guardian's death, the student was less than 24 years old, or was enrolled at an institution of higher education. For a student who meets these requirements and has a Pell-eligible EFC, you must use an EFC of zero to package all federal student aid, the same as described above for Pell-eligible students who are the dependents of deceased Iraq and Afghanistan soldiers. As is the case with dependents of deceased Iraq and Afghanistan soldiers, the zero EFC is used only for packaging purposes. There is no change to the student's calculated EFC.

Non-Pell-eligible dependents of deceased Iraq & Afghanistan soldiers (Iraq & Afghanistan Service Grants)

The amount of the Iraq and Afghanistan Service Grant (IASG) is determined by enrollment status only (see *Chapter 3*). For students receiving IASGs, you include the student's normally calculated EFC when packaging other Title IV aid. The IASG is not based on need and is not considered EFA (for purposes of awarding aid from other Title IV programs). COA is only taken into account if the student's COA is less than the maximum IASG. For more detail on the IASG, including calculating an award for a payment period, see *Chapter 3* of this volume.

An IASG is not adjusted to take into account other forms of aid. Additionally, as the IASG is not considered EFA, it does not affect other aid in the student's Title IV aid package. In the rare instance where an IASG, by itself, would exceed the student's Title IV COA for a period of enrollment, the total amount of the of the IASG paid to the student must be reduced to the COA for the period of enrollment (reduce each payment for each payment period by an equal amount).

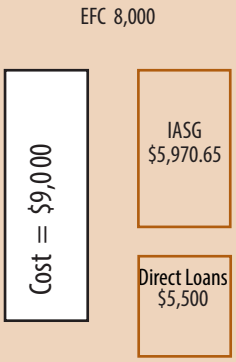
Maximum Pell packaging example - dependent of a deceased Iraq & Afghanistan soldier



Juanita is a third-year undergraduate student at Bohannon College. Juanita's COA is $17,300, and her EFC for the current year is 3,957. In 2004, when Juanita was four years old, her parent died as a result of U.S. military service in Iraq. As a result, Juanita is eligible to receive Title IV funds as if her Pell-eligible EFC were zero. The packaging process begins with a $6,345 Pell Grant. Bohannon then awards Juanita a state grant and a $5,500 Direct Subsidized Loan. No overaward is created, and no form of aid must be reduced.

If Juanita's parent had died as a result of service as a public safety officer, she would have qualified for the same treatment of her EFC under the Children of Fallen Heroes Scholarship Act and the packaging example would be the same.

IASG packaging example



Joe is a dependent first-year undergraduate student, enrolled at Bohannon College. Joe's COA is $9,000, and his EFC for the current year is 8,000. Due to his parent's death in service in Iraq and his non-Pell-eligible EFC, Joe is eligible to receive an IASG. The packaging process begins with a $5,970.65* IASG. Bohannon can then award Joe a $1,000 Direct Subsidized Loan and a $4,500 Direct Unsubsidized Loan. (If Joe were an independent student, he could receive a $1,000 Direct Subsidized Loan and an $8,000 Direct Unsubsidized Loan.) Although the amount of IASG and Direct Loans combine to exceed Joe's COA, the IASG is not EFA, and thus does not affect Joe's other aid in his Title IV aid package. No overaward is created, and neither form of aid must be reduced.

* The $5,970.65 IASG amount reflects a 5.9% reduction of the 2020-2021 statutory award amount of $6,345 as required by the Fiscal Year 2020 Sequester for IASG awards first disbursed on or after October 1, 2019 and before October 1, 2020. For IASG awards first disbursed on or after October 1, 2020 and before October 1, 2021, the Fiscal Year 2021 Sequester requires a 5.7% reduction in the statutory award amount. For more details, see the "The Sequester and Iraq & Afghanistan Service Grants" in *Chapter 3* of this volume and the June 23, 2020 Electronic Announcement.

