

## Chapter 7

# Initial Calculations, Recalculations, and Overawards

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### Initial Pell Calculation

An initial calculation is the first calculation that is made on or after the date the school has received a Department-produced SAI such as the student's initial FAFSA Submission Summary or ISIR with an official SAI and a Pell Eligibility Flag of "Y". This may be from a FAFSA Submission Summary or ISIR, the FAFSA Partner Portal, or FAFSA.gov. The initial calculation uses the student's enrollment intensity at the time of the calculation. If you've estimated the student's eligibility before receiving a FAFSA Submission Summary or ISIR for the student, you must confirm prior estimated eligibility or determine the student's eligibility at the time you receive the FAFSA Submission Summary or ISIR.

If a school performs an initial calculation before a student has registered for specific classes, the school may rely on the student's general estimate of intended enrollment when performing the initial calculation. For example, a school could perform an initial calculation using 50% enrollment intensity if a student indicated that they planned to enroll half time.

You should document the date you initially calculate a student's Pell Grant, which can be no earlier than the date your school received a Department-produced SAI. If you fail to document the date of the initial calculation, you must use the later of:

- The date the FAFSA Submission Summary or ISIR is first received and the student's enrollment intensity as of that date; or
- The date the student enrolls.

Your school is considered to have received the ISIR on the date it was processed. This date is labeled "Processed Date" on the ISIR. In the case of a FAFSA Submission Summary, your school is considered to have received it on the date processed unless you document a later date. The processing date on a FAFSA Submission Summary is the date above the SAI.

### Pell Recalculation Due to Change in SAI or Other Pell Eligibility Indicators

If the student's SAI or one of the other Pell eligibility indicators change due to corrections, updates, or an adjustment, and the change would alter the amount of the Pell award, you must recalculate the Pell award for the entire award year. In addition to the SAI, these indicators include the Max Pell, Minimum Pell, CFH, or IASG indicators. If the student has received more than their Scheduled Award amount due to the recalculation, then the student has received an overpayment. In some cases, you may be able to adjust an award by reducing or canceling later payments to the student (see *Volume 4*, Chapter 3 for more information).

A student selected for verification can be paid based on the corrected output document you receive during the "verification extension" (120 days after the student's last day of enrollment, or the deadline date established by a Federal Register notice, whichever is earlier). For example, if you receive a reprocessed ISIR reflecting the results of the student's verification during the extension period and the ISIR has a lower SAI than the previous ISIR (increasing the student's eligibility), you calculate the student's Pell Grant based on the reprocessed ISIR.

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

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Pell Recalculation - Change in SAI

## Pell Recalculation Due to Change in Enrollment Intensity

The process for recalculating a student's Pell Grant award due to changes in enrollment intensity depends on when the change occurs.

### Pell Recalculation - Change in Enrollment

#### [34 CFR 690.80\(b\)](#)

#### Change in Enrollment Intensity *Between Academic Terms*

In a credit-hour program that uses terms, you must calculate a student's payment for each term based on the enrollment intensity for that term. For example, if a student attended full time for the first term and then enrolled less than full time in the second term, you must use the less-than-full-time enrollment intensity to calculate the student's payment for the second term.

#### Change in Enrollment Intensity *Within a Payment Period Before a Student Begins Attendance in All Classes*

You must report changes to a student's enrollment intensity to NSLDS in a timely manner. Any change requiring a recalculation of an award may also require an update to the student's enrollment intensity. If the student doesn't begin attendance in all classes for a payment period, resulting in a change in the student's enrollment intensity, you **must** recalculate the student's award for that payment period based on the lower enrollment intensity. A student is considered to have begun attendance in all classes if the student attends at least one day of each class whose credits are counted for purposes of determining the student's enrollment intensity for Pell Grant eligibility. Note that clock-hour and non-term programs are always based on full-time enrollment intensity for Pell.

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

If you recalculate a Pell award because the student's enrollment intensity has changed, you must also consider any changes in the student's costs at that time. For example, if a student enrolls full time for the first semester and then drops to less than half time during that semester, the student's costs will change, because only certain cost components are allowed for less-than-half-time students. However, the COA components for a less-than-half-time student must still be based on the costs for a full-time student for a full academic year when calculating the student's less-than-half-time enrollment intensity and Pell Grant award.

#### **Volume 7, Chapter 7, Example 1: Enrollment Intensity Change Pell Recalculation**

A student registers for a full-time course load (15 credit hours) and their school makes an initial disbursement on that basis 10 days before the first term starts. When the term starts, the student only begins attendance in three classes (9 credit hours). The school must recalculate the student's Pell award based on the lower enrollment intensity. Any difference between the amount the student received and the new recalculated award is an overpayment for which the student is responsible. See *Volume 4*, Chapter 3 for more detail on overpayments.

