
Awarding Campus-Based Aid

NEED-ANALYSIS FORMULAS

The Higher Education Act of 1965 (HEA), as amended, provides a single methodology for determining the Expected Family Contribution (EFC) and cost of attendance (COA) for all Student Financial Assistance (SFA) programs. Need-analysis and COA are discussed in *Volume 1 - Student Eligibility*. If the student's COA exceeds his or her EFC, the student has need.

Before awarding aid from campus-based programs, the financial aid administrator must take into account aid the student will receive from other SFA Programs. The administrator must also take into account other resources that the school makes available to its students, resources about which he or she knows, or resources that the administrator can reasonably anticipate at the time aid is awarded to the student. An aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need.

If, **at any time during the award period**, the student receives additional resources that were not considered in calculating the student's eligibility for campus-based aid and if these resources 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.

RESOURCES

Resources, as defined by the campus-based regulations, include but are not limited to:

- funds a student is entitled to receive from a Federal Pell Grant;
- William D. Ford Federal Direct Loans (Direct Loans);
- Federal Family Education Loans (FFEL's);

Maximum Campus-Based Aid Calculation

Financial Need

$$\begin{array}{r} - \text{Aid from other SFA programs} \\ \text{and resources} \\ \hline = \text{Maximum Campus-Based aid} \end{array}$$

Consolidated Overaward Provisions Cite
34 CFR 673.5

- long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be a resource);
- grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs), state grants, and ROTC living allowances;
- scholarships, including athletic scholarships and ROTC scholarships, and scholarships that require future employment but are given in the current year;
- waivers of tuition and fees;
- fellowships or assistantships;
- veterans educational benefits paid under Chapters 30, 31, 32, and 35 of Title 38 of the U.S. Code;
- income from insurance programs that pay for the student's education;
- net income from need-based employment; and
- AmeriCorps funds (national service education awards or post-service benefits under Title I of the National and Community Service Act of 1990).

“Need-based employment” means employment that is awarded by the school itself or by another entity to a student who demonstrates a financial need for those funds for the purpose of defraying educational costs of attendance for the award year. Only income from **need-based** employment may be considered as a resource.

The net amount of a student's Federal Work-Study (FWS) earnings that will be available to help pay for his or her COA, the school must subtract estimated taxes and job-related costs from the student's gross FWS earnings (see *Volume 6 - Federal Work Study*). Any portion of the above resources that is included in the calculation of the student's EFC is not considered to be a resource.

The school may treat a Federal PLUS Loan, Direct PLUS Loan, unsubsidized Federal Stafford Loan, Direct Unsubsidized Loan, state-sponsored loan, or a private loan as a substitute for a student's EFC. However, if the sum of the loan amounts received exceeds the student's EFC, the excess is a resource.

Non-need-based earnings are not to be considered as a resource for the current award year because they will be reported as income on the *Free Application for Federal Student Aid* (FAFSA) for the subsequent award year.

Under the new campus-based regulations 34 CFR 673.5(c)(4), you may, as an option when packaging aid, **exclude** as a resource a portion of a subsidized Stafford Loan up to the amount of the student's Chapter 30 veterans education benefits (paid under the Montgomery GI Bill) and/or AmeriCorps funds. For an example of how this exclusion factors into a student's financial aid package, see volume 1. (Chapter 30 veterans education benefits and AmeriCorps awards must be **excluded** from estimated financial assistance when determining a student's eligibility for a subsidized Stafford Loan.)

Loan Resource Exclusion Cite
34 CFR 673.5(c)(4)

This regulatory change was effective July 1, 2000, although schools were allowed to implement this regulation on or after October 28, 1999.

Noneducational veterans benefits are not counted as a resource or estimated financial assistance, as they are already counted in the EFC formula as nontaxable income. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits.

OVERAWARDS

A financial aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need. If a student who has already been awarded a financial aid package later receives additional resources that cause his or her financial aid package to exceed his or her need, the amount in excess of the student's need is considered an overaward.

There is now a \$300 overaward threshold for all campus-based programs. The \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. 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.

STEPS TO TAKE IF THE RESOURCES EXCEED NEED

If a school learns that a student has received additional resources that were not included in calculating the student's eligibility for aid from the Perkins Loan, FWS, or FSEOG Program that would result in the student's total resources exceeding his or her financial need by more than \$300, the school must take the following steps:

1. If the student's aid package includes a loan under the FFEL or Direct Loan Program, the school must first follow the overaward requirements that are presented in *SFA Handbook: Direct Loan and FFEL Programs Reference*. Also, a school may attempt to reduce or eliminate the overaward by changing the function of an unsubsidized loan (a Stafford Loan, a nonfederal loan, or the parents' PLUS Loan) from covering need to replacing the EFC. (However, if the sum of the loan amounts exceeds the student's EFC, the excess must be treated as a resource.)