PACKAGING WHEN CHOOSING NOT TO BORROW SUBSIDIZED OR UNSUBSIDIZED DIRECT LOANS

If a graduate Direct PLUS Loan borrower has not requested the maximum Direct Unsubsidized Loan amount for which he or she is eligible, you must:

- Notify the borrower of his or her maximum Direct Unsubsidized Loan eligibility;
- Provide the borrower with a comparison of the maximum interest rates for Direct Unsubsidized Loans and Direct PLUS Loans;
- Explain when a Direct Unsubsidized Loan enters repayment and when a Direct PLUS Loan enters repayment; and
- Give the borrower the opportunity to request the maximum Direct Unsubsidized Loan for which the borrower is eligible.

If a dependent student for whom a parent is borrowing a Direct PLUS Loan chooses not to apply for a Direct Subsidized or Unsubsidized Loan, the Direct Subsidized/Unsubsidized Loan amount that the student would have been eligible to receive is ***not*** counted as EFA when determining the amount of the Direct PLUS Loan. The same principle applies when a graduate/professional student is eligible for a Direct Unsubsidized Loan but chooses to borrow only a Direct PLUS Loan.

PACKAGING TEACH GRANTS

TEACH Grants are not considered to be need-based aid. The amount of a student's TEACH Grant, in combination with the student's EFA from all other Title IV programs, may not exceed the COA. You may optionally use a TEACH Grant to replace the EFC (see the "Substituting for the EFC" section below).

CONSIDERING GRANTS AND SUBSIDIZED LOANS FIRST

Requirement to consider Federal Pell Grants first
34 CFR 685.200(a)(iii)

The law requires aid administrators to find out whether the student is eligible for certain other Title IV programs that would reduce the need for borrowing. If your school participates in the Federal Pell Grant Program, you must include the student's estimated Pell Grant eligibility as EFA when making Campus-Based awards, whether or not the student has received the Pell Grant at the time you make your Campus-Based award.

Similarly, you must determine an undergraduate student's Pell Grant eligibility before originating a Direct Subsidized or Unsubsidized Loan for that student, and you must package Campus-Based funds and Direct Subsidized Loans before unsubsidized loans. In addition, a student may not receive a Direct Unsubsidized Loan unless the student has received a Direct Subsidized Loan for the maximum amount for which the student is eligible (see Chapter 5 of this volume for an explanation of the difference between

Direct Subsidized Loans and Direct Unsubsidized Loans). However, if a student has received a determination of need for a Direct Subsidized Loan that is $200 or less, you have the option of including that amount as part of a Direct Unsubsidized Loan and are not required to originate a separate Direct Subsidized Loan for the student.

For a dependent student, you may originate and disburse a parent Direct PLUS Loan without determining the student's Pell Grant and Direct Subsidized Loan eligibility. Determining Pell eligibility is not relevant when awarding Direct PLUS Loans to graduate or professional students, but your school must determine a graduate/professional student's maximum Direct Unsubsidized Loan eligibility before you originate a Direct PLUS Loan for the student.

FSEOG & PELL GRANT LEU

A student who receives a Pell Grant at any time in the award year may be awarded an FSEOG for that award year; the student does not have to receive a Pell Grant in the same payment period as the FSEOG. For example, in the case of a student who receives a Pell Grant for the fall semester only due to reaching his lifetime eligibility used (LEU), the student may be awarded an FSEOG for both the fall semester and subsequent spring semester.

Students who have reached or exceeded 600% of their Pell or Iraq & Afghanistan Service Grant LEU may still be eligible to receive FSEOG, however, they must be considered in the second selection group (see "Selecting FSEOG recipients" in *Chapter 6* of this volume).

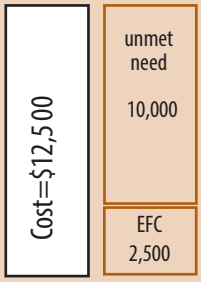
You must keep documentation of the eligible EFC that was calculated for the student, and you must confirm Pell Grant eligibility prior to disbursement of the FSEOG. For more details on Pell Grant LEU, see *Chapter 3* of this volume.

