Volume 3

Academic Calendars, Cost of Attendance, and Packaging

Introduction

This volume of the *Federal Student Aid (FSA) Handbook* discusses the academic calendar, payment period, and disbursement requirements for awarding aid under the Title IV student financial aid programs, determining a student's cost of attendance, and packaging Title IV aid.

Throughout this volume of the *Handbook*, the words "we," "our," and "us" refer to the United States Department of Education (the Department). The word "you" refers to the primary audience of the *Handbook*, school financial aid administrators. In other volumes of the *Handbook* we use "institution," "school," and "college" interchangeably, unless a more specific meaning is provided. In this volume we consistently use the term "school." "Federal student aid," "FSA funds," and "Title IV aid" are synonymous terms for the financial aid offered by the Department. "HEA" refers to the Higher Education Act of 1965, as amended.

We appreciate any comments that you have on this volume as well as the other volumes of the *FSA Handbook*. We revise the text based on questions and feedback from the financial aid community, so please reach out to us about how to improve the Handbook through the "Contact Customer Support" feature in our Partner Connect's Help Center clicking on "FSA Handbook" under the Topic section.

COVID-19 guidance and waivers

The Department of Education 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 Resources for Schools, Students, and Families
- COVID-19 Title IV Frequently Asked Questions

Changes for 2023-2024

General changes throughout *Volume 3*

For 2023-2024, the title of *Volume 3* has been changed from "Calculating Awards and Packaging" to "Academic Calendars, Cost of Attendance, and Packaging," and the number of chapters has been reduced from seven to three. *Volume 3* now consists of previous *Chapter 1* (Academic Years, Academic Calendars, Payment Periods, and Disbursements), previous *Chapter 2* (Cost of Attendance (Budget)), and previous *Chapter 7* (Packaging Aid), with previous *Chapter 7* redesignated as *Chapter 3*.

Previous chapters *3 (Calculating Pell and Iraq and Afghanistan Service Grant Awards), 4 (Calculating TEACH Grants), 5 (Direct Loan Periods and Amounts),* and *6 (Awarding Campus-Based Aid)* have been removed from *Volume 3* and the content of those chapters has been placed in other volumes of the *FSA Handbook*. For more detail on the reorganization of the *FSA Handbook* for 2023-2024, see Electronic Announcement GENERAL-23-03.

For greater clarity, we have made minor edits to text throughout *Volume 3*, revised section headings, eliminated duplicative content, and reorganized content so that related topics are grouped together. We have also established a standard format for examples and numbered the examples sequentially within *Volume 3*, so that any example can be easily referenced by its number. In addition, we have simplified the examples by eliminating the use of fictitious school and student names.

We discuss substantive changes to the content of individual chapters below.

Chapter 1 changes

- We have expanded the discussion of subscription-based academic calendars to clarify that (1) subscription-based programs with substantially equal nonstandard terms that are not at least nine weeks in length must use Borrower-Based Academic Year 3 to monitor Direct Loan annual loan limit progression, and (2) programs with nonstandard terms that are not substantially equal cannot be offered in a subscription-based calendar.
- In the discussion under “Inclusion of clinical work in a standard term,” we have expanded the list of programs in medicine to include dentistry.
- We have removed a number of sections from *Chapter 1*. Some sections have been removed because they repeat information that is already covered in other volumes of the *FSA Handbook*. In other cases, the deleted sections cover topics that are more appropriately placed in other *FSA Handbook* volumes. The table below shows the sections that have been removed from *Volume 3, Chapter 1* and indicates where the content of these sections can be found in the 2023-2024 *FSA Handbook*.

Sections Removed from *Volume 3, Chapter 1*	Location for 2023-2024
Interim disbursements to students selected for verification	*Application and Verification Guide*
• Retaking Coursework in Term Programs • Retaking coursework school policy and operations • Repeating after program completion	*Volume 1*
Clock-Hour to Credit Hour Conversion Formula	*Volume 2*
• Prior year charges allowance • Basic rules for early disbursements • Exceptions to early disbursement rules • Retroactive disbursements for completed payment periods • Prohibition on delaying disbursement • Timing of FSA Grant and Loan Disbursements • Timing of grant disbursements within a payment period • Early disbursement and advance credit to account	*Volume 4*
Uneven disbursements of FSEOG Single-Term FSEOG Awards	*Volume 6*
• Pell or TEACH Grant disbursements covered within a single term • Timely Pell Grant and Iraq and Iraq and Afghanistan Service Grant reporting • Timing of correspondence program disbursements for Pell Grants and TEACH Grants	*Volume 7 and Volume 9*
• Direct Loan disbursements when the loan period is a single payment period • Exception to multiple Direct Loan disbursement requirement for study abroad programs • When a student fails to begin attendance or attends less than half time after	*Volume 8*

receiving a Direct Loan disbursement • Direct Loan Disbursements for Completed Payment Periods	

Chapter 2 changes

- The discussion of cost of attendance components has been significantly revised to reflect changes made by the *FAFSA Simplification Act*.
- The current section titled “COA for intersessions and modules” has been removed and the content of that section incorporated under “Periods of non-attendance.”
- The current section titled “Costs for Periods Other Than Nine Months” has been retitled “Campus-Based, TEACH Grant, and Direct Loan programs: costs based on actual period of enrollment.”
- The current section titled “Costs for periods other than nine months example” has been removed. The second paragraph of the current section has been incorporated in the retitled “Campus-Based, TEACH Grant, and Direct Loan programs: costs based on actual period of enrollment” section (see above), and the content of the third paragraph of the current section (which is specific to Pell Grants) will be included in new *Volume 7*.
- The following sections have been removed from *Volume 3, Chapter 2*, and the information covered in these sections will be incorporated in new *Volume 7*:
    - Pell Grant cost of attendance for a consortium program
    - Pell Grant cost of attendance for a co-op program
    - Pell Grant Cost Example 1: Prorating total costs by lesser of two fractions
    - Pell Grant Cost Example 2: Prorating academic costs and living expenses separately
    - Pell Grant Cost Example 3: Prorating costs for a non-term program longer than an academic year
    - Pell Grant awards and COA with mixed enrollment status
    - Adjusting costs for Pell Grants

Chapter 3 (previously Chapter 7) changes

In the section titled “Considering grants and subsidized loans first,” we have clarified that schools must determine a dependent undergraduate student’s eligibility for Direct Subsidized Loan funds before originating a Direct Unsubsidized Loan, and have added a reminder that a parent borrower may not receive a Direct PLUS Loan for an amount that exceeds the student’s cost of attendance, minus other financial aid that the student receives. There are otherwise no substantive changes to the content of *Chapter 3*, but we have significantly reorganized the chapter so that sections covering related topics are grouped together.

Chapter 1

Academic Years, Academic Calendars, Payment Periods, and Disbursements

This chapter discusses the academic year, academic calendar, payment period, and disbursement requirements for awarding aid across the Federal Student Aid (FSA) programs. Additional information about requirements for particular FSA programs is provided in Volumes 6 through 9.

Note: As explained under “Chapter 1 changes” in the *Introduction* to this volume, certain sections in *Chapter 1* of the 2022-2023 *FSA Handbook* have been removed from *Chapter 1* for 2023-2024, and the content of those sections has been moved to other volumes of the *2023-2024 FSA Handbook*. The specific sections that have been moved are listed in the *Introduction* to this volume.

Academic Year Requirements

Every eligible program must have a defined academic year. 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 academic year definition *must* be different for different programs, 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 credit or clock hours. The program’s academic year does not have to coincide with the school’s academic calendar (see “Academic year definition and effect on awards” later in the chapter).

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 a school establishes separate versions of a program, with different academic years, but allows individual students to take courses from both versions, it 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 their coursework in that program. Although a school 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.

Regulatory citations

Academic year minimums: 34 CFR 668.3(a)
Weeks of instructional time: 34 CFR 668.3(b)

Weeks of instructional time in an academic year

For both undergraduate and graduate programs, the law and regulations require an academic year to include a minimum number of weeks of instructional time.

- 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.

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

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

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

For all FSA programs, a week of instructional time is any period of seven consecutive days in which –

- At least one day of regularly scheduled instruction or examinations occurs, or, after the last scheduled day of classes for a term or payment period, at least one scheduled day of study for examinations occurs.

OR

- In a program offered using asynchronous coursework through distance education or correspondence courses, the school makes available the instructional materials, other resources, and instructor support necessary for academic engagement and completion of course objectives; **and**
- In a program using asynchronous coursework through distance education, the school expects enrolled students to perform educational activities demonstrating academic engagement during the week.

The term "asynchronous coursework" refers to coursework that students generally complete on their own schedule, at any time. This is in contrast to "synchronous coursework," in which students and their instructors are in communication at the same time. For information on distance education and correspondence coursework, see *Volume 2*.

Instructional time does not include scheduled breaks and activities not included in the definition of "academic engagement" (see *Volume 5* for more information) or periods of orientation or counseling. 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 seven consecutive days (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.

Note: All references to “weeks” in the examples that appear throughout this chapter mean weeks of instructional time as defined above.

Regulatory Citations

Reductions in academic year length: HEA Sec. 481(a)(2)(B) and 34 CFR 668.3(c)
Academic engagement: 34 CFR 600.2
Distance education: 34 CFR 600.2

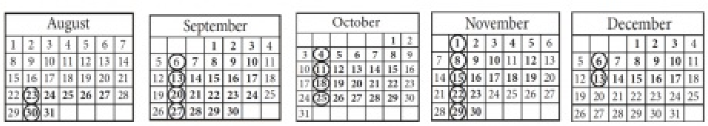
EXAMPLE 1: COUNTING WEEKS OF INSTRUCTIONAL TIME

The calendar graphic below illustrates how a school would count weeks of instructional time in a standard semester term where classes are held Monday through Friday. In this hypothetical term (the example is not meant to illustrate any specific calendar year) 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 17 weeks of instructional time begin.

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 only of vacation days is not a week of instructional time.



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 number of hours in an academic year.

Academic year definition and effect on awards

The FSA academic year that a school defines for a program must 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 *Volume 7*.

As discussed later in this chapter and in *Volume 8*, 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.