2. If there is no FFEL or Direct Loan in the student's aid package or if the school eliminates the FFEL or Direct Loan overaward and if, in either case, the student's total resources still exceed the student's need by more than \$300, the school must recalculate the student's need to determine whether he or she has increased need that was not anticipated when the school awarded aid to the student. If the student's need has increased and if the total resources do not exceed the increased need by more than \$300, the school is not required to take any additional action.
3. If the school recalculates the student's need and determines that the student's need has **not** increased or that his or her need has increased but that the total resources still exceed his or her need by more than \$300, the school must cancel any loan or grant (other than a Pell Grant) that has not already been disbursed.
4. If the student's total resources still exceed his or her need by more than \$300 and his or her resources include a Perkins Loan and/or FSEOG, the amount that exceeds the student's need by more than \$300 is a Perkins Loan or FSEOG overpayment.

For a student employed under the FWS Program, if the school recalculates the student's need and determines that the student's need has increased and if the total resources do not exceed that increased need by more than \$300, the school may use FWS funds to pay the student until the FWS award has been earned or until the student's increased need has been met. In addition, the school may continue employing the student under FWS after the full amount of the FWS award has been earned and the student's financial need has been met; however, the school may pay the student with FWS funds only up to the time the income from **need-based** employment exceeds the student's financial need by more than \$300. At that point, FWS funds may no longer be used to pay the student. The school may continue to employ the student, but funds other than FWS funds must be used to pay the wages.

OVERPAYMENTS

A student is liable for any overpayment of a Perkins Loan or FSEOG; the school is also liable for any overpayment that was caused by the failure of the school to follow the procedures in 34 CFR Part 668, Part 673, Part 674, Part 675, or Part 676. If the school makes a Perkins Loan or FSEOG overpayment for which it is liable, it must restore an amount equal to the overpayment plus any administrative cost allowance claimed on that amount to its Perkins Loan fund for a Perkins Loan overpayment or to its FSEOG account for an FSEOG overpayment.

If the school makes an overpayment of Perkins Loan advances or FSEOG for which it is not liable (for example, when a student has

made a mistake on the application), the school must promptly attempt to recover the overpayment by sending a written notice to the student requesting the repayment of the amount of the overpayment. The notice must state that, if the student fails to repay the overpayment, or fails to make arrangements satisfactory to the holder of the overpayment debt to repay the overpayment, the student will be ineligible for additional SFA funds until final resolution of the overpayment.

If a student claims that the school has made a mistake in determining the Perkins Loan or FSEOG overpayment, the school must consider any information provided by the student and determine whether the objection is warranted.

If the school made an FSEOG overpayment for which it is not liable, and the federal share of an FSEOG overpayment is **\$25 or more**, the school may be required to refer the overpayment to the U.S. Department of Education for collection. A school must refer the FSEOG overpayment case to the Department's Student Receivables Division for collection if all of the following conditions apply to the overpayment:

- the school has sent the required notice to recover the overpayment,
- the school determines that the student's objection (if any) is not warranted,
- either the school has failed to collect the FSEOG overpayment or the student has failed to make arrangements satisfactory to the school to repay the overpayment, **and**
- the federal share of an FSEOG overpayment is **\$25 or more**.

If the school is required to refer the FSEOG overpayment to the Department for collection, the school must identify the Federal share of the overpayment; the student's name, most recent address, and telephone number; and other relevant information. See volume 1 for additional information. After referring the overpayment case to the Department for collection, the school is not required to make any further attempt to collect the FSEOG overpayment. If the school is unable to collect the overpayment and the federal share is **less than** \$25, the school is not required to make any further attempt to collect the overpayment.

COORDINATION WITH BUREAU OF INDIAN AFFAIRS GRANTS

To determine the amount of campus-based aid for a student who is or may be eligible for a BIA grant, a school 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, the school must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (The school may **not** reduce a Pell Grant or BIA grant.) The school may alter this sequence of reductions upon the student's request if the school believes the change would benefit the student. In determining the amount of financial need for a student eligible for a BIA grant, a financial aid administrator is encouraged to consult with area officials in charge of BIA postsecondary financial aid.