Substituting for the EFC
34 CFR 686.21(d)
34 CFR 685.200(e)

SUBSTITUTING FOR THE EFC

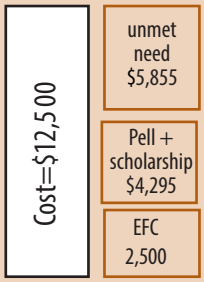
A school may substitute certain types of aid for the student's EFC. Forms of aid that may replace the student's EFC include Direct Unsubsidized Loans, TEACH Grants, Direct PLUS Loans, state loans, private education loans, or any other non-need-based loans. Note that annual loan limits for Direct Unsubsidized Loans still apply, and the total aid received (including amounts used to replace the EFC) cannot exceed the COA.

Basic packaging example



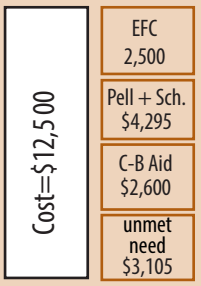
$12,500 Cost
- 2,500 EFC
$10,000 Need

Ricki is a dependent student, returning as a sophomore to Dwight College. For academic purposes, Dwight College considers him to be a 2nd-year student. His COA is $12,500, and his EFC for the current year is 2,500; therefore, the packaging process begins with $10,000 in unmet need.



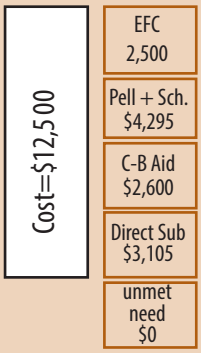
$12,500 Cost
- 2,500 EFC
- 3,895 Pell Grant
- 400 Scholarship
$ 5,705 Remaining Need

The aid administrator at Dwight College begins by awarding Pell Grants and applying an outside scholarship before awarding Campus-Based aid. Ricki's Estimated Financial Assistance is a $3,895 Pell Grant and a $400 outside scholarship.



$12,500 Cost
- 2,500 EFC
- 3,895 Pell Grant
- 400 Scholarship
- 800 FSEOG
- 1,800 FWS
$ 3,105 Remaining Need

Ricki has sufficient need for the maximum awards that the aid administrator can make under Dwight's policy for Campus-Based funds: $800 FSEOG, and $1,800 in FWS employment, leaving him with $3,105 in remaining need.



$12,500 Cost
- 2,500 EFC
- 3,895 Pell Grant
- 400 Scholarship
- 800 FSEOG
- 1,800 FWS
- 3,105 Direct Sub. Loan
$ 0 Remaining Need

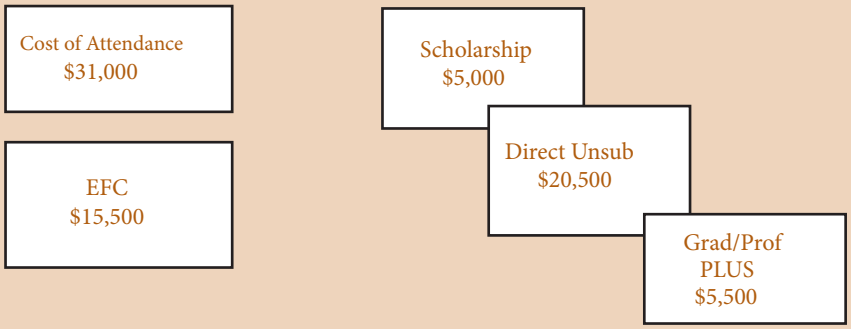
The aid administrator at Dwight College finishes the packaging process by awarding a Direct Subsidized Loan in the amount of $3,105 to fully meet his financial need. As a dependent 2nd-year student, Ricki's combined Direct Subsidized Loan and Direct Unsubsidized Loan limit is $6,500 (maximum of $4,500 subsidized). Ricki's financial aid package now fully covers his financial need of $10,000. However, Ricki could also receive up to $2,500 in Direct Unsubsidized Loan funds to replace the EFC and completely cover his COA.