Academic Calendars and Terms

Schools offer programs with many kinds of academic calendars that differ from the traditional fall-spring school year. For the FSA programs, academic calendars may be one of the following types:

- standard term,
- nonstandard term,
- non-term (includes clock-hour calendars), or
- subscription-based

In a **standard term or nonstandard term academic calendar**, a term is generally 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.

In a **non-term academic calendar**, 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.

A **subscription-based academic calendar** is used only by subscription-based programs. A subscription-based program is a term-based program in which the school charges a student for each term on a subscription basis with the expectation that the student will complete a specified number of credit hours (or the equivalent) during that term. However, classes in a subscription-based program are not required to begin or end within a specific timeframe in each term, as is the case in a term-based calendar that is not subscription-based. For more detail on subscription-based programs, see *Volume 2*.

A subscription-based academic calendar consists of "subscription periods" that are either standard terms or substantially equal nonstandard terms (for guidance on when terms are considered to be substantially equal in length, see “Payment periods for programs using standard terms or substantially equal nonstandard terms” later in this chapter). Substantially equal nonstandard terms may be of any length, but if they are not at least nine weeks in length, the program must use BBAY 3 for purposes of monitoring Direct Loan annual loan limit progression (see *Volume 8* for more information on BBAY 3). Nonstandard terms that are **not** substantially equal in length are not permissible in a subscription-based academic calendar.

The term "subscription period" is synonymous with "term" and "payment period" (payment periods are covered later in this chapter). Except for the fact that classes are not required to start and end within a term, the rules and requirements for term-based programs that are not subscription-based also apply to subscription-based programs. These requirements include:

- Minimum and maximum term length restrictions for standard terms (see the discussion in the next section of this chapter);
- Requirements for determining full-time enrollment (see *Volume 1*);
- Use of a Scheduled Academic Year (SAY), BBAY 1, BBAY 2, or BBAY 3 for monitoring Direct Loan annual loan limit progression (see *Volume 8*); and
- Use of Pell Grant formulas 1, 2, or 3 to calculate Pell Grant awards (see *Volume 7*).

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

Subscription-based program

34 CFR 668.2(b)

Standard terms: semesters, trimesters, and quarters

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 an SAY calendar, fall and spring would comprise an academic year. In a program using a 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 quarterbased 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 an 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.

Semesters and quarters may contain as few as 14 and nine weeks, respectively. 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 *Volume 7*).

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 *Volume 8*). 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.

In a standard term academic calendar, a 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.

Generally, if the combined length of a term and an 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.

There is an exception to this general rule for standard quarters that are 12 weeks in length. A 12-week quarter may still be considered a standard term if it contains a class or classes that begin not more than two weeks before the official beginning date of the term or that end not more than two weeks after the official ending date of the term (for a total period not to exceed two weeks). For example, a 12-week quarter containing a class that extends two weeks beyond the normal term ending date may still be considered a standard term, even though the combined length of the term and the extended class (14 weeks) exceeds the maximum 13 weeks allowed for a quarter.

The limited exception for 12-week quarters preserves a flexibility that was allowed under the policy on standard term length that was in effect prior to the implementation of the changes described in the [November 5, 2019 Electronic Announcement]. Under prior policy a quarter could not exceed 12 weeks, but a quarter with a class or classes that extended beyond the normal term beginning or ending dates by not more than two weeks could still be considered a standard term.

Note that the requirements described above do not apply to standard terms in a subscription-based academic calendar. As explained earlier, classes in a subscription-based program are not required to begin and end within a term.

Standard terms (including standard terms in a subscription-based program) may not overlap within a program. In addition, if an extended class overlaps another term in a program that is not a subscription-based program, the program's academic calendar must be treated as non-term.

Standard term length

November 5, 2019 Electronic Announcement

Combining modules into a standard term

Except for subscription-based programs, in a program using a standard term academic calendar 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 six weeks in length, with students earning six 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.

There are no modules in subscription-based programs for Title IV purposes.

EXAMPLE 2: COMBINING MODULES

As shown 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:

Module 1 (5 weeks) + Module 2 (5 weeks) + Module 3 (5 weeks) = **15-week semester**

OR

Module 1 (4 weeks) + Module 2 (4 weeks) + Module 3 (4 weeks) + Module 4 (4 weeks) = **16-week semester**

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

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 an intersession 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 Grants and Teacher Education Assistance for College and Higher Education (TEACH) Grants. 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.

Intersessions are not permitted in subscription-based programs.

EXAMPLE 3: COMBINING AN INTERSESSION WITH A STANDARD TERM

A school offers a degree program in education with a 4-week intersession between two 15- week semesters:

15-week semester	4-week intersession	15-week semester

The terms don't overlap. The academic year for this program is defined as 24 semester hours and 34 weeks of instructional time.

The school may combine the intersession with one of the standard terms, and treat the program as being offered in two semesters:

19-week semester (15-week fall semester + 4-week intersession)	15-week semester

or

15-week semester	19-week semester (4-week intersession + 15-week semester)

The school could 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 the school 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 (including, but not limited to, allopathic, osteopathic, nursing, veterinary, dentistry, pharmacy, and 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 nine 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 nine 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

A program that measures progress in clock hours is always treated as a non-term program.

Except for subscription-based programs, a program that measures progress in credit-hours is considered to be using a non-term calendar if it has:

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

Payment Periods

The payment period is applicable to all FSA programs except the Federal Work-Study (FWS) Program. For example, FSA program disbursements (except FWS payments) must be made on a payment period basis, as discussed in detail later in this chapter. 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 depends on the kind of academic calendar your school uses and the FSA program for which you are disbursing funds. For reference, the payment period definitions described in detail below are summarized in Table 1 at the end of this section.

Payment periods

34 CFR 668.4

Payment periods for programs using standard terms or substantially equal nonstandard terms

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.

Substantially equal in length

34 CFR 668.4(h)(1)

Payment periods for 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 Federal Supplemental Educational Opportunity Grant (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.

EXAMPLE 4: PAYMENT PERIODS FOR PROGRAMS WITH NONSTANDARD TERMS NOT SUBSTANTIALLY EQUAL IN LENGTH

For a nonstandard term program, a school may have to use different payment periods for Direct Loans than the payment periods used 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 (three disbursements)

Nonstandard term #1: 12 weeks First payment period	Nonstandard term #2: 6 weeks Second payment period	Nonstandard term #3: 12 weeks Third payment period

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

12 semester hours and 15 weeks First payment period	12 semester hours and 15 weeks Second payment period

Payment periods for 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 based on a student's successful completion of clock or credit hours *and* weeks of instructional time, 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.

A student successfully completes clock or credit hours if the school considers the student to have passed the coursework associated with those hours.

Note: 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.

Successfully completes

34 CFR 668.4(h)(2)

Clock-hour/non-term program payment periods when 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.

Clock-hour/non-term program payment periods when the program is more than one academic year in length

- For the first academic year of the program and for any subsequent full academic year, follow the payment period rules above for a program that is one academic year or less in length, substituting "academic year" for "program."
- For any remaining portion of a program that is more than half of an academic year (as measured in both clock or credit hours and weeks of instructional time), but less than a full academic year—
  - The first payment period is the period in which the student successfully completes half of the credit or clock hours AND half of the weeks of instructional time in the remaining portion of the program; and
  - The second payment period is the period of time in which the student successfully completes the remainder of the program.
- For any remaining portion of a program that is half of an academic year or less, the payment period is the remainder of the program.

EXAMPLE 5: PAYMENT PERIODS FOR HALF-TIME STUDENT IN A NON-TERM PROGRAM

The illustration below 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, after which the second Pell and loan disbursements can be made. 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 Grant disbursement 1st Direct Loan disbursement	^ 30 weeks elapsed Student has completed 12 credits 2nd Pell Grant disbursement 2nd Direct 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 Grant disbursement for 2nd year 1st Direct Loan disbursement for 2nd year	^ 30 weeks elapsed in 2nd academic year Student has completed 36 credits 2nd Pell Grant disbursement for 2nd year 2nd Direct Loan disbursement for 2nd year	^ 60 weeks elapsed in 2nd year 48 credits completed End of program

EXAMPLE 6: PAYMENT PERIODS FOR NON-TERM PROGRAMS ONE ACADEMIC YEAR OR LESS IN LENGTH

For both of the programs illustrated below, the school defines the academic year as 24 semester hours and 30 weeks of instructional time. The first program is less than an academic year; the second program is a full academic year.

Academic year = 24 semester hours and 30 weeks

Program 1: 16 semester hours and 20 weeks (less than an academic year)	
^ 1st payment period: 8 semester hours **AND** 10 weeks	^ 2nd payment period: 8 semester hours **AND** 10 weeks
Program 2: 24 semester hours and 30 weeks (one academic year)	
^ 1st payment period: 12 semester hours **AND** 15 weeks	^ 2nd payment period: 12 semester hours **AND** 15 weeks

EXAMPLE 7: PAYMENT PERIODS FOR NON-TERM PROGRAMS MORE THAN ONE ACADEMIC YEAR IN LENGTH

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

Academic year = 24 semester hours and 30 weeks

Program 1: 30 semester hours and 30 weeks		
1st payment period 12 semester hours **AND** 15 weeks	**2nd payment period** 12 semester hours **AND** 15 weeks	**3rd payment period** 6 semester hours **AND** 6 weeks
one academic year		remaining portion of program

There is a single payment period for the remaining portion of the program, since at least one of the measures (hours and weeks) in the remaining portion is half of an academic year or less.

Program 2: 40 semester hours and 50 weeks			
1st payment period 12 semester hours	2nd payment period 12 semester hours	3rd payment period 8 semester hours	4th payment period 8 semester hours

AND 15 weeks	**AND** 15 weeks	**AND** 10 weeks	**AND** 10 weeks
one academic year		remaining portion of program	

There are two payment periods for the remaining portion of the program because **BOTH** the hours and weeks in the remaining portion are more than half of an academic year.

Payment periods for clock-hour programs with terms

Although some schools offer clock-hour programs that are divided into terms for institutional purposes, for Title IV purposes all clock-hour programs are considered to be non-term programs. Therefore, the payment periods for clock-hour programs that a school divides into terms are determined in the same way as described above under "Payment periods for clock-hour and non-term programs." Because a student enrolled in such a program must successfully complete all the clock hours in the payment period before the next payment period begins, the payment period starting dates may not coincide with the starting dates of the terms in the program.

