
Recalculations and Overpayments

The student's circumstances can change after the award has been calculated and paid. The school may also discover after paying the student that the student received more than he or she was eligible for. In this chapter, we discuss when a school is required to recalculate an award, and what the school does about overpayments.

RECALCULATIONS

The Pell award may have to be recalculated if the student's information changes after the initial calculation or disbursement. Of the significant factors that go into calculating a Pell award, the three that are most likely to change are the EFC, enrollment status, and COA.

Recalculation for EFC Change Cite
34 CFR 690.80(a)

Change in the EFC

A student's EFC may change during the award year for three reasons:

1. *Corrections.* The student may have to correct an error on the original FAFSA or on the previous output document. This frequently occurs as a result of verification, but it may also be a result of the student's own review of his or her data. If the student has already been paid based on the original EFC, the award will have to be recalculated.
2. *Updating.* Some students must update certain items, such as dependency status, household size, and the number in college (see the *SFA Handbook: Student Eligibility [Volume 1]* for details).
3. *Professional judgment.* The aid administrator may, on a case-by-case basis, adjust one or more of the data elements used to calculate the EFC. The aid administrator may need to adjust the data elements during the award year to reflect a student's changed circumstances: For example, if a wage-earning parent dies after the student's first semester, the aid administrator could adjust the adjusted gross income in the EFC formula to reflect the loss of income.

If the new EFC would change the amount of the Pell award, the school 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 most cases, the school can adjust by reducing or canceling later

Verification Exception Cite
34 CFR 668.60(c)(1)

payments to the student, but see “Overpayments,” in this chapter for more information on handling overpayments.

Valid output document

If the school receives an output document with an EFC different from the one used for the payment calculation, the school must first decide which document is valid. If the new information is the valid information, in most cases the school must recalculate the student’s Pell award for the entire award year based on the new EFC.

Verification exception

A student selected for verification can’t **increase** his or her eligibility if the school obtains the corrected output document during the “verification extension” period (90 days after the student’s last day of enrollment, not to extend beyond August 31 following the end of the award year). For example, if the student submits a reprocessed SAR during the extension period and the SAR has a lower EFC than the previous SAR (increasing the student’s eligibility), recalculation is **not** permitted. The student would be paid based on the **higher** EFC on the SAR that was submitted earlier. However, if the corrections **reduce** the student’s eligibility (that is, if the reprocessed SAR had a higher EFC), then the award must be calculated based on the reprocessed SAR.

Change in Enrollment Status

Pell payments to students in clock-hour programs and programs without terms are always based on the full-time Payment Schedule; therefore, no recalculation is necessary for changes in the hours taken by students in these programs.

Required recalculation

In a term program that uses credit hours, a school must calculate a student’s payment for each term based on the enrollment status and length of enrollment for that term. If a student attended full time for the first term and then enrolled half time in the second term, the school must use the half-time enrollment status to adjust the student’s payment for the second term. In addition, if the student doesn’t begin attendance in all of his or her classes, the school must recalculate the student’s award based on the lower enrollment status.

Optional recalculation

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, the school can have a policy of recalculating an award if a student’s enrollment status changes at any time within a term. If such a policy is established, it must be applied consistently to all students: If the school chooses to recalculate for a student who changes from half time to full time, it must also recalculate for a student whose enrollment status decreases. If the school establishes a policy allowing optional recalculations, this policy must be in writing.

A school can include as part of its policy that it will recalculate a student’s award only when the change in enrollment status occurs

Recalculation for Enrollment Status Change Cite
34 CFR 690.80(b)

Required Recalculation Example
Edmund registers for a full-time course load (15 hours), and Hart University calculates his Pell based on full-time enrollment. Hart disburses Edmund’s Pell 10 days before the term starts. When the term starts, Edmund only begins attendance in three classes (9 hours). Hart needs to recalculate Edmund’s award based on the lower enrollment status. Any difference between the amount Edmund received and his new recalculated award is an overpayment (see “Overpayments,” in this chapter for information on handling overpayments).

before a specific date in the payment period. For example, a school can establish a policy that it will recalculate Pell awards only for enrollment changes that occur up to the “add/drop” date of a term. A school isn’t required to establish such a date; it may continue to have a policy under which it recalculates for changes throughout the entire term, or may continue to perform only the required recalculations.