Graduate/Professional PLUS Packaging Example

Kent enrolls in a graduate-level program at McCausland University with a total COA of $31,000. As a graduate student, he has an annual loan limit of $20,500 for Direct Unsubsidized Loans, and is also eligible for Direct PLUS Loans.

Eligibility for Direct Unsubsidized Loans is determined by subtracting EFA from the COA. The EFC is not taken into consideration. Kent has already been awarded a graduate scholarship of $5,000. Subtracting this EFA from the COA leaves Kent with $26,000 in unmet costs that McCausland partially covers by awarding Kent a $20,500 Direct Unsubsidized Loan. Kent now has $5,500 in remaining costs.

As with Direct Unsubsidized Loans, eligibility for Direct PLUS Loans is determined by subtracting EFA from the COA. Subtracting the scholarship and Direct Unsubsidized Loan from the COA allows Kent to receive a Direct PLUS Loan for $5,500 to fully cover his COA.



Using Unsubsidized Loan Funds to Replace the EFC: Dependent example

Nichelle is a first-year dependent student at Sandberg Community College. Her COA is $10,800 and her ISIR shows that she has an EFC of 8,000, so her financial need is $2,800. Nichelle's EFC makes her ineligible for a Pell Grant, and Sandberg does not participate in the Campus-Based Programs. The combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year dependent student is $5,500 (maximum $3,500 subsidized). Nichelle qualifies for a $2,800 Direct Subsidized Loan to fully cover her financial need.

$ 10,800	Cost
- 8,000	EFC
$ 2,800	Need

Eligibility for Direct Unsubsidized Loan is determined by subtracting EFA from the COA (the EFC is not taken into consideration). Subtracting the $2,800 Direct Subsidized Loan from the $10,800 COA, leaves $8,000 in unmet costs. However, Nichelle cannot cover this full amount with a Direct Unsubsidized Loan because of the $5,500 combined Direct Subsidized Loan/Direct Unsubsidized Loan annual loan limit. Nichelle is eligible to borrow an additional $2,700 in the form of a Direct Unsubsidized Loan to cover part of the EFC ($5,500 combined subsidized/unsubsidized annual loan limit - $2,800 Direct Subsidized Loan = $2,700 in remaining Direct Unsubsidized Loan eligibility under the annual loan limit).

$ 10,800	Cost
- 2,800	Direct Sub
- 2,700	Direct Unsub
- 5,300	Direct PLUS
$ 0	Unmet Cost

Her parents could then borrow $5,300 in Direct PLUS Loan funds to cover the remaining portion of the EFC and fully cover her COA. As with Direct Unsubsidized Loans, eligibility for Direct PLUS Loans is determined by subtracting EFA from the COA ($10,800 COA - $2,800 Direct Subsidized Loan - $2,700 Direct Unsubsidized Loan = $5,300 in Direct PLUS Loan eligibility).

As an alternative to Nichelle taking out a $2,700 Direct Unsubsidized Loan, Nichelle's parents could borrow up to $8,000 in the form of a Direct PLUS Loan to replace the EFC and fully cover the COA ($10,800 - $2,800 Direct Subsidized Loan = $8,000 in Direct PLUS Loan eligibility). Another option (to eliminate the need for Nichelle to incur any student loan debt at all) would be for her parents to take out a Direct PLUS Loan in the amount of $10,800.

Using Unsubsidized Loan Funds to Replace the EFC: Independent example

Allen enrolls in Aim College of Engineering and Animal Husbandry as a 1st-year independent student with an $8,500 cost of attendance, and Aim has received an ISIR for him with an EFC of 2,050. He is eligible for a $3,895 Pell Grant, and Aim also awards him a $1,000 FSEOG. Allen's remaining need is $1,555, so he can receive that amount in a Direct Subsidized Loan. Allen's financial need is fully covered by the Pell Grant, FSEOG, and Direct Subsidized Loan.

