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)