Payment when enrollment changes within a term

If a school doesn’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 payment is made. However, if the school doesn’t have a valid output document until after the enrollment status change, the payment amount is based on the enrollment status at the time the output document was received by the school.

A more drastic change in enrollment status, when the student withdraws from school completely, is discussed in Chapter 6 of the *SFA Handbook: Institutional Eligibility and Participation (Volume 2)*.

Change in Cost of Attendance

Schools aren’t required to recalculate Pell awards for COA changes during the award year. However, if the school recalculates Pell awards for a change in enrollment status, it **must also** take into account any changes in the COA 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 COA will change, because only certain cost components are allowed for less-than-half-time students. If it’s the school’s policy to recalculate for the enrollment change, it 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. The school can’t combine the two costs or average them.

COA changes between payment periods

Some schools choose to recalculate 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 the student’s living situation changes (such as when the student moves off campus). A school can recalculate Pell awards for cost changes within the award year, as long as the recalculation policy is carried out for all students whose costs change.

COA changes within a payment period

Some schools also recalculate financial aid awards when a student’s costs change **within** a payment period. For instance, if a student with no dependents moves from a dormitory to off-campus housing at midterm, the school may wish to recalculate the student’s award for that payment period. Again, for Pell purposes, such a policy is acceptable if it’s carried out for all students whose costs change within the payment period. Note that a school can establish a policy of recalculating for cost changes from one payment period to the next,

Enrollment Change within Payment Period Example

Emma registers full time at Woodhouse College, submits a SAR, and begins attending all of her classes. Woodhouse calculates a full-time award but, by the time Emma comes to pick up the check, she’s dropped to half-time enrollment. Emma is still paid based on full-time enrollment, as long as she’s still eligible for the payment. On the other hand, if Woodhouse didn’t receive a valid output document for Emma until after she’d dropped to half-time enrollment, the Pell calculation would be based on her enrollment status at the time the output document was received (half time).

Recalculation for COA Change Cite

34 CFR 690.80(c)

and at the same time, have a policy not to recalculate for cost changes **within** a payment period.

The school can't recalculate the payment for a payment period that took place **before** the cost change. For instance, in the example above, if the student lives in the dormitory during the first quarter and then moves off campus for the second and third quarters, the recalculation would only affect the payments for the second and third quarters.

OVERPAYMENTS

A Pell overpayment occurs any time the student receives a payment that's greater than the amount for which the student is eligible. Most overpayments are due to one of the following:

- Student error, such as failing to report the spouse's income on the application, or failing to report attendance and financial aid received at a previous school.
- School error, for instance, when a student's award is taken incorrectly from the Payment Schedule, or when the school pays a student who isn't making satisfactory progress.
- Required recalculations, such as when a student never begins attending class or does not begin attending all of his or her classes, or withdraws from school after receiving a disbursement for living expenses. (See "Recalculations," earlier in this chapter, and Chapter 6 of the *SFA Handbook: Institutional Eligibility and Participation [Volume 2]*.)
- Optional payments, for instance, when the school makes an interim disbursement to a student selected for verification, but the student never completes verification.

School Liability for Overpayment

Cite

34 CFR 690.79(a)(2)

No matter what the reason for the overpayment, it must be repaid. If the overpayment is the result of a school error or an optional payment, the school must repay the Pell account whether or not it succeeds in collecting the overpayment from the student. Note that a school can't reduce a student's Pell award from the current award year to eliminate a Pell overpayment from a previous award year. For example, if a student received an overpayment in 1999-2000, a school can't reduce any portion of the student's 2000-2001 Pell award to eliminate the overpayment.

Chapter 3 of the *SFA Handbook: Student Eligibility* (Volume 1) has an extensive discussion of overpayments, but there are some factors that are only relevant to Pell, which we'll discuss here.

Reporting Overpayments Collected

If a school collects or repays an overpayment for the current award year, it reports the decrease in the student's award to RFMS using its normal reporting method (see Chapter 3 of this volume for

information on how to report decreased awards). The school can also use RFMS to report a decreased award after the general disbursement record submission deadline; for the 2000-2001 award year, decreased award reports will be processed at least through September 30, 2006.