$ 8,500	Cost
- 2,050	EFC
$ 6,450	Need

The combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year independent student is $9,500 (maximum $3,500 subsidized).

Allen can also receive a Direct Unsubsidized Loan in the amount of $2,050 to replace the EFC and fully cover his COA ($8,500 COA - $3,895 Pell - $1,000 FSEOG - $1,555 Direct Subsidized Loan = $2,050 Direct Unsubsidized Loan eligibility).

Unmet Need + EFC

$ 8,500	Cost
- 3,895	Pell Grant
- 1,000	FSEOG
- 1,555	Direct Subsidized
- 2,050	Direct Unsubsidized
$ 0	Unmet Cost

RECALCULATION

Any time a student begins attendance in at least one course but does not begin attendance in all the courses he or she was scheduled to attend and on which eligibility for Title IV Aid was based, the school must recalculate the student's eligibility for Pell Grants, Iraq and Afghanistan Service Grants, and TEACH Grants, based on the revised enrollment status and COA. For the Campus-Based programs, the school may need to recalculate the student's eligibility based on a revised COA.

A school may adopt a recalculation policy that is stricter than what the regulations require (e.g., a policy that requires recalculation up to a census date or anytime within a term or period of enrollment). If a school adopts a policy of recalculating Pell Grants, Iraq and Afghanistan Service Grants, and TEACH Grants when a student's enrollment status changes within a term or period of enrollment, the policy must be applied consistently to all students. Therefore, if your school chooses to recalculate Pell, Iraq & Afghanistan Service Grants and TEACH Grants for a student whose enrollment status in a program increases (e.g., from half-time to full-time), it must also recalculate for a student whose enrollment status decreases.

Once the school has recalculated the student's eligibility, Title IV funds in excess of the amount the student is eligible to receive must be returned or reawarded, as applicable. For guidance on handling excess cash resulting from recalculations of aid eligibility due to enrollment status changes, see *Volume 4*.

Recalculation and Direct Loans

If a student's enrollment status changes after the student has already received one or more Direct Loan disbursements, no recalculation of the previously disbursed Direct Loan amount is required. For information on how changes in enrollment status may affect a student's eligibility to receive pending Direct Loan disbursements, see *Chapter 5* of this volume.

Recalculation and Pell Grants

Since Pell Grants are always based on the full-time COA, recalculation means that you are looking at the student's revised enrollment status and using the Pell Payment Schedule appropriate for the student's revised enrollment status. For more detail on recalculating Pell Grants, see *Chapter 3* of this volume.

Recalculating COA

When performing a recalculation a school may not include in the COA costs associated with any classes the student failed to begin. In addition, in determining a student's COA a school may not include any costs for a period when the student was not enrolled in and attending any Title IV eligible classes (other than costs for a brief period of time between regularly scheduled terms or semesters). Note that some components of COA are not included if a student is enrolled less than half time (see *Chapter 2* of this volume).

A school that performs a Return of Title IV Funds calculation on a period of enrollment basis for a student enrolled in a program offered in

modules may not include in the recalculated COA any costs associated with a future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days.

COA changes between payment periods

A school may have a policy of recalculating awards when the COA changes from one payment period to the next—for example, because of changes to the student's tuition and fee costs, or because a student's living situation changes (such as when a student moves off campus). Schools also have the option to establish a policy to recalculate financial aid awards when a student's costs change *within* an award year, as long as the recalculation policy is carried out for all students whose costs change.

COA changes within a payment period

You may establish a policy of recalculating for cost changes from one payment period to the next (as described above), and at the same time, have a policy of not recalculating for cost changes *within* a payment period. However, you also have the option to establish a policy of recalculating financial aid awards when a student's costs change within a payment period. For instance, if a student with no dependents moves from a dormitory to off-campus housing at midterm, the school may wish to recalculate the student's award for that payment period.

For Pell purposes, such a policy is acceptable if it's carried out for all students whose costs change within the payment period.