Counting excused absences in clock-hour programs toward payment period completion

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 who 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.

Excused absences in clock-hour programs

34 CFR 668.4(e)

TABLE 1: PAYMENT PERIOD SUMMARY

Program Type	Direct Loan	Pell, TEACH, and FSEOG

Credit-hour programs offered in standard terms and 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.

Timing of Disbursements

Except for FWS wages, FSA disbursements are made on a payment period basis as described below. Except when making late disbursements or retroactive payments for completed payment periods (as discussed in *Volume 4, Chapter 2*), you must disburse the Title IV funds during the payment period to which they apply.

Note: We do not cover the requirements for reporting disbursements through the Common Origination and Disbursement (COD) System or the rules for making early disbursements, late disbursements, or retroactive payments in this section. For guidance on those topics, refer to *Volume 4, Chapter 2*. We also do not cover certain disbursement requirements that are specific to the FSA grant programs or the Direct Loan Program. For information on those requirements, see *Volumes 6, 7, 8,* and *9*.

Disbursements by payment period

HEA Sec. 428G
34 CFR 668.164(b)

Disbursement timing in term-based programs using credit hours (except subscription-based programs)

As noted earlier in the chapter, for the Pell Grant, TEACH Grant, and FSEOG programs the payment period is the academic term for a student enrolled in a credit-hour program that uses any type of academic term (standard or nonstandard). For the Direct Loan Program, the payment period is the academic term only if the program uses standard terms or uses nonstandard terms that are substantially equal in length. If the program uses nonstandard terms that are not substantially equal in length, a school must use the non-term-based rules for Direct Loan disbursement timing, as discussed in the next section below.

Except as noted above for the Direct Loan Program, there is no requirement for a student who is enrolled in a credit-hour term program that is not a subscription-based program to successfully complete a certain amount of coursework in a payment period before they can receive a disbursement of Title IV funds in the next payment period. For instance, a student could receive a Pell Grant or 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.

Disbursement timing in clock-hour, non-term, and certain nonstandard term programs

A student who is enrolled in a credit-hour program without terms or in a clock-hour program must successfully complete ***both*** the credit or clock hours ***and*** the weeks of instructional time in a payment period before receiving a disbursement of Pell Grant, FSEOG, TEACH Grant or Direct Loan funds for the next payment period. For the Direct Loan Program only, this same requirement applies to students who are enrolled in programs with nonstandard terms that are not substantially equal in length.

Effect of accelerated progression on disbursement timing in a clock-hour or non-term credit-hour program

The Pell Grant or TEACH Grant amount that a student is eligible to receive for a payment period in a clock-hour or non-term credit-hour program is based on the number of hours and weeks in the scheduled payment periods for the program that are established at the beginning of the program based on the program length (as described earlier in this chapter). 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 *Volume 7*. For information on Direct Loan annual loan limit proration and annual loan limit progression in clock-hour and non-term credit-hour programs, see *Volume 8*.

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.

Disbursement timing in subscription-based programs

For the first two subscription periods (terms) that a student attends in a subscription-based program, there is no requirement for the student to have completed a certain amount of coursework before receiving a disbursement of Title IV funds (the same as in any other term-based program using credit hours). However, to receive a disbursement of Title IV aid for each subsequent subscription period in the program, the student must have completed a cumulative number of credit hours equal to the total of the number of hours for which the student was enrolled in all previously attended subscription periods in the program, excluding the number of hours for which the student was enrolled in the most recently attended subscription period. For more detailed guidance on the disbursement rules for subscription-based programs, including examples, refer to *Appendix B* at the end of this chapter.

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. If a school chooses to schedule multiple Direct Loan disbursements within a single payment period, the disbursements must be substantially equal. Note also that if the loan period for a Direct Loan is a single payment period, the loan *must* be disbursed in at least two installments unless the school qualifies for an exception to the multiple disbursement requirement. See *Volume 8* for more information.

Schools that use payment periods as the basis for their Return of Title IV 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.

Disbursement rules for terms made up of modules

When a student is enrolled in a term-based program in which the terms are divided into two or more modules, but the student 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.

For example, 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 a semester 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 an exemption from the delayed disbursement requirement for such students, as described in *Volume 4*).

Appendix A: Non-term Examples

EXAMPLE 8: CLOCK-HOUR PROGRAM PAYMENT PERIODS – 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 consists of six successive graded courses, each of which 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.

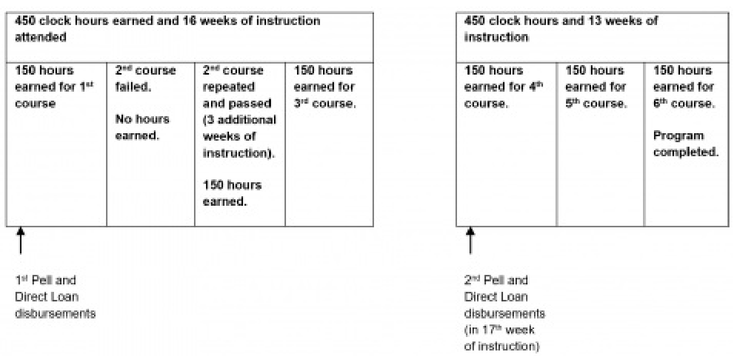
The student in this example fails the second course, but immediately repeats it and passes. The student successfully completes all of the other courses in the program.

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)



EXAMPLE 9: NON-TERM CREDIT-HOUR PROGRAM PAYMENT PERIODS – ADDITIONAL WEEKS COMPLETED IN FIRST ACADEMIC YEAR

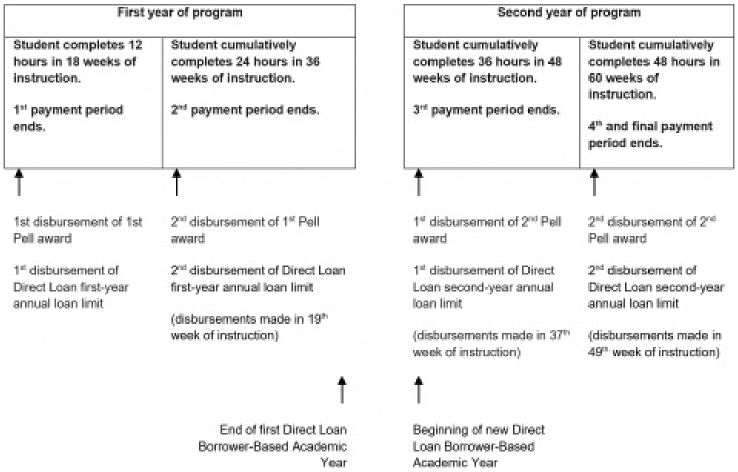
A non-term, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. There are four scheduled payment periods, each of which is equal to one-half of the defined academic year: 12 semester hours and 15 weeks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



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.

EXAMPLE 10: NON-TERM CREDIT-HOUR PROGRAM PAYMENT PERIODS – MORE HOURS EARNED IN THE FIRST ACADEMIC YEAR

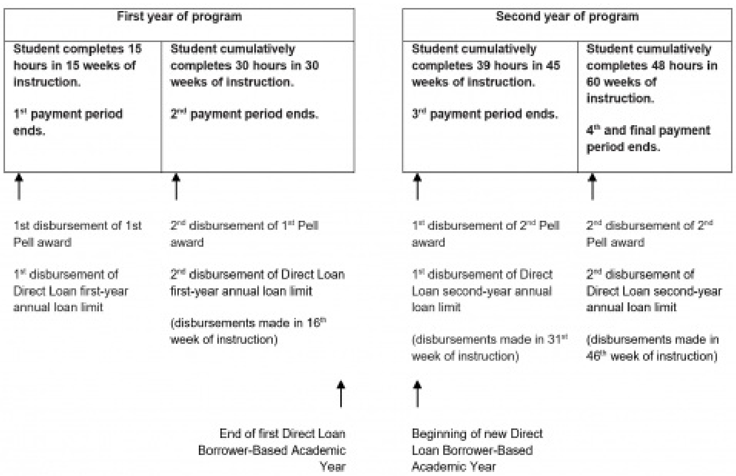
A school offers a non-term, two-year program of 48 semester hours and 60 weeks of instructional time, with the academic year defined as 24 semester hours and 30 weeks of instructional time. There are four scheduled payment periods, each of which is equal to one-half of the defined academic year: 12 semester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



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 9, 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.

Appendix B: Coursework Completion Requirements to Receive Disbursements in Subscription-Based Programs

As we explained under "Disbursement timing in subscription-based programs" earlier in this chapter, there is no requirement for a student to have completed a specified amount of coursework before receiving a disbursement of Title IV funds for the first two subscription periods (terms) in a subscription-based program. However, to receive a disbursement for the third subscription period and for each subsequent subscription period in the program, a student must have completed a cumulative number of credit hours equal to the total number of hours for which the student was enrolled in all previously attended subscription periods in the program, excluding the number of hours for which the student was enrolled in the most recently attended subscription period.

The cumulative number of hours that a student must have completed to receive a disbursement for the third subscription period and for each subsequent subscription period is based on the student's enrollment status for the program. Each subscription period that a student attends is associated with a number of credit hours based on the student's enrollment status. For example, if the program is a full-time program and the school's full-time standard is 12 semester or quarter hours, each subscription period will be associated with 12 hours. As a student progresses through a subscription-based program, the number of hours associated with each term are added to the cumulative total needed for the student to receive a disbursement.

For the first two terms in a subscription-based program, a school can make a disbursement of FSA funds up to 10 days before the beginning of the subscription period. Beginning with the third subscription period, early disbursement 10 days before the beginning of the term is allowed only if at that point the student has completed the required number of credit hours to receive a disbursement for the term. Otherwise, the school cannot make a disbursement until the student has met the coursework completion requirement.