Overpayments from previous award years

If a student repays a Pell overpayment for a prior award year, the school must deposit the funds in its institutional federal funds or Pell account and report the decrease in the student's award to RFMS. The funds can then be used for current year disbursements. See Chapter 3 of this volume for more information on reporting decreased awards.

Reporting and Referring Overpayments

A school is required to report any unresolved overpayments to NSLDS within 30 days of learning of the overpayment. See Chapter 3 of the *SFA Handbook: Student Eligibility (Volume 1)* for more on this reporting requirement.

The school must notify the Department's Debt Collection Service (DCS) if it doesn't establish a satisfactory repayment arrangement with the student. The school can choose to refer all Pell overpayments to the DCS or it can repay overpayments for its students and establish its own satisfactory repayment arrangement with the students. If the school is unable to eliminate an overpayment that isn't the school's fault, the school must refer the student's case to DCS for collection. More information about the referral process is in Chapter 3 of the *SFA Handbook: Student Eligibility (Volume 1)*.

PREVENTING OVERAWARDS

An overaward is an amount that exceeds the student's financial need. The Pell Grant is regarded as the first source of assistance to the student and thus isn't adjusted to take into account other aid, even if the student's combined aid package exceeds the student's need.

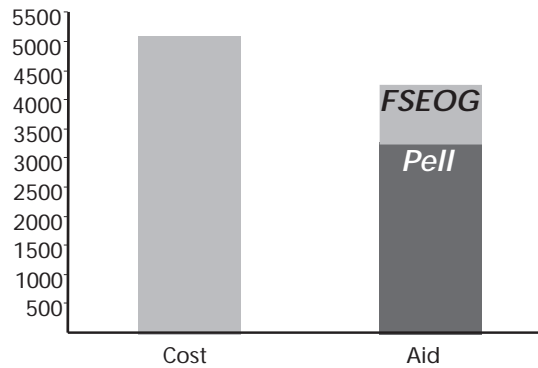
Resources and Estimated Financial Assistance

To help prevent overawards, an estimate of the student's Pell eligibility is included as a resource in determining campus-based aid or estimated financial assistance in determining Stafford or Direct Loan amounts. The sum of the student's EFC, Pell, campus-based aid, FFEL or Direct Loans, and any other aid and resources can't exceed the student's COA. The school may need to reduce aid it controls (other than the Pell Grant) if it discovers the student might otherwise receive an overaward. (See the *SFA Handbook: Student Eligibility [Volume 1]*.)

If the student's aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell can't be used to pay back the loan—a loan repayment isn't an educational expense.

Overaward Example

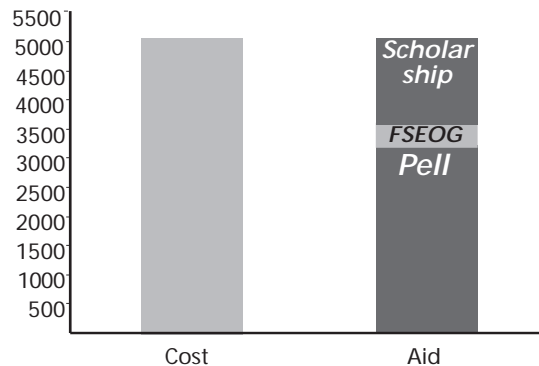
Bill is awarded a \$3,300 Federal Pell Grant and a \$1,000 FSEOG to attend Kaler Junior College and enrolls in the fall term. His annual cost of attendance is \$5,100.



The total aid awarded is \$4,300, well within Bill's need (his EFC is 0).

However, the school learns later in the term that Bill will receive a \$1,500 art scholarship from a foundation outside the school. The scholarship isn't reduced if the student receives other aid.

The school must reduce Bill's FSEOG to prevent an overaward. (Otherwise, his total aid, \$5,800, would exceed his cost of attendance [\$5,100] by \$700.) The FSEOG award must be reduced by \$700, to \$300.



NCAA Rules for Student Athletes

The National Collegiate Athletic Association (NCAA) has rules limiting the amount of aid student athletes may receive. However, the law doesn't permit schools to adjust students' Pell Grants. **Student athletes must receive the full amount of any Pell Grant for which they are eligible.** If the student's potential aid plus the student's Pell Grant exceeds the NCAA limits, the school must reduce any aid over which it has control, **not** the Pell Grant.