#### Change in Enrollment Intensity *Within a Payment Period After a Student Has Begun Attendance in All Classes*

The regulations don't require recalculation of Pell Grant awards based on changes in enrollment intensity during a payment period **after the student has begun attendance in all their classes**. However, your school **may** have a policy of recalculating awards in this situation. Your school's recalculation policy must be documented in writing, must consider any changes in the student's COA, and must be applied consistently to all students in a program. If your school chooses to recalculate for a student whose enrollment intensity increases, your school must also recalculate for a student whose enrollment intensity decreases.

Your school's policy may set a date after which Pell Grants will not be recalculated for enrollment intensity changes during a payment period. This date is sometimes referred to as the "Pell recalculation date" or "PRD." For example, you could establish a policy that you will recalculate Pell awards only for enrollment intensity changes that occur up to the "add/drop" date of a term. If you establish a policy that Pell Grants will not be recalculated after a certain date, the policy must be applied in all cases, even when there is compressed coursework.

Note that a school may establish more than one PRD within the same payment period. For example, if a term is divided into two or more modules, a school could establish a PRD within each module. However, in this case only one PRD will apply to a student, and that will be the PRD for the latest class or module in which the student begins attendance. Once the school determines which PRD applies to the student, the school must go back to the beginning of the term and review which courses the student dropped, added, or completed up until the student's PRD to calculate the student's Pell Grant enrollment intensity.

### **Volume 7, Chapter 7, Example 2: Multiple Pell Recalculation Dates**

A school uses multiple Pell recalculation dates within a payment period and must recalculate Pell up to the Pell recalculation date for the last class or module in which the student begins attendance. The fall semester is divided into two modules. The school establishes one PRD in each module, and a third PRD for the full semester:

Module 1 PRD: September 7

Full Semester PRD: September 21

Module 2 PRD: November 1

As of the Full Semester PRD (September 21), a student had begun attendance in four classes (12 credit hours) for the full semester.

On October 3, the student drops two classes (6 credit hours). On October 20, the student enrolls and begins attendance in a 3-credit-hour class in Module 2. As of the Module 2 PRD (November 1), the student is enrolled for and has begun attendance in nine credit hours.

In this example, the Module 2 PRD (November 1) applies to the student, so the student's final Pell Grant enrollment intensity is based on 9 credits ( $9 \div 12 = 75\%$ ). If the student had not enrolled and begun attendance in the class in Module 2, the Full Semester PRD (September 21) would apply, and the student's final Pell Grant enrollment intensity would have been full time.

If your school has a policy of recalculating Pell Grant awards for a student whose projected enrollment intensity has changed as of your established PRD (if the student began attendance in all classes), and if the initial calculation of the student's Pell Grant occurred **before** the recalculation date, the recalculation is based on the student's new enrollment intensity as of the recalculation date.

In some cases, a student may not be enrolled in any classes as of a school's PRD, but the student enrolls later during the payment period (for example, in the second module of a term). Since there is no Pell Grant enrollment intensity of "zero," in this circumstance the student remains Pell-eligible based on the initial Pell Grant calculation (if the student began attendance in all classes on which the enrollment intensity for the initial calculation was based), and the recalculation is based on the student's enrollment intensity at the time they begin enrollment later in the term.

The initial calculation of a student's Pell Grant may in some cases occur **after** a school's PRD for a term, including a term

with compressed coursework. In this circumstance, you must use the student's effective enrollment intensity on the date of the initial calculation, and there is no recalculation of the student's Pell Grant for the term due to a subsequent change in enrollment intensity, if the student began attendance in each class.

### **Volume 7, Chapter 7, Example 3: Enrollment Intensity Change Within the Payment Period**

A student registers for 15 credit hours which is full time and 100% enrollment intensity. Their school initially calculates a full-time award, based on its definition of full-time enrollment as 12 or more credits for financial aid purposes. The student begins attending all classes but subsequently drops two classes (6 credits) bringing their enrollment down to 9 credit hours, or 75% enrollment intensity. The school does not recalculate Pell Grant awards based on enrollment intensity changes during a payment period, so the student may still be paid based on full-time enrollment if the student is otherwise eligible for payment.

If the school did not receive the student's first processed valid FAFSA Submission Summary or ISIR with an official SAI until after the student dropped to 75% enrollment intensity, the Pell initial calculation would be based on the student's enrollment intensity at the time the school received the output document, which was 75%.