Note that a student who has not begun attendance in any new coursework during a particular subscription period is ineligible to receive Title IV program funds for that period, even if the student would otherwise qualify to receive a disbursement based on coursework completion requirements. This means, for example, that although there is no coursework completion requirement for a student to receive a disbursement for the second term of a subscription-based program, the student would not be eligible for the disbursement if they simply continue attendance in coursework that they began during the first subscription period without having begun attendance in any new coursework during the second subscription period. If a disbursement is made to a student who did not begin attendance in any new coursework during a subscription period, the requirements described under "When a Student Fails to Begin Attendance" in *Volume 4, Chapter 3* of the *FSA Handbook* would apply.

Once the cumulative number of credit hours from earlier subscription periods that is required to receive a disbursement for a later subscription period equals or exceeds the total number of credit hours required to complete the program, a student ***is no longer eligible to receive FSA funds for the program.***

The principles described above are illustrated in the examples that follow.

EXAMPLE 11: SUBSCRIPTION-BASED PROGRAM COURSE COMPLETION REQUIREMENT (STUDENT MAINTAINS SAME ENROLLMENT STATUS)

- A school offers a two-year subscription-based program of consisting of 48 semester hours, with the academic year defined as 24 semester hours and 30 weeks of instructional time.
- The academic year consists of fall and spring semesters, with an optional summer term. In this example, the student does not attend in the summer term.
- The school defines full-time as 12 semester hours per term. The student is enrolled in the full-time version of

the program and does not change enrollment status.

First Academic Year

Subscription period 1: Fall	Subscription period 2: Spring
Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 0	Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 0

As shown above, there is no coursework completion requirement for the student to receive a Title IV disbursement for the first and second subscription periods in the program.

Second Academic Year

Subscription period 3: Fall	Subscription period 4: Spring
Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 12 (= hrs. enrolled in subscription period 1)	Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 24 (= total hrs. enrolled in subscription periods 1 & 2)

To receive a disbursement for subscription period 3, the student must have completed a cumulative number of credit hours equal to the total number of credit hours for which the student was enrolled in all previously attended terms, excluding the number of hours for which the student was enrolled in the most recently attended term. Thus, the student cannot receive a disbursement for subscription period 3 until they have completed a total of 12 credit hours, the number of hours enrolled in subscription period 1. The 12 hours for which the student was enrolled in the most recently attended term (subscription period 2) are not counted.

To receive a disbursement for subscription period 4, the student must have completed 24 credit hours, the cumulative number of hours enrolled in subscription periods 1 and 2.

If the student has not completed the 48 hours in the program by the end of subscription period 4, they could receive FSA funds for one additional term, as shown below.

Third Academic Year

Subscription period 5: Fall	Subscription period 6: Spring
Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 36 (= total hrs. enrolled in subscription periods 1, 2, & 3)	Cumulative hours required to receive disbursement: 48 (= total hrs. enrolled in subscription periods 1, 2, 3, & 4) **NOT ELIGIBLE FOR FSA FUNDS**

To receive a disbursement for subscription period 5, the student must have completed 36 credit hours, the cumulative number of hours enrolled in subscription periods 1, 2, and 3.

The student is not eligible to receive any additional FSA funds after subscription period 5, because the cumulative number of hours required to receive a disbursement for the next subscription period would be 48, which is the total number of hours in the program.

EXAMPLE 12: SUBSCRIPTION-BASED PROGRAM COURSE COMPLETION REQUIREMENT (STUDENT CHANGES ENROLLMENT STATUS)

The scenario in this example is the same as in Example 11, except that the student changes to the half-time version of the program in the second academic year.

Subscription period 1: Fall	Subscription period 2: Spring
Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 0	Credit hours associated with term: 12 Cumulative hours required to receive disbursement: 0

As in Example 11, there is no coursework completion requirement for the student to receive a Title IV disbursement for the first and second subscription periods in the program.

Second Academic Year – half-time program

Subscription period 3: Fall	Subscription period 4: Spring
Credit hours associated with term: 6 Cumulative hours required to receive disbursement: 12 (= hrs. enrolled in subscription period 1)	Credit hours associated with term: 6 Cumulative hours required to receive disbursement: 24 (= total hrs. enrolled in subscription periods 1 & 2)

The student changes to the half-time version of the program in the second academic year. However, because the course completion requirements to receive a disbursement for a subscription period are cumulative across multiple versions of the same program (full-time, half-time, etc.), the counting of the hours required for disbursement does not start over when a student changes to a different version of a program.

As in Example 11, the student must have completed a cumulative total of 12 credit hours (the number of hours enrolled in subscription period 1) to receive a disbursement for subscription period 3, and a cumulative total of 24 hours (the total number of hours enrolled in subscription periods 1 and 2) to receive a disbursement for subscription period 4. The student's change to the half-time version of the program in the second academic year does not affect the cumulative number of hours required to receive disbursements for subscription periods 3 and 4, because that number is based on the number of hours enrolled in subscription periods 1 and 2, when the student was enrolled in the full-time version of the program.

Third Academic Year – half-time program

Subscription period 5: Fall	Subscription period 6: Spring
Credit hours associated with term: 6 Cumulative hours required to receive disbursement: 30 (= total hrs. enrolled in subscription periods 1, 2, & 3)	Credit hours associated with term: 6 Cumulative hours required to receive disbursement: 36 (= total hrs. enrolled in subscription periods 1, 2, 3, & 4)

To receive a disbursement for subscription period 5, the student must have completed 30 credit hours, the cumulative number of hours enrolled in subscription periods 1, 2, and 3. (Note that as a result of the student's change to the half-time version of the program in subscription period 3, this is 6 fewer hours than the number of hours required to receive a disbursement for subscription period 5 in Example 11.) The student must have completed a cumulative total of 36 hours to receive a disbursement for subscription period 6.

If the student has not completed the 48 hours in the program by the end of subscription period 6, they would be eligible to receive aid for one additional subscription period, as shown below.

Fourth Academic Year – half-time program

Subscription period 7: Fall	Subscription period 8: Spring
Credit hours associated with term: 6 Cumulative hours required to receive disbursement: 42 (= total hrs. enrolled in subscription periods 1, 2, 3, 4 & 5)	Cumulative hours required to receive disbursement: 48 (= total hrs. enrolled in subscription periods 1, 2, 3, 4, 5, & 6) **NOT ELIGIBLE FOR FSA FUNDS**

To receive a disbursement for subscription period 7, the student must have completed 42 credit hours, the cumulative number of hours enrolled in subscription periods 1, 2, 3, 4, and 5.

The student is not eligible to receive any additional FSA funds after subscription period 7, because the cumulative number of hours required to receive a disbursement for the next subscription period would be 48, which is the total number of hours in the program.

EXAMPLE 13: SUBSCRIPTION-BASED PROGRAM DISBURSEMENT TIMING

- A school offers a four-year subscription-based program of consisting of 96 semester hours, with the academic year defined as 24 semester hours and 30 weeks of instructional time. The school defines full-time as 12 hours.
- The student receives Pell Grants and Direct Loans.
- Pell Grants are calculated using Formula 1.
- For purposes of monitoring Direct Loan annual loan limit progression, the school uses a Scheduled Academic Year (SAY) consisting of fall and spring semesters, with the summer term treated as a trailer to the SAY (see *Volume 8* for more information on SAYs and monitoring Direct Loan annual loan progression). Attendance in the summer term is optional.

First SAY + Summer Trailer

Subscription period	#1: Fall	#2: Spring	Summer
Hours enrolled	12	12	(not enrolled)
Hrs. req. for disb.	0	0	N/A
Cumulative hrs. earned at beginning of term	0	9	N/A
Hrs. earned in term	9	12	N/A
Cumulative hrs. earned at end of term	9	21	N/A
Disbursements	← Pell disb. #1 ← DL disb. #1	← Pell disb. #2 ← DL disb. #2	N/A

For the first two subscription periods of the program, there is no coursework completion requirement for the student to receive a disbursement of FSA funds. Disbursements are made at the beginning of each subscription period.

Second SAY + Summer Trailer

Subscription period	#3: Fall	#4: Spring	#5: Summer
Hours enrolled	12	12	12
Hrs. req. for disb.	12 (= hrs. in #1)	24 (= hrs. in #1 & #2)	36 (= hrs. in #1, #2, & #3)
Cumulative hrs. earned at beginning of term	21	30	42
Hrs. earned in term	9	12	6
Cumulative hrs. earned at end of term	30	42	48
Disbursements	← Pell disb. #3 ← DL disb. #3	← Pell disb. #4 ← DL disb. #4	← Pell disb. #5 ← DL disb. #5

To receive a disbursement for the third subscription period and for each subsequent subscription period in the program, the student must have completed a cumulative number of credit hours equal to the total number of hours for which the student was enrolled in all previously attended subscription periods in the program, excluding the number of hours for which the student was enrolled in the most recently attended subscription period.

As shown above, for each of the three subscription periods in the second academic year of the program the student meets the course completion requirement to receive disbursements at the beginning of the term. For example, the student had completed a total of 21 credit hours by the end of subscription period #2, which exceeds the minimum 12 hours required to receive disbursements for subscription period #3.

Third SAY + Summer Trailer

Subscription period	#6: Fall	#7: Spring	Summer
Hours enrolled	12	12	(not enrolled)
Hrs. req. for disb.	48 (= hrs. in #1, #2, #3, & #4)	60 (= hrs. in #1, #2, #3, #4, & #5)	N/A
Cumulative hrs. earned at beginning of term	48	57	N/A
Hrs. earned in term	9	12	N/A
Cumulative hrs. earned at end of term	57	69	N/A
Disbursements	← Pell disb. #6 ← DL disb. #6	← Pell disb. #7 ← DL disb. #7 (disbursement made after student has completed an additional 3 hrs.)	N/A

In the third academic year of the program, the student meets the course completion requirement to receive disbursements at the beginning of subscription period #6. However, the disbursements for subscription period #7 must be delayed until the student has completed an additional three credit hours. This is because the student must have completed a cumulative total of at least 60 credit hours to receive disbursements for subscription period #7, but at the end of subscription period #6 the student had earned only 57 hours.