You may not recalculate the payment for a payment period that took place *before* the cost change. For instance, if a student lives in the dormitory during the first quarter and then moves off campus for the second and third quarters, the recalculation would only affect the payments for the second and third quarters.

Counting need-based earnings as estimated financial assistance

The treatment of earnings from a job sometimes presents a problem—should the earnings be reported as income in need analysis or should they be counted as a form of student aid in the packaging process? Only net earnings from *need-based employment* are considered to be EFA. "Need-based employment" means employment that is awarded by the school itself or by another organization to a student on the basis of financial need to meet educational expenses for the award year.

A Federal Work-Study job is clearly a form of need-based student aid. Employment with a state is considered to be EFA if that employment is based on the student's financial need for assistance to pay for educational expenses.

Non-need-based earnings are not to be considered as EFA for the current award year because they will be reported as income on the Free Application for Federal Student Aid (FAFSA) for a subsequent award year and will be used in calculating the future EFC. An example of non-need-based employment would be a job a student obtains with a private employer such as a local grocery store. Another example would be a job cleaning the labs in the chemistry department on campus, if the chemistry department hired the student using non-need-based criteria and funds.

CROSSOVER PERIODS

Crossover periods are payment, award, or loan periods that overlap two award years. In general, you may choose which award year EFC to use for a student, with one exception:

- When awarding FWS to a student not attending classes, the EFC for the next period of enrollment must be used.

The following chart summarizes the options for handling crossover payment periods in the major Title IV programs. Note that for the award year selected, the student must have an official EFC calculated by the CPS, and for a Pell Grant the CPS must also have processed a valid SAR or ISIR. For crossover payment periods, you must use the same EFC, COA, and need for all programs except Pell; for Pell, use the EFC for the award year from which the student will be paid.

Pell crossover issues

For Pell Grant purposes, you may assign crossover payment periods to the award year that best meets the needs of your students and maximizes a student's eligibility over the two award years in which the crossover payment period occurs. You may assign the Pell award to a different award year than the award year used for awarding the rest of the student's Title IV aid. For more detail on calculating Pell awards in crossover, summer, minisession, and transfer situations, see *Chapter 3* of this volume.

EFCs for periods other than 9 months

For information on EFCs for periods other than 9 months, see the Application and Verification Guide, Chapter 3.

Crossover period EFCs and Title IV aid

In a crossover payment period, when using Pell from a different award year than the award year used to award other Title IV aid, you must use the same EFC, COA, and need for all programs except Pell. For Pell, you use the EFC, COA, and need for the award year from which the student will be paid, and use the amount of Pell received in determining remaining need when packaging aid from other Title IV programs.

Handling Crossover Periods for Title IV Programs						
Title IV Program	**Applicable crossover period**	**Choice of award year EFC?**	**Use same award year EFC for all students in crossover period?**	**Use same award year, EFC, COA, and need to award a student other TIV aid?**	**Use funds from the same award year as EFC?**	**Choice of academic year for annual loan limit regardless of award year EFC used?**
Pell Grant and Iraq & Afghanistan Service Grant	Payment period	Yes	No	Not applicable	Yes	Not applicable
FWS	Award period	Yes, if student is attending classes. (If student is not attending, you must use EFC for next period of enrollment)	No	Yes, except for Pell Grant	No, disbursement from award year in which hours were worked	Not applicable
FSEOG	Payment period	Yes	No	Yes, except for Pell Grant	No	Not applicable
Direct Loans	Loan period	Yes	No	Yes, except for Pell Grant	Not applicable	Yes, for term-based credit-hour programs using SAY. Not relevant for BBAY.

Financial Aid offers and notification requirements

Many schools use a financial aid offer, in either paper or electronic format, to notify students of their proposed aid package. Whether you use a paper letter or other electronic means such as email, you must fulfill the consumer information requirements, as described in *Volume 2, Chapter 6*. You are also responsible for certain notifications and authorizations at the time of disbursement, as described in *Volume 4, Chapter 1*.

