



GEN-13-14

May 16, 2013

Subject: Federal Pell Grant Duration of Eligibility and Lifetime Eligibility Used

Summary: This letter provides additional information on Federal Pell Grant Duration of Eligibility provisions of the HEA and the use of Lifetime Eligibility Used in its implementation.

Dear Colleague:

In Dear Colleague Letter GEN-12-01, posted on January 18, 2012, we provided information on the provisions of the Consolidated Appropriations Act, 2012 (Public Law 112-74) that impacted the federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). One of those provisions limited, effective with the 2012-2013 award year, the duration of a student's eligibility to receive a Federal Pell Grant to 12 semesters (or its equivalent) [see HEA section 401(c)(5)]. In addition to Dear Colleague Letter GEN-12-01, we have posted several operational electronic announcements and technical specification documents on the implementation of the Pell Grant duration of eligibility provision (see below for a listing of those postings).

The information below provides additional guidance regarding the Department's earlier announcement to use a calculated Pell Grant "Lifetime Eligibility Used" (LEU) in the implementation of the Pell Grant duration of eligibility provision. It also provides important information on how schools determine the amount of a student's Pell Grant award when the student has limited duration of eligibility (i.e.; an LEU of greater than 500 percent). Finally, this letter provides information on how a student or institution may dispute the accuracy of Pell Grant LEU information in the Department's Common Origination and Disbursement (COD) System.

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How does the Department determine the "equivalent" of 12 semesters?

The 12 semester duration limit in the new HEA provision is the equivalent of six years of Pell Grant funding. The Pell Grant rules establish for any year in which a student receives Pell Grant funding a "Scheduled Award"<sup>1</sup>. A student whose actual disbursement of Pell Grant funds for an award year was equal to his or her Scheduled Award would have used 100% of the Scheduled Award for the award year. Thus, under the new limitation, the maximum duration of Pell Grant funding for a student is 600%. A student who enrolled less-than full-time or not for the full academic year, or both, would receive less than his or her Scheduled Award and would have used less than 100 percent of that award year's Scheduled Award.

To determine the percent for any award year, divide the total of the student's actual disbursements for the award year by the student's Scheduled Award for that award year.

The COD System uses Pell Grant disbursement information reported by institutions since the beginning of the program<sup>2</sup> to calculate a student's Pell Grant LEU by adding together each of the annual percentages of the student's Pell Grant Scheduled Award that was actually disbursed to the student.

The following is an example of how an LEU is calculated for a student whose receipt of Pell Grant funds varied over two award years.

The student had a 2011-2012 expected family contribution (EFC) of 0 and therefore had a 2011-2012 Pell Grant Scheduled Award of \$5,550. If that student was only enrolled for the Fall 2011 semester and therefore only received \$2,775 for her full-time enrollment in one semester, she would have used 50% of her 2011-2012 Scheduled Award. If, for the 2012-2013 award year, the same student had an EFC of 1000, with a Scheduled Award of \$4,600 and enrolled as a three-quarter time student for both semesters, she would have used 75% of her Scheduled Award for the 2012-2013 award year.

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<sup>1</sup> A student's Scheduled Award is based on the maximum Pell Grant award amount for the award year, the student's Expected Family Contribution (EFC), and the student's Cost of Attendance (COA) and is the amount the student would receive if enrolled full-time for an entire academic year.

<sup>2</sup> The Pell Grant Program was formerly known as the Basic Educational Opportunity Grant Program and began with the 1973-1974 award year.



If the student had not received a Pell Grant for any other award years, her total Pell Grant LEU, after the end of the 2012-2013 award year, would be 125% (50% from the 2011-2012 award year and 75% from the 2012-2013 award year), leaving 475% before the student would reach the maximum 600% Pell duration of eligibility limit.

#### How Does an Institution Determine a Student's Eligibility for a Pell Grant Award?

- LEU of 500% or Less: A student with an LEU of 500% or less is eligible to receive up to 100 percent of the full Scheduled Award for the award year, since the student has at least 100% LEU remaining.
- LEU of 600% or More: A student whose Pell LEU is 600% or more may not receive additional Pell Grant funds.
- LEU of Greater Than 500% But Less Than 600%: A student with an LEU of greater than 500% but less than 600% is not eligible to receive a full Scheduled Award but may receive a partial Pell Grant award of the difference between 600% and the student's LEU.

