



## UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

September 4, 2012

GEN 12-18

Subject: Declination or Return of Federal Pell Grant Funds by a Student

Summary: The Consolidated Appropriations Act, 2012 (Public Law 112-74) reduced the maximum timeframe during which a student is eligible to receive a Federal Pell Grant (Pell Grant) to a maximum of 12 semesters (or its equivalent) effective with the 2012-2013 award year. This letter describes procedures an institution may use if a student wishes to decline or return previously disbursed Pell Grant funds within the same award year to preserve eligibility for a future enrollment period.

Dear Colleague:

We have received questions from schools asking if students can decline all or part of their Pell Grant awards or return some previously received Pell Grant funds in order to preserve future Pell Grant eligibility. This issue arises because of the change made by the Consolidated Appropriations Act, 2012 (Public Law 112-74) to reduce the maximum time frame during which a student is eligible to receive a Pell Grant from 18 semesters (or equivalent) to 12 semesters (or equivalent) effective with the 2012-2013 award year.

This statutory limitation on the duration of Pell Grant eligibility will be implemented through the calculation of a percentage value called the Pell Grant Lifetime Eligibility Used (LEU). A student's LEU is the sum of each of the percentages of the student's scheduled award that was actually disbursed to the student for each award year. The calculation of the duration of a student's eligibility includes all years of the student's receipt of Pell Grant funding. A student is no longer eligible for Pell Grant funds once the student's LEU reaches 600%. This change in the duration of students' Pell Grant eligibility is not limited only to students who received their first Pell Grant on or after the 2008-2009 award year, as the HEA previously provided when the duration of eligibility was 18 semesters.

The Department issued Dear Colleague Letter GEN-12-01 in January 2012 to provide an overview of this change as well as all of the changes made by Public Law 112-74. A number of subsequent Electronic Announcements (EA) added more details on this topic. The February 17, 2012, EA provided preliminary information; the April 6, 2012, EA described Common Origination and Disbursement (COD) System implementation issues for 2012-2013 award year, including functionality to determine LEU; and the June 29, 2012, EA offered a summary of the system updates for determining and tracking a student's LEU. Finally, the August 13, 2012, EA described the importance of timely reporting as it relates to determining a student's LEU. Please refer to these documents for additional details.

In implementing the guidance in this letter, the Department will not question a student's declination or return of funds so long as the requisite student statements are obtained (and funds are returned) within the award year, and the institution adjusts its records accordingly.

### Declining Pell Grant Funds

A student may decline all or part of a disbursement of Pell Grant funds that the student is otherwise eligible to receive. A student may wish to take this action if the student expects to qualify for a larger Pell Grant in future years as a result of an expected transfer to a more expensive educational institution or an expected change in the student's expected family contribution.

To decline Pell Grant funds, a student must deliver to the school a signed, written statement clearly indicating that the student is declining Pell Grant funds for which he or she is otherwise eligible and that the student understands that those funds may not be available once the award year is over. The school must, if necessary, submit any adjustment records for the student to the Common Origination and Disbursement (COD) System.

### Returning Pell Grant Funds

A student may return all or a portion of Pell Grant funds that the student was otherwise eligible to receive, as long as this action is taken during the same award year. Again, a student may wish to take this action if the student expects to qualify for a larger Pell Grant in future years as a result of an expected transfer to a more expensive educational institution or an expected change in the student's expected family contribution.

To return all or a portion of Pell Grant funds, the student must deliver to the school a signed, written statement clearly indicating that the student is returning Pell Grant funds for which he or she is otherwise eligible and that the student understands that those funds may not be available once the award year is over. The student must return the funds directly to the school, and the school must return those funds to its Pell Grant account. The school must then submit the required adjustment records for the student to the COD System.

A student may not return any Pell Grant funds from a prior award year that the student was otherwise eligible to receive.

### Contact Information

If you have questions regarding the information included in this letter, please contact Federal Student Aid's Research and Customer Care Center Staff. Staff is available Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m. (Eastern Time) at 1-800-433-7327. After-hours calls will be accepted by an automated voice response system. Callers leaving their names and phone numbers will receive a return call the next business day. Alternatively, you may e-mail the Care Center at [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov).

Sincerely,



David A. Bergeron  
Acting Assistant Secretary