Fourth SAY + Summer Trailer

Subscription period	#8: Fall	#9: Spring	Summer
Hours enrolled	12	12	(not enrolled)
Hrs. req. for disb.	72 (= hrs. in #1, #2, #3, #4, #5, & #6)	84 (= hrs. in #1, #2, #3, #4, #5, #6, & #7))	N/A
Cumulative hrs. earned at beginning of term	69	84	N/A
Hrs. earned in term	15	12	N/A
Cumulative hrs. earned at end of term	84	96 (program completed)	N/A
Disbursements	← Pell disb. #8 ← DL disb. #8 (disbursement made after student has completed an additional 3 hrs.)	← Pell disb. #9 ← DL disb. #9	N/A

At the end of subscription period #7, the student has earned a cumulative total of 69 credit hours. Because 72 hours are required for the student to receive a disbursement in subscription period #8, the disbursements for that subscription period must be delayed until the student has complete an additional three hours. The student has earned a cumulative total of 84 hours at the end of subscription period #8, which is the number of hours required to receive a disbursement for subscription period #9. Therefore, the disbursements for the final subscription period in the program can be made at the beginning of the term.

EXAMPLE 14: SUBSCRIPTION-BASED PROGRAM DISBURSEMENT TIMING

- A school offers a two-year subscription-based program of consisting of 48 semester hours, with the academic year defined as 24 semester hours and 30 weeks of instructional time. The school defines full-time as 12 hours.
- The student receives Pell Grants and Direct Loans.
- Pell Grants are calculated using Formula 1.
- For purposes of monitoring Direct Loan annual loan limit progression, the school uses Borrower-Based Academic Year 2 (BBAY 2) consisting of any two consecutive semesters (see *Volume 8* for more information on BBAYs and monitoring Direct Loan annual loan progression).
- The school does not meet the cohort default rate standard that allows Direct Loans for a single term loan period to be disbursed in one installment (see the discussion under "Direct Loan disbursements when the loan period is a single payment period" in *Volume 8*).

First BBAY

Subscription period	**#1: Spring**	**#2: Summer**
Hours enrolled	12	12
Hrs. req. for disb.	0	0
Cumulative hrs. earned at beginning of term	0	9
Hrs. earned in term	9	9
Cumulative hrs. earned at end of term	9	18
Disbursements	← Pell disb. #1 ← DL disb. #1	← Pell disb. #2 ← DL disb. #2

Second BBAY

Subscription period	**#3: Fall**	**#4: Spring**
Hours enrolled	12	12
Hrs. req. for disb.	12 (= hrs. in #1)	24 (= hrs. in #1 & #2)
Cumulative hrs. earned at beginning of term	18	30
Hrs. earned in term	12	12
Cumulative hrs. earned at end of term	30	42 (6 hours remaining in program after subscription period #4)
Disbursements	← Pell disb. #3 ← DL disb. #3	← Pell disb. #4 ← DL disb. #4

Third BBAY

Subscription period	#5: Summer		N/A
Hours enrolled	12 (student attends only 6 hours for Title IV purposes)		N/A
Hrs. req. for disb.	36 (= hrs. in #1, #2, & #3)		N/A
Cumulative hrs. earned at beginning of term	42		N/A
Hrs. earned in term	6		N/A
Cumulative hrs. earned at end of term	48 (program completed)		N/A
Disbursements	← Pell disb. #5 ← DL disb. #5	← DL disb. #6	N/A

In Example 14, the student meets the course completion requirements to receive disbursements at the beginning of each subscription period.

For Direct Loan purposes, the school originates a single-term loan for subscription period #5 (i.e., the loan period beginning and ending dates correspond to the beginning and ending dates of the subscription period). Because the school does not meet the cohort default rate standard that would allow for a single-term Direct Loan to be disbursed in one installment, the student's Direct Loans for subscription period #5 must be disbursed in two substantially equal installments, with the second disbursement made at the calendar midpoint of the loan period. (Note also that because this subscription period is a remaining period of study that is shorter than an academic year, the Direct Loan annual loan limit must be prorated based on the six hours remaining in the program at the end of subscription period #4. See *Volume 8* for information on Direct Loan annual loan limit proration).

Because the student is enrolled in the full-time version of the program, the number of credit hours associated with subscription period #5 is 12. However, the student attends only six hours (the remaining number of hours in the program for Title IV purposes).

The student's Pell Grant award for subscription period #5 is determined from the half-time schedule, and the student's enrollment status for that term is reported to the NSLDS as half-time.

Note that even if the student has not completed the remaining six hours in the program by the end of subscription period #5, there is no aid eligibility after that term, because the cumulative number of hours that would be required to receive a disbursement for the next term is 48, which is the total number of hours in the program.

EXAMPLE 15: SUBSCRIPTION-BASED PROGRAM DISBURSEMENT TIMING

The details of the program illustrated in Example 15 are the same as for the program described above in Example 14.

First BBAY

Subscription period	#1: Spring	#2: Summer
Hours enrolled	12	12
Hrs. req. for disb.	0	0
Cumulative hrs. earned at beginning of term	0	6
Hrs. earned in term	6	9
Cumulative hrs. earned at end of term	6	15
Disbursements	← Pell disb. #1 ← DL disb. #1	← Pell disb. #2 ← DL disb. #2

Second BBAY

Subscription period	#3: Fall	#4: Spring
Hours enrolled	12	12
Hrs. req. for disb.	12 (= hrs. in #1)	24 (= hrs. in #1 & #2)
Cumulative hrs. earned at beginning of term	15	21
Hrs. earned in term	6	6
Cumulative hrs. earned at end of term	21	27 (21 hours remaining in program at end of subscription period #4)
Disbursements	←Pell disb. #3 ←DL disb. #3	←Pell disb. #4 ←DL disb. #4 (disbursement made after student has completed an additional 3 hrs.)

Third BBAY

Subscription period	#5: Summer	N/A
Hours enrolled	12	N/A
Hrs. req. for disb.	36 (= hrs. in #1, #2, & #3)	N/A
Cumulative hrs. earned at beginning of term	27	N/A
Hrs. earned in subscription period	6	N/A
Cumulative hrs. earned at end of term	33 (15 hours remaining in program at end of subscription period #5)	N/A
Disbursements	(no disbursement)	← Late Pell disb. #5 ← Late DL disb. #5 (late disbursement made after student has completed an additional 3 hours)

In Example 15, the student meets the coursework completion requirements to receive disbursements at the beginning of the first three subscription periods. However, at the end of subscription period #3 the student has completed a cumulative total of 21 hours, and 24 hours are required to receive a disbursement for subscription period #4. The school makes the disbursements for subscription period #4 after the student has completed an additional three hours.

As in Example 14, the school originates a single-term loan for subscription period #5, which is a remaining period of study that is shorter than an academic year. The Direct Loan annual loan limit must be prorated based on the 21 hours remaining in the program as of the end of subscription period #4.

The student must have completed a cumulative total of 36 hours to receive a disbursement for subscription period #5. During subscription period #5 the student completes only an additional six hours, resulting in a cumulative total of 33 hours completed. Therefore, the school makes the disbursements for subscription period #5 as late disbursements after the student has completed an additional three hours. Because the loan period is equal to a single payment period and more than half of the payment period has elapsed, the school may disburse the student's Direct Loan for subscription period #5 in a single late disbursement.

After the student has earned the additional three hours required to receive late disbursements for subscription period #5 (resulting in a cumulative total of 36 hours completed), there are 12 hours remaining in the program. Note that there is no aid eligibility for the remaining 12 hours, because the cumulative number of hours that would be required to receive a disbursement for the next term is 48, which is the total number of hours in the program.

Chapter 2

Cost of Attendance (Budget)

Awards for most of the Federal Student Aid (FSA) programs are based on some form of financial need. 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 cost of attendance (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.

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 information on EFCs, and *Volume 1* for more information 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 workstudy 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.

Note: As explained under "Chapter 2 changes" in the *Introduction* to this volume, certain sections in *Chapter 2* of the 2022-2023 *FSA Handbook* that discussed COA issues specific to the Pell Grant Program have been removed from *Chapter 2* for 2023-2024, and the content of those sections has been moved to new *Volume 7* of the 2023-2024 FSA Handbook. The specific sections that have been moved are listed in the *Introduction* to this volume.

Allowable Costs

The HEA 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, in most cases 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, such as conducting 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 and 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 less than full time in a term-based program) or prorate down for students who are attending for periods longer than an academic year (see *Volume 7* for guidance on these requirements). The types of costs included in the COA are determined by section 472 of the HEA and 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 allowances for expenses in the categories listed below. The *FAFSA Simplification Act* modified some of the COA components for the 2023-2024 award year. These statutory changes are reflected in the discussion that follows.

Modifications to COA components made by the *FAFSA Simplification Act*

Dear Colleague Letter GEN-22-15

Note: The COA for less-than-half-time students was previously limited to allowances for tuition and fees, books, supplies, transportation, dependent care expenses, and (for a limited duration) room and board. The *FAFSA Simplification Act* expanded the types of expenses that a school may include in the COA for a less than half-time student to include all of the categories listed below, unless it is specifically noted that the category applies only to students who are enrolled at least half time.

Tuition and fees

This allowance is for the tuition and fees normally assessed for a student carrying the same academic workload. It includes graduation fees, if incurred while the student is still enrolled and when required by the program and paid by all students.

The tuition and fees allowance may also 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.

See "Additional COA Considerations" later in the chapter for information on certain limitations that apply when determining what may be included in the tuition and fees component.

Books, course materials, supplies, and equipment

This includes all such costs required of all students in the same program, including a reasonable allowance for the rental or upfront purchase of a personal computer that the student will use for study for the enrollment period, and for equipment needed for instruction by telecommunications. The allowance for purchase of computer may include costs for a computer purchased prior to the enrollment period (for example, a computer that a student bought in the summer for use in the fall term).

Inclusion of books and supplies as part of the tuition and fees COA component

If the requirements described under "Institutional Charges" in *Volume 4, Chapter 2* are met, the cost of books, course materials, equipment, and supplies may be included as part of the tuition and fees component of the COA.

Inclusion of books and supplies as part of tuition

34 CFR 668.164(c)(2)

Students must be able to obtain books and supplies by the seventh day of the payment period

If a student could have received a disbursement of Title IV funds 10 days before the beginning of a payment period, and if the disbursement would have created a credit balance (see *Volume 4, Chapter 2* for information on early disbursements and Title IV credit balances), then by the seventh day of the payment period a school must provide a way for eligible students to obtain or purchase the books and supplies for the payment period. For more detail, see “Special provisions for books and supplies” in *Volume 4, Chapter 2*.