If the school had a policy of recalculating Pell Grant awards if a student's enrollment intensity for a payment period has changed as of a specified recalculation date, and if the student had dropped to 75% enrollment intensity as of that date, the school would recalculate the student's award based on 75% enrollment intensity.

### **Volume 7, Chapter 7, Example 4: Enrollment Intensity Change Between Payment Periods**

A student registers for 15 credit hours, which is full time and 100% enrollment intensity because the institution defines full-time enrollment as 12 or more credits for financial aid purposes. The school initially calculates a full-time Pell Grant award for the fall and spring semesters. Each semester is divided into two 8-week modules that are combined and treated as a single 16-week standard term. The student begins attendance in all classes in the fall.

In the spring semester, the student is not enrolled in any classes during the first 8-week module or any classes that span the entire 16-week semester. However, the student is enrolled in two 3-credit courses during the second 8-week module.

The school's Pell Grant recalculation date for the spring semester is during the first 8-week module. Although the student is not enrolled in any classes as of the recalculation date, their enrollment during the second module of the semester allows them to be paid up to their original full-time enrollment status as determined by the initial Pell Grant calculation. However, because the student is enrolled for only six hours in the second module, the school pays the student at 50% enrollment intensity. No further adjustments to the student's award will be made if there are subsequent enrollment intensity changes during the term.

If the student's payment for the term is being disbursed in a subsequent payment period, you may pay the student only for the coursework completed in the term (including earned Fs). Additional information about retroactive payments is available in *Volume 4*, Chapter 2.

In the case of programs offered with compressed coursework or modules within the terms, your school may adopt a policy of setting the PRD based on the add/drop date of the last class in which the student is enrolled, or is expected to enroll, for the term. In this circumstance, your school must consider all adjustments to the enrollment intensity, both increases and decreases, up to the add/drop date of the last class in which the student begins attendance.

If you don't establish a policy of recalculating based on changes in enrollment intensity that occur during a payment period, a student who begins attendance in all classes would be paid based on the initial calculation, even if their

enrollment intensity changes before the disbursement is made. If the student withdraws from all classes (or doesn't begin attending any classes), you must follow the procedures discussed in *Volume 5*.

#### Pell Recalculation Due to Change in COA

When a student's COA changes during the award year, and their enrollment intensity remains the same, you may (but are not required to) establish a policy under which you recalculate the student's Pell Grant award. Once established, you must consistently apply such a recalculation policy to all students in the program.

#### Tuition and Fee Charges and Recalculation

If your school recalculates a student's Pell Grant due to a change in enrollment intensity but continues to charge tuition and fees for credit hours that are no longer included in the student's enrollment intensity for Pell Grant purposes, this does not affect the requirement to recalculate the student's Pell Grant award.

For example, if a student enrolls as a full-time student with 12 credits, but never starts attendance in a 3-credit class that starts after the school's "add/drop" date, the student's award must be recalculated based on 9 credits or 75% enrollment intensity. This is true, even though the school charges tuition for any classes dropped after the "add/ drop" date, and therefore continues to charge the student for 12 credits.

#### Recalculation of Pell Grant Awards for Students Who Graduate Early From a Clock-Hour Program

Under the regulations that govern the treatment of *Title IV* funds when a student withdraws, a student who completes all the requirements for graduation from a program before completing the days or hours they were scheduled to complete is not considered to have withdrawn, and no return of *Title IV* funds calculation is required (see *Volume 5* for more detail). However, a school may be required to return a portion of the Pell Grant funds that were awarded to a student who successfully completes the requirements for graduation from a clock-hour program before completing the number of clock hours that they were scheduled to complete. Note that successfully completed clock hours may include a limited number of clock hours for which the student was granted an excused absence if your school has an excused absence policy that meets the requirements described in [34 CFR 668.4\(e\)](#). For more information, see the discussion of "Excused absences in clock-hour programs" in *Volume 3*, Chapter 1.

A student's eligibility to receive *Title IV* aid for a clock-hour program is based, in part, on the total number of clock hours in the program. If a school allows a student to graduate from a clock-hour program without completing all the originally established hours for the program, the school has effectively shortened the program length and reduced a student's *Title IV* aid eligibility for the program. In this circumstance, the school must recalculate the student's Pell Grant award based on the number of hours the student completed. The school must return to the Department the difference between the recalculated award amount and the Pell Grant amount that the student originally received. (For a student who received a Direct Loan, the school must also prorate the student's annual loan limit in this situation, or, if the loan limit was originally subject to proration, recalculate the original prorated loan limit. See *Volume 8* for more information.)