Schools may direct students toward the following website for information on interpreting their financial aid package: ***https://www2.ed.gov/policy/highered/guid/aid-offer/index.html***

PACKAGING VETERANS BENEFITS, AMERICORPS, VOCATIONAL REHABILITATION FUNDS, & BIA GRANTS

Veterans benefits not EFA
EA August 13, 2009
HEA 480(c)

Veterans education benefits

For FSA purposes, federal veterans education benefits, as defined under Section 480(c) of the HEA, are not treated as estimated financial assistance (EFA). You can ask the student to provide the specific program or benefit under which they are receiving their veterans benefits. Veterans education benefits are also not to be counted as income, and therefore are not reported as income on the FAFSA. For a full list of federal veterans education benefits, see *Appendix A* at the end of this chapter.

Noneducational veterans benefits are not counted as estimated financial assistance. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits, and income from the Veteran's Affairs Student Work-Study Allowance Program (VASWSAP). The student must report these noneducational benefits as nontaxable income on the FAFSA.

The income earned from the VASWSAP is not treated as a veterans education benefit. It should be reported as untaxed income (not income earned from work) on the FAFSA.

Americorps benefits

AmeriCorps benefits are not included in the EFA when determining eligibility for Direct Subsidized Loans. All AmeriCorps benefits are included as EFA when determining eligibility for Direct Unsubsidized Loans.

When packaging Campus-Based or TEACH Grant awards, you may exclude from the EFA any portion of a Direct Subsidized Loan that is equal to or less than the amount of the student's AmeriCorps benefits.

For example, a 3rd-year dependent student has a COA of $15,000 and an EFC of 2,400, and is receiving $3,995 in Pell, $3,000 in AmeriCorps benefits and $1,000 in FSEOG Because AmeriCorps benefits are not counted as EFA when determining eligibility for Direct Subsidized Loan, you may award the student $5,500 in Direct Subsidized Loan funds ($15,000 COA – 2,400 EFC – $3,995 Pell Grant – $1,000 FSEOG = $7,605 Direct Subsidized Loan eligibility, but limited to $5,500 because of the annual loan limit).

In contrast, AmeriCorps benefits are considered EFA when determining eligibility for Direct Unsubsidized Loans. Therefore, the student may receive an additional $1,505 in Direct Unsubsidized Loan funds to replace part of the EFC and fully cover the COA ($15,000 COA -- $3,995 Pell -- $1,000 FSEOG -- $3,000 AmeriCorps benefits -- $5,500 Direct Unsubsidized Loan = $1,505 Direct Unsubsidized Loan eligibility).

Vocational rehabilitation funds

If you have a student who qualifies for both Title IV funds and for vocational rehabilitation assistance funds, you should determine the student's aid package without including costs related to the student's disability in the student's COA, and without including anticipated vocational rehabilitation assistance as EFA. In this way, a student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled. If the vocational rehabilitation agency doesn't fully meet the student's disability costs, you may wish to include the unmet disability expenses in the student's COA, and increase the aid award.

Vocational rehabilitation agreements with state agencies

Some state vocational rehabilitation agencies have established agreements with schools that specify how vocational rehabilitation assistance will be coordinated with other forms of financial aid. Check with your school's vocational rehabilitation coordinator to see if it has such an agreement.

Although vocational rehabilitation funds shouldn't be considered estimated financial assistance when you initially package aid for a student, you must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Coordination with Bureau of Indian Affairs grants

When packaging Campus-Based aid for a student who is or may be eligible for a Bureau of Indian Affairs (BIA) grant, you must first develop a financial aid package without considering any BIA funds. If the total aid package—after BIA funds are added—does not exceed the student's need, no adjustment may be made to the aid package. If the total package plus the BIA grant does exceed need, you must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (You may *not* reduce a Pell Grant or BIA grant.) You may alter this sequence of reductions upon the student's request if you believe it would benefit the student. We encourage you to consult with area officials in charge of BIA postsecondary financial aid when packaging Title IV funds with BIA grants. For more details on BIA Grants, see 34 CFR 673.6.