Special provision for books and supplies

34 CFR 668.164(m)

Transportation

The transportation allowance may include costs incurred by a student for transportation between school, residence, and place of work (including costs associated with operating and maintaining a vehicle used for such transportation), and other costs for transportation that are required as part of a student’s program of study (for example, transportation to conferences or medical residency interviews). However, the transportation allowance may not include costs for the purchase of a vehicle.

Miscellaneous personal expenses (only for students enrolled at least half time)

This allowance may be included in the COA **only for students who are enrolled on at least a half-time basis**. Miscellaneous personal expenses may include costs incurred by a student for a prior learning assessment (for example, an exam or a portfolio evaluation).

Living expenses (food and housing)

Food and housing allowance for students who are enrolled at least half time

For all students who are enrolled on at least a half-time basis, schools **must** include in their COA an allowance for living expenses, including food and housing (formerly known as “room and board”). The food and housing allowance is based on the student’s situation, as described below.

- For **students who choose institutionally owned or operated food services** (e.g., board or meal plans), a standard allowance that provides the equivalent of three meals per day.
- For **students who do not choose institutionally owned or operated food services**, a standard allowance for purchasing food off campus that provides the equivalent of three meals per day.
- For **students who reside in institutionally owned or operated housing**, standard allowances (one for students with dependents, and one for students without dependents) based on the greater of the average or the median amount assessed to such students for housing charges.

Although schools must use a standard living expenses allowance based on the greater of the average or the median amount assessed for housing charges, this does not mean that schools must develop the allowance based on a comparison of the average and median cost of all types of institutional housing across the school. Since costs for different types of institutional housing may vary widely (for example, double occupancy freshmen dormitories vs. single occupancy graduate student housing), a school can have different allowances based a comparison of the average and median costs charged for a specific housing type. For instance, if the greater of the average and median amounts charged to students living in freshmen dormitories is $15,000 per year, and the greater of the average and median amounts charged to students living in graduate housing is $20,000 per year, those amounts could be used as the housing allowances for all students living in each type of institutional housing.

Because schools are free to create as many different types of this allowance as they choose, if the amounts charged to students for all institutional housing of a specific type are the same or do not differ significantly, such an approach would likely result in allowances for each housing type that are equal or close to the actual costs charged. Of course, this does not preclude a school from using professional judgment on a case-by-case basis to include actual costs in the budget for individual students whose costs for a particular type of institutional housing differ significantly from the average or median amount that would otherwise be used.

- For **students living off campus (not in institutionally owned or operated housing)**, a standard allowance for rent or other housing costs.
- For **dependent students residing at home with their parents**, a standard allowance for living expenses determined by the school. The living expenses allowance for these students cannot be zero.
- 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”), a standard allowance for food based on whether the student chooses to purchase food on-campus or off-campus (as described above), but not for housing costs. 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 **all other students**, an allowance based on expenses reasonably incurred for housing and food.

Food and housing allowance for less-than-half-time students

For less-than-half-time students, schools **may** include an allowance for food and housing in the COA for a limited period. For these students, the COA may include (at the option of the school) a food and housing allowance for up to three semesters or the equivalent, with no more than two semesters or the equivalent being consecutive at any one school. If a school chooses to include a food and housing allowance in the COA for less-than-half-time students, the allowance is based on the student’s living situation, as described above for students who are enrolled at least half-time.

Dependent care costs

For students with dependents, this allowance covers actual costs expected to be incurred for dependent 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 the student’s dependents and should not exceed reasonable cost in the community for the type of care provided. Because students are often unaware of this allowance, schools should explain the availability of the dependent care allowance when counseling students and tell them how to request that an allowance for dependent care be included in their COA.

See “Documentation of exceptional expenses” later in the chapter for guidance on documenting dependent care costs.

Costs of obtaining a license, certification, or first professional credential

For students enrolled in programs that require professional licensure, certification, or a first professional credential, the COA must include an allowance for the costs of obtaining the license, certification, or credential. Examples of allowable costs include fees charged to take a licensing exam, and costs of applying for and obtaining the license or certification. 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.

Schools may use either actual or average costs when determining the amount of this allowance. If a school chooses to use average costs, it must develop a reasonable basis for the average amount using the actual costs of a first professional credential that the school is aware of for the profession that a program prepares a student to enter.

The allowance may include costs for multiple license or credential test attempts, though schools have discretion to set a reasonable limit on the number of attempts allowed to be included in a student's COA.

Costs for study abroad programs

For a student enrolled in a study abroad program approved for credit by the student's home school, the COA includes reasonable costs associated with such study as determined by the home school. For example, the COA for a student who is a U.S. citizen studying at a foreign school may include visa/passport costs.

Disability-related expenses

For a student with a disability, the COA includes an allowance for expenses related to the student's disability. Such 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 they have 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.

See "Documentation of exceptional expenses" later in the chapter for guidance on documenting disability-related expenses.

Cooperative education program employment costs

For students engaged in a work experience through a cooperative education program, the COA includes an allowance for reasonable costs associated with such employment, as determined by the school.

Fees for federal student loans

For students receiving Direct Loans or loans under any other federal student loan program, the COA includes fees required to receive the loans (for example, the loan fee for a Direct Loan). Fees for non-federal student loans may not be included. You may use either the actual loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school.

COA for Correspondence Students

For students engaged in correspondence study, COA is limited to tuition and fees and, if required, books, course materials, supplies, and equipment. If the student is fulfilling a required period of residential training, the COA also includes an allowance for travel, and food and housing 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).

COA for Incarcerated Students

For confined or incarcerated students, COA is limited to tuition and fees, required books, course materials, supplies, and equipment, and the cost of obtaining a license, certification or a first professional credential. Remember that an incarcerated student is ineligible for Direct Loans.

Additional COA Considerations

Periods of non-attendance

You may not include in a student's COA costs (if any) for a period of non-attendance. For example, if a student does not attend a module in a term that is divided into multiple modules, or does not attend an intersession that falls between two terms, you may not include any costs associated with that module or intersession. This applies even if the module or intersession forms part of a standard term in which the student is otherwise enrolled (see *Chapter 1* for more information on the treatment of modules and intersessions), or if the student is studying for a test or coursework related to an eligible program during the period of non-attendance (though the costs of such a test itself may be an allowable COA component —see "Costs of obtaining a license, certification, or first professional credential" earlier in this chapter).

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 the COA for Title IV aid 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 therefore would effectively be assessed a higher tuition amount 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

Some schools may assess overtime charges for students who fail to complete their academic programs 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. Since overtime charges are not charges that are normally assessed (they are in addition to normal tuition and fees), 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 overtime 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 their programs within an established timeframe. Some credit-hour programs charge additional tuition or fees for each course a student takes if the student fails to complete a program within an established timeframe. 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 uses 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.

EXAMPLE 16: SCHOOL PAYMENT PLAN

A school charges full-time students $10,000 per semester in tuition, payable either at registration, or, under an optional payment plan, over the course of the semester, in four payments of $2,600 each, for a total of $10,400. The school may offer the optional 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 the costs of a test prep class that is not part of a student's eligible program in the student's COA.

Prohibitions on charging fees and penalties

You may not—

- Request from or charge 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; or
- Impose any penalty on a student because of a student's inability to meet their 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, or delays attributable to your school.

Prohibitions on charging fees and penalties

34 CFR 668.14(b)(3)
34 CFR 668.14(b)(21)

Costs for 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 a student's enrollment in an eligible program and thus cannot be included in the student's 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.

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 schools 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 estimated financial assistance (EFA) for the student in the aid packaging process. For packaging guidance, see *Chapter 3* of this volume.

Exclusion of state aid from COA and EFA

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.

Exclusion of state aid from COA and EFA

HEA Section 480(j)(3)

DCL GEN-06-05

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

When awarding aid from programs other than the Direct Loan Program, you may not count toward the student's COA any costs incurred in any payment period prior to the payment period during which the program gained Title IV eligibility. When awarding aid from the Direct Loan Program, you may not count any costs incurred in periods of enrollment (loan periods) prior to the period of enrollment during which the program gained eligibility. This means, for example, that if a program becomes eligible in the spring semester of a fall-spring academic year, you can only include costs incurred in the spring semester when awarding aid from programs other than the Direct Loan Program. However, if you originate a Direct Loan for a loan period covering the full academic year, you can include costs incurred during both the fall and spring semesters when determining the amount of the loan.

You may also not include any costs incurred in payment periods (for non-loan programs) or periods of enrollment (for Direct Loans) 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 guidance on when changes in the Pell Grant COA necessitate a recalculation of a student's Pell Grant award, see *Volume 7*.

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 COA.

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, housing, and food).

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.

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 3* 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.

EXAMPLE 17: HOUSING AND FOOD WAIVER

A school saves some of its resident assistant jobs for students with exceptional financial need. All resident assistants receive a waiver of housing and food charges. If a student who is employed as a resident assistant quits the job, the waiver is removed, and the student has to pay the housing and food charges. All students at the school have housing and food charges in their COA. For students who are resident assistants because of their financial need, the school must count the housing and food waiver as EFA. The waiver would not be counted as untaxed income, but if included in the student's adjusted gross income (AGI), such a waiver would be reported on the FAFSA as "grant and scholarship aid reported to the IRS" and would be excluded from total income in the EFC formula.

EXAMPLE 18: IN-STATE TUITION VOUCHER

A school 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. The school has two options:

- The first option would be 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 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 the school chooses, it must apply the option consistently.

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 their 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* for further guidance.

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 example, if a school charges the entire $10,000 tuition cost for a program up front, the $10,000 will be included in the first academic year's COA when packaging Direct Loans and Campus-Based aid but would not be included in the second academic year's COA components. For Pell Grants, you must prorate these charges to reflect the academic year in accordance with the procedures outlined in *Volume 7*. See also the example of apportioning costs that are charged up front in *Volume 4* of the FSA Handbook, but note that the example in *Volume 4* illustrates prorating total costs that are charged up front for purposes of determining the amount of aid that may be credited to a student's account and the amount that must be paid to the student as a credit balance. This is a separate issue from the determination of the COA that would be used in calculating the specific aid amounts that the student is eligible to receive.