#### **Volume 7, Chapter 7, Example 5: Pell Recalculation for Early Graduation From a Clock-Hour Program**

Consider a student who enrolls in a 900 clock-hour program, with the academic year defined as 900 clock hours and 26 weeks of instructional time. The school assumes that the student will complete 900 clock hours, and the student's Scheduled Award is \$7,500, paid in disbursements of \$3,750 in each payment period (see Chapter 1 of *Volume 3* for guidance on determining payment periods).

The school considers the student to have met the requirements for graduation from the program after the student has completed only 750 of the originally scheduled 900 clock hours. As soon as practicable after determining that the student will meet the graduation requirements, the school must recalculate the student's Pell Grant award as if the student had been enrolled in a 750 clock-hour program. Although the school will recalculate the student's award using Formula 4 (as described in Chapter 4), in this circumstance only the number of clock hours in the payment periods are considered. There is no comparison of hours and weeks fractions, as is normally required with Formula 4.

The school determines the recalculated award amount for each payment period by multiplying the student's

\$7,500 Pell Grant award by 375 (the number of clock hours in each payment period based on the total of 750 hours that the student completed), then dividing the result by 900 (the number of clock hours in the program's academic year). This results in two recalculated disbursements of \$3,125 each, for a total award of \$6,250. The school reduces the original first and second disbursements by \$625, then returns the total difference of \$1,250 to the Department. Note that the school – not the student – is responsible for returning the excess Pell Grant funds in this situation.

The recalculation requirement described above applies **only** to clock-hour programs, and it applies regardless of the length of the program or remaining portion of a program. For example, if a student who received Pell Grant funds for enrollment in a 600 clock-hour program meets the graduation requirements after completing only 500 clock hours, the student's Pell Grant award must be recalculated.

### Overawards and Overpayments

A Pell Grant overaward exists when the award is greater than the amount for which the student is eligible. An overaward only becomes an overpayment if a school cannot correct the overaward before all funds are disbursed to the student.

A correctly determined Pell Grant, based on eligibility criteria described in Chapter 2, is never adjusted to account for other forms of aid. Therefore, if a student's aid package exceeds his or her need, you must attempt to eliminate the overaward by reducing other *Title IV* aid or other aid your school controls. You may not reduce a student's correctly awarded and disbursed Pell Grant to address overpayments in other programs.

**Note:** It is possible for a correctly awarded Pell Grant to exceed the student's financial need. For example, a student's SAI may exceed their COA, but the student may still qualify for a Minimum Pell Grant, based on that set of eligibility criteria. Further, a student may be eligible for a Max Pell Grant under the Special Rule regardless of their SAI. In these situations, the correctly determined Pell Grant is not considered an overaward, but the student is not eligible for any other need-based *Title IV* aid. See *Volume 3*, Chapter 3 for additional packaging guidance.

If a student received more Pell Grant funds than they were eligible for because their eligibility for the grant decreased, you can try to eliminate the overpayment by adjusting later disbursements for the award year. Additionally, a Pell Grant awarded to an ineligible student or based on an incorrect enrollment intensity greater than that for which the student is enrolled is an overaward. See *Volume 4*, Chapter 3 for additional guidance on resolving overawards.

### Pell Grant Overawards

A Pell Grant overaward can be caused by a school making an error in determining Pell Grant eligibility. For example, the school may use the wrong SAI or fail to limit the award by the student's COA. A Pell Grant overaward can also result if the student enters incorrect data on the FAFSA form and the SAI derived from the incorrect data is lower than it should be (for more detail about the FAFSA form and SAI data, see the *Application and Verification Guide*). A Pell overaward also exists if a student scheduled to receive a Pell Grant fails to begin classes or is otherwise determined to be ineligible for *Title IV* Funds (for example, having exceeded the Pell LEU). Finally, an overaward exists whenever a student is scheduled to receive or is receiving a Pell Grant for attendance at two or more schools concurrently. All these Pell Grant overawards must be corrected.

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

### Declining and/or Returning Pell Funds

A student may decline or return all or part of a disbursement of Pell Grant funds that they are eligible to receive or have received. However, returns may only be made in the same award year as the funds were received. You are not required to comply with a student's request to decline a Pell Grant disbursement that has already been applied to the student's account for institutional charges. This should be a rare action and need not be advertised as a possibility by your school. For more detail on the requirements of declining or returning Pell funds, see [Dear Colleague Letter GEN-12-18](#).