Vocational rehabilitation packaging

Lee, a 3rd-year dependent undergraduate with no financial need, will receive $4,000 in vocational rehabilitation aid for the 2020-21 academic year. The original COA at Lee's school is $5,000. In determining the original COA, the school coordinates funding with the vocational rehabilitation agency and chooses to exclude all disability-related expenses that will be covered by the vocational rehabilitation aid. However, Lee has $2,000 in additional disability-related expenses that his vocational rehabilitation aid will not cover, so the school increases the COA to $7,000 and awards Lee a Direct Unsubsidized Loan for that amount.

Although the combined amount of the $7,000 Direct Loan and the $4,000 in vocational rehabilitation aid exceeds the COA, there is no overaward. This is because the $7,000 COA does not include $4,000 in disability-related expenses that are covered by Lee's vocational rehabilitation aid. Since the $4,000 in vocational rehabilitation aid is not covering any component of Lee's COA, it must also not be counted as EFA. Note, however, that if the school had not initially excluded from Lee's COA all of the disability-related expenses that were covered by the $4,000 in vocational rehabilitation aid, the amount of the vocational rehabilitation aid that exceeded the excluded disability expenses would have to be counted as EFA.

TREATMENT OF OVERAWARDS

If, **at any time during the award period**, the student receives additional EFA that was not considered in calculating the student's eligibility for Campus-Based aid, and if the EFA combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.

The treatment of overawards in the Direct Loan Program depends on whether the loan has been fully disbursed—if you discover that there's going to be an overaward before Direct Loan funds are disbursed, you must eliminate the overaward through the packaging process by canceling or reducing the amount of the Direct Loan, or by reducing/canceling other aid over which you have direct institutional control.

If the overaward situation occurs after Direct Loan funds have been disbursed to the borrower, there is no Direct Loan overaward that needs to be addressed; however, you might need to adjust the student's aid package to prevent an overaward of Campus-Based funds.

See *Volume 4* of the *FSA Handbook, Chapter 3,* for a full discussion of overawards for all programs.

Campus-Based overaward thresholds

Campus-Based aid need not be reduced if the overaward doesn't exceed $300, which is the overaward threshold for all Campus-Based programs. Note that the $300 threshold is allowed only if an overaward occurs after Campus-Based aid has been packaged and the school was unaware the student would receive additional funds. The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other resources, exceeds the student's financial need.

APPENDIX A

FEDERAL VETERANS EDUCATION BENEFITS TO BE EXCLUDED FROM EFA, AS LISTED IN SECTION 480(C) OF THE HIGHER EDUCATION ACT

- Chapter 103 of Title 10, United States Code (Senior Reserve Officers' Training Corps)
- Chapter 106A of Title 10, United States Code (Educational Assistance for Persons Enlisting for Active Duty)
- Chapter 1606 of Title 10, United States Code (Selected Reserve Educational Assistance Program)
- Chapter 1607 of Title 10, United States Code (Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Certain Other Operations)
- Chapter 30 of Title 38, United States Code (All-Volunteer Force Educational Assistance Program, also known as the "Montgomery GI Bill—active duty")
- Chapter 31 of Title 38, United States Code (Training and Rehabilitation for Veterans with Service-Connected Disabilities)
- Chapter 32 of Title 38, United States Code (Post-Vietnam Era Veterans Educational Assistance Program)
- Chapter 33 of Title 38, United States Code (Post-9/11 Educational Assistance)
- Chapter 35 of Title 38, United States Code (Survivors' and Dependents' Educational Assistance Program)
- Section 903 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note) (Educational Assistance Pilot Program)
- Section 156(b) of the "Joint Resolution making further continuing appropriations and providing for productive employment for the fiscal year 1983, and for other purposes" (42 U.S.C. 402 note) (Restored Entitlement Program for Survivors, also known as "Quayle benefits")
- The provisions of Chapter 3 of title 37, United States Code, related to subsistence allowances for members of the Reserve Officers Training Corps