Campus-Based, TEACH Grant, and Direct Loan programs: costs based on actual period of enrollment

As explained earlier in this chapter, the COA for Pell Grants and Iraq and Afghanistan Service Grants is always based on the full-year costs for a full-time student (see *Volume 7* for more information). In contrast, the COA used to package Campus-Based aid, TEACH Grants, and Direct Loans is for the student's actual period of enrollment. Therefore, if the period of enrollment for which a student's aid is intended is longer than the 9-month academic year for which costs are normally determined, 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.

As an example, 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).

When calculating COA for periods other than nine months, be sure to use the rules for the corresponding EFC type (see *Chapter 3* of the *Application and Verification Guide* for a full discussion of alternate EFCs for periods other than nine months).

Chapter 3

Packaging Aid

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.

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 both types of 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 we explain 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 the Pell Grant and Iraq and Afghanistan Service Grant programs 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-based program) or prorate down for students who are attending for periods longer than an academic year (see *Volume 7* for more information).

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 their students.

To help you package federal student aid with your other aid awards, EDExpress includes a packaging module. 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.

Packaging Rules

Pell Grants As First Source Of Aid

Pell Grants are considered to be the first source of aid for a student, and packaging Title IV funds begins with Pell Grant 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.

If necessary, you must also adjust non-federal aid awards (e.g., institutional aid or private education loans) 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 (NCAA'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 the student may not receive any other Title IV funds.

Pell and Iraq and Afghanistan Service Grant Lifetime Eligibility Used

Before awarding a Pell Grant or Iraq and Afghanistan Service Grant, you must check the COD common record or COD Web to make sure students close to the 600% Pell Grant/Iraq and Afghanistan Service Grant lifetime limit 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 students that have a Pell LEU greater than or equal to 450%. See *Volume 7* for more detail on the effects of various levels of Pell/Iraq and Afghanistan Service Grant LEU.

Considering grants and subsidized loans first

The law requires aid administrators to determine whether a student is eligible for aid from 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 Direct Unsubsidized Loans. In addition, you must determine an undergraduate student's maximum Direct Subsidized Loan eligibility before originating a Direct Unsubsidized Loan for the student (see *Volume 8* 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. However, if the student on whose behalf the parent is borrowing does receive Pell Grant funds and/or other types of aid for the same period of enrollment, that other aid must be considered when determining the Direct PLUS Loan amount that the parent is eligible to borrow. The amount of a parent Direct PLUS Loan cannot exceed the student's COA minus other financial assistance that the student has received.

Determining Pell Grant eligibility is not relevant when awarding Direct PLUS Loans to graduate or professional students, but you must determine a graduate/professional student's maximum Direct Unsubsidized Loan eligibility before you originate a Direct PLUS Loan for the student.

Requirement to consider Federal Pell Grants first

34 CFR 685.200(a)(1)(iii)

EXAMPLE 19: BASIC PACKAGING

A dependent second-year undergraduate student has a COA of $12,500 and an EFC of 2,500 for the current year. Therefore, the packaging process begins with $10,000 in unmet need:

$12,500 COA
- 2,500 EFC

$10,000 need

The aid administrator begins by awarding a Pell Grant and applying an outside scholarship before awarding Campus-Based aid. The student’s EFA is a $4,945 Pell Grant and a $400 outside scholarship:

$12,500 COA
- 2,500 EFC
- 4,945 Pell Grant
- 400 Scholarship

$4,655 remaining need

The student has sufficient need for the maximum awards that the aid administrator can make under the school's policy for Campus-Based funds: $800 FSEOG, and $1,800 in FWS employment:

$12,500 COA
- 2,500 EFC
- 4,945 Pell Grant
- 400 Scholarship
- 800 FSEOG
- 1800 FWS

$2,055 remaining need

The aid administrator finishes the packaging process by awarding a Direct Subsidized Loan in the amount of $2,055 to fully meet the student’s financial need. As a dependent second-year student, the student’s combined Direct Subsidized Loan and Direct Unsubsidized Loan limit is $6,500 (maximum of $4,500 subsidized). The financial aid package now fully covers the student’s financial need of $10,000. However, the student could also receive up to $2,500 in Direct Unsubsidized Loan funds to replace the EFC and completely cover the COA.

$12,500 COA
- 2,500 EFC
- 4,945 Pell Grant
- 400 scholarship
- 800 FSEOG
- 1,800 FWS
- 2,055 Direct Subsidized Loan

$0 remaining need

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, EDExpress allows you to specify the order in which aid sources are to be applied to the student's unmet need, and to set overall percentage limits on the amount of gift (grants/scholarships) and self-help aid that will be included in the aid package.

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 *Volume 6*).

FSEOG and 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 only for the fall semester due to reaching their 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 and 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 *Volume 6*).

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 *Volume 7*.

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 later in this chapter).

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.
- Before you originate a Direct Unsubsidized Loan for an undergraduate student, you must determine the student's maximum Direct Subsidized Loan eligibility.
- You may originate a Direct Subsidized Loan only for the amount of the student's financial need—the student's COA, minus the student's EFC and EFA.
- A student may qualify for a combination of both Direct Subsidized Loans and Direct Unsubsidized Loans.
- The parent of a dependent student can take out a Direct PLUS Loan to pay for the student's COA (assuming that the parent meets program eligibility requirements). There is no fixed loan limit for Direct PLUS Loans, but Direct PLUS Loans cannot be made for an amount that exceeds the student's COA, less other financial aid received.
- If the student is independent, or if a dependent student's parent is ineligible for a Direct PLUS Loan, the student is eligible for additional Direct Unsubsidized amounts.
- Direct Unsubsidized Loans and Direct PLUS Loans 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. (Note that a Direct PLUS Loan does not count against a graduate/professional student's Direct Unsubsidized

Loan annual or aggregate loan limits.)

- 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 *Volume 8*).

EXAMPLE 20: GRADUATE/PROFESSIONAL PLUS PACKAGING

A student enrolls in a graduate-level program with a total COA of $31,000. The student 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. The student has already been awarded a graduate scholarship of $5,000. Subtracting this EFA from the COA leaves $26,000 in unmet costs that the school partially covers by awarding the student a $20,500 Direct Unsubsidized Loan. The student now has $5,500 in remaining costs.

$31,000 COA
- 5,000 scholarship
- 20,500 Direct Unsubsidized Loan

$5,500 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 the student to receive a Direct PLUS Loan for $5,500 to fully cover the COA.

$31,000 COA
-5,000 scholarship
-20,500 Direct Unsubsidized Loan
-5,500 Direct PLUS Loan

$0 remaining costs

Packaging When Choosing Not To Borrow Direct Subsidized Loans Or Direct Unsubsidized Loans

If a graduate Direct PLUS Loan borrower has not requested the maximum Direct Unsubsidized Loan amount for which they are eligible, you must:

- Notify the borrower of their 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 they are 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 or professional student is eligible for a Direct Unsubsidized Loan but chooses to borrow only a Direct PLUS Loan.

Packaging Aid for Dependents of Deceased Iraq and Afghanistan Soldiers or Public Safety Officers

Dependents of deceased Iraq and Afghanistan soldiers

As described in *Volume 7*, 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:

- Less than 24 years old, or
- 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.

Students with Pell-eligible EFCs: Zero 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).

EXAMPLE 21: MAXIMUM PELL PACKAGING - DEPENDENT OF A DECEASED IRAQ AND AFGHANISTAN SOLDIER

A third-year undergraduate has a COA of $17,300 and an EFC of 3,957 for the current year. In 2004, when the student was four years old, their parent died as a result of U.S. military service in Iraq. As a result, the student is eligible to receive Title IV funds as if their Pell-eligible EFC were zero. The packaging process begins with a $7,395 Pell Grant. The school then awards the student a $4,400 state grant and a $5,500 Direct Subsidized Loan. No overaward is created, and no form of aid must be reduced.

If the student's parent had died as a result of service as a public safety officer, they would have qualified for the same treatment of their EFC under the Children of Fallen Heroes Scholarship Act and the packaging example would be the same.

Students without Pell-eligible EFCs: Iraq and Afghanistan Service Grant

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 and Afghanistan Service Grant.

The amount of the Iraq and Afghanistan Service Grant is determined by enrollment status only (see *Volume 7*). For students receiving Iraq and Afghanistan Service Grants, you include the student's normally calculated EFC when packaging other Title IV aid. The Iraq and Afghanistan Service Grant 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 Iraq and Afghanistan Service Grant. For more detail on the Iraq and Afghanistan Service Grant, including calculating an award for a payment period, see *Volume 7*.

An Iraq and Afghanistan Service Grant is not adjusted to take into account other forms of aid. Additionally, as the Iraq and Afghanistan Service Grant is not considered EFA, it does not affect other aid in the student's Title IV aid package. In the rare instance where an Iraq and Afghanistan Service Grant, by itself, would exceed the student's Title IV COA for a period of enrollment, the total amount of the of the Iraq and Afghanistan Service Grant 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).

EXAMPLE 22: IRAQ AND AFGHANISTAN SERVICE GRANT PACKAGING

A dependent first-year undergraduate student has a COA of $9,000, and an EFC of 8,000 for the current year. Because the student's parent died while serving in Iraq and the student has a non-Pell-eligible EFC, the student is eligible to receive an Iraq and Afghanistan Service Grant. The packaging process begins with a $6,973.49 Iraq and Afghanistan Service Grant (see below for an explanation of this amount). The school can then award the student a $1,000 Direct Subsidized Loan and a $4,500 Direct Unsubsidized Loan (an independent first-year undergraduate student could receive a $1,000 Direct Subsidized Loan and an $8,000 Direct Unsubsidized Loan.) Although the amount of the grant and the Direct Loans combine to exceed the COA, the Iraq and Afghanistan Service Grant is not EFA, and thus does not affect other aid in the student's Title IV aid package. No overaward is created, and neither form of aid must be reduced.

The $6,973.49 grant amount reflects a 5.7% reduction of the 2023-2024 statutory award amount of $7,395 as required by the Fiscal Year 2022 and Fiscal Year 2023 Sequester for Iraq and Afghanistan Service Grant awards first disbursed on or after October 1, 2021 and before October 1, 2023. For more details, see the "The Sequester and Iraq and Afghanistan Service Grants" in *Volume 7* and the May 15, 2023 Electronic Announcement.

Pell-eligible dependents of deceased public safety officers: Children of Fallen Heroes

As we explain in *Volume 7*, 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.

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.

Substituting for the EFC

34 CFR 685.200(e)
34 CFR 686.21(d)

EXAMPLE 23: USING UNSUBSIDIZED LOAN FUNDS TO REPLACE THE EFC: DEPENDENT STUDENT

A first-year dependent student has a COA of $10,800 and an EFC of 8,000, so the student's financial need is $2,800:

$10,800 COA - 8,000 EFC = $2,800 financial need

The 8,000 EFC makes the student ineligible for a Pell Grant, and the school 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). The student qualifies for a $2,800 Direct Subsidized Loan to fully cover her financial need.

Eligibility for Direct Unsubsidized Loan is determined by subtracting EFA from the COA (the EFC is not taken into consideration):

$10,800 COA - $2,800 Direct Subsidized Loan = $8,000 Direct Unsubsidized Loan eligibility

This full amount cannot be covered with a Direct Unsubsidized Loan because of the $5,500 combined Direct Subsidized Loan/Direct Unsubsidized Loan annual loan limit. However, the student 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

The student's parents could then borrow a Direct PLUS Loan. 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

The Direct PLUS Loan would cover the remaining portion of the EFC and fully cover the COA:

$10,800 COA - $2,800 Direct Subsidized Loan - $2,700 Direct Unsubsidized Loan - $5,300 Direct PLUS Loan = $0 unmet cost

As an alternative to the $2,700 Direct Unsubsidized Loan, the student's parent 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 COA - $2,800 Direct Subsidized Loan = $8,000 in Direct PLUS Loan eligibility

Another option (to eliminate the need for the student to incur any student loan debt at all) would be for the student's parent to take out a Direct PLUS Loan in the amount of $10,800 to cover the full COA.

EXAMPLE 24: USING UNSUBSIDIZED LOAN FUNDS TO REPLACE THE EFC: INDEPENDENT STUDENT

A first-year independent student has a COA of $9,000 and an EFC of 2,050, resulting in financial need of $6,950:

$9,000 COA – 2,050 EFC = $6,950 financial need

The student is eligible for a $5,345 Pell Grant, and the school also awards a $1,000 FSEOG. This leaves the student with remaining need of $605, which can be covered with a Direct Subsidized Loan:

$9,000 COA – 2,050 EFC - $5,345 Pell Grant - $1,000 FSEOG = $605 Direct Subsidized Loan eligibility

The student's financial need is now fully covered by the Pell Grant, FSEOG, and Direct Subsidized Loan.

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).

The student can also receive a Direct Unsubsidized Loan in the amount of $2,050 to replace the EFC and fully cover his COA:

$9,000 COA - $5,345 Pell - $1,000 FSEOG - $605 Direct Subsidized Loan = $2,050 Direct Unsubsidized Loan eligibility

The aid package now fully covers the student's COA:

$9,000 COA - $5,345 Pell - $1,000 FSEOG - $605 Direct Unsubsidized Loan - $2,050 Direct Unsubsidized Loan = $0 unmet cost

Estimated Financial Assistance (EFA)

In contrast to Pell Grants and Iraq and Afghanistan Service Grants, you must take other aid into account when awarding TEACH Grants, 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 wages from 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.

Compensation that a student athlete receives under a name, image, and likeness (NIL) contract is a non-need-based source of income and therefore is not considered EFA.

Table 2 at the end of this section provides examples of what is and is not considered EFA.

Estimated Financial Assistance

Campus-Based: 34 CFR 673.5(c)
Direct Loans: 34 CFR 685.102(b)
HEA: Sec. 428(a)(2)(C)(ii)
Treatment of NIL compensation in awarding Title IV assistance: GEN-21-08

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 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.

Exclusion of state-provided assistance

HEA Sec. 480(j)

Counting need-based earnings as estimated financial assistance

For students who have jobs, 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.

TABLE 2: 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 (but not short-term emergency loans – see "Not counted as EFA");
- Grants, including FSEOG 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;

Not counted as EFA

- Iraq and Afghanistan Service Grants;
- Wages from non-need based employment (including compensation received by student athletes under NIL contracts);
- 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;
- 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); and
- Short-term emergency loans.

- 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”);
- Private education loans (except amounts used to replace the EFC - see “Not counted as EFA”); and
- Funds received through income share agreements (see the Note below) that are used to finance a student’s expenses for postsecondary education.

Note: A student loan originator's income share agreement (ISA) that is used to finance a student's postsecondary education expenses is considered to be a private education loan. For more information see the March 2, 2022 Electronic Announcement posted in the Knowledge Center.

Recalculation

Any time a student begins attendance in at least one course but does not begin attendance in all the courses they were 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 any time 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 and 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 you have recalculated a 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 *Volume 8*.

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 Grant Payment Schedule appropriate for the student’s revised enrollment status. For more detail on recalculating Pell Grants, see *Volume 7*.

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 or within payment periods

A school may have a policy of recalculating awards only when the COA changes from one payment period to the next, and not when the COA changes within a payment period. For example, a school could recalculate awards because of changes to a student's tuition and fee costs or living situation (e.g., when a student moves off campus) between payment periods.

However, schools 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, a school could choose to recalculate the student's award for that payment period. For Pell Grant purposes, such a policy is acceptable if it's carried out for all students whose costs change within the payment period.

Note that schools are not limited to one or the other of the policies described above. Schools may have a policy of recalculating awards when there is a change in costs at any time during an award year (whether within a payment period or between payment periods), as long as the recalculation policy is carried out for all students whose costs change.

Schools 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.

Crossover Periods

Crossover periods are payment, award, or loan periods that overlap two award years. With one exception, you may choose which award year EFC to use for a student. The exception is that when awarding FWS to a student not attending classes, the EFC for the next period of enrollment must be used.

Table 3 at the end of this section summarizes the options for handling crossover payment periods in the Title IV programs. Note that for the award year selected, the student must have an official EFC calculated by the Central Processing System (CPS), and for a Pell Grant the CPS must also have processed a valid Student Aid Report (SAR) or Institutional Student Aid Record (ISIR).

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 Grant 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 Grant awards in crossover, summer, minisession, and transfer situations, see *Volume 7*.

EFCs for periods other than nine months

For information on EFCs for periods other than nine months, see the *Application and Verification Guide, Chapter 3*.

Crossover period EFCs and Title IV aid

In a crossover payment period, when using Pell Grant funds 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 the Pell Grant Program. For Pell Grants, you use the EFC, COA, and need for the award year from which the student will be paid, and use the amount of Pell Grant funds received in determining remaining need when packaging aid from other Title IV programs.

TABLE 3: AWARDING TITLE IV AID FOR CROSSOVER PERIODS

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 student other Title IV 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 and 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.

Packaging Veterans Benefits, AmeriCorps, Vocational Rehabilitation Funds, and BIA Grants

Veterans education benefits

For FSA purposes, federal veterans education benefits, as defined under Section 480(c) of the HEA, are not treated as EFA. You can ask the student to identify the specific program under which they are receiving their veterans education benefits. Veterans education benefits are also not to be counted as income, and therefore are not reported as income on the FAFSA. For a list of federal veterans education benefits that are to be excluded from EFA, see *Appendix A* at the end of this chapter.

Noneducational veterans benefits are also not counted as EFA. 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.

Veterans benefits not EFA

August 13, 2009 Electronic Announcement
HEA 480(c)

AmeriCorps benefits

AmeriCorps benefits are not included as EFA when determining eligibility for Direct Subsidized Loans, but they are counted 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 third-year dependent student has a COA of $15,000 and an EFC of 2,400, and is receiving $5,045 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 – $5,045 Pell Grant – $1,000 FSEOG = $6,555 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 $455 in Direct Unsubsidized Loan funds to replace part of the EFC and fully cover the COA ($15,000 COA -- $5,045 Pell -- $1,000 FSEOG -- $3,000 AmeriCorps benefits -- $5,500 Direct Unsubsidized Loan = $455 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 they are 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 EFA 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.

Coordination of BIA grants with Campus-Based aid

34 CFR 673.6

EXAMPLE 25: VOCATIONAL REHABILITATION PACKAGING

A third-year dependent undergraduate with no financial need will receive $4,000 in vocational rehabilitation aid for the 2023-24 academic year. The original COA at the student'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, the student 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 the student 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 the student's vocational rehabilitation aid. Since the $4,000 in vocational rehabilitation aid is not covering any component of the COA, it must also not be counted as EFA. Note, however, that if the school had not initially excluded from the 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,** a 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 will 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 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.

Pell can't be used to pay a loan in overaward situations

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 payment on a student loan isn't an educational expense.

Iraq and Afghanistan Service Grant overawards

An Iraq and 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 and Afghanistan Service Grant that **by itself** exceeds the student's COA is an overaward. All such Iraq and Afghanistan Service Grant overawards must be corrected (for more detail on how to resolve overawards, see *Volume 4, Chapter 3 of the FSA Handbook*).

Other Packaging Considerations

Awarding when programs that were initially ineligible gain Title IV eligibility

If a previously ineligible program later gains Title IV eligibility, you may award non-loan Title IV aid to students who are already enrolled in the program retroactive to the beginning of the payment period in which the program becomes eligible, and you may award Direct Loans retroactive to the beginning of the period of enrollment (usually the academic year) in which the program becomes eligible, assuming that all other student, program, and school eligibility requirements are met. You may not award Title IV aid for payment periods (non-loan programs) or periods of enrollment (Direct Loans) that a student has already completed at the time the program gains eligibility.

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

Appendix A: Federal Veterans Education Benefits to be Excluded From EFA

- 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
- Benefits received under the Veterans Retraining Assistance Program (VRAP)
- Benefits received under the Veterans Rapid Retraining Assistance Program (VRRAP)