#### How Do Institutions Calculate Reduced Pell Grant Awards?

To determine the Pell Grant award for a student with an LEU of greater than 500% but less than 600%, an institution should follow the same procedures it would for a transfer student who received a Pell Grant disbursement at another institution for the same award year (See Volume 3 of the Federal Student Aid Handbook, Chapter 3: Calculating Pell and Iraq & Afghanistan Service Grant Awards).

**Rounding Rules** - The COD System calculates a student's LEU to the third decimal point. Institutions may not round that three-decimal LEU percentage because doing so could result in the student either not receiving his or her full Pell Grant eligibility, or exceeding the statutory 600% limitation.

In the calculation of a student's Pell Grant Annual Award, institutions should truncate at the cents place (e.g., \$1,233.567 truncated to \$1,233.56). If an institution only awards Pell Grants in whole dollars, the award must be truncated down to the next whole dollar (e.g., \$1,233.56 truncated to \$1,233).

**Note:** If the institution only awards Pell Grants in whole dollars, a first disbursement may be increased to the next higher dollar as long as a subsequent disbursement is reduced by the next lower dollar.

These rounding requirements are demonstrated in the examples below.

### **Example 1**

#### **Background -**

- LEU prior to the 2013-2014 award year: 534.255%.
- Program Type: Semester based credit hour program
- EFC: 0
- 2013-2014 Scheduled Award: \$5,645
- Enrollment Status: Full-time for both semesters
- Annual Award: \$5,645.

#### **Award Calculation -**

- Subtract the student's LEU from 600.000%:  $600.000\% - 534.255\% = 65.745\%$
- Multiply the result by the Scheduled Award:  $65.745\% \times \$5,645 = \$3,711.30525$   
= truncated to \$3,711.30

#### **Payment Period Distribution -**

- First semester: \$ 2,822.50, which is the lesser of one-half of the Annual Award of \$5,645 (\$2,822.50), or the student's remaining eligibility of \$3,711.30.
- Second semester: \$888.80, which is the lesser of one-half of the Annual Award of \$5,645 (\$2,822.50) or the student's remaining eligibility after prior payment periods of (\$3,711.30 less \$2,822.50 = \$888.80)

### **Example 2**

#### **Background -**

- LEU prior to the 2013-2014 award year: 566.425%.
- Program Type: Semester based credit hour program
- EFC: 525
- 2013-2014 Scheduled Award: \$5,095
- Enrollment Status: Full-time for both semesters
- Annual Award: \$5,095.

Award Calculation -

- Subtract the student's LEU from 600.000%:  $600.000\% - 566.425\% = 33.575\%$
- Multiply the result by the Scheduled Award:  $33.575\% \times \$5,095 = \$1,710.64625$   
= truncated to \$1,710.64

Payment Period Distribution -

- First semester: \$ 1,710.64, which is the lesser of one-half of the Annual Award of \$5,095 (\$2,547.50) or student's remaining eligibility of \$1,710.64.
- Second semester: \$0, which is the lesser of one-half of the Annual Award of \$5,645 (\$2,822.50) or the student's remaining eligibility after prior payment periods of (\$1,710.64 less \$1,710.64 = \$0). Student is no longer eligible for additional Pell Grants

**Example 3**

Background -

- LEU prior to the 2013-2014 award year: 555.500%.
- Program Type: Semester based credit hour program
- EFC: 1550
- 2013-2014 Scheduled Award: \$4,095
- Enrollment Status: Three-quarter time the first semester, and full-time for the second semester
- Annual Award: \$3,583.00 (the total of one half of the three-quarter time Annual Award for the first semester, and one half of the full-time Annual Award for the second semester or  $\$1,535.50 + \$2,047.50 = \$3,583.00$ ).

Award Calculation -

- Subtract the student's LEU from 600.000%:  $600.000\% - 555.500\% = 44.500\%$
- Multiply the result by the Scheduled Award:  $44.500\% \times \$4,095 = \$1,822.275$  = truncated to \$1,822.27



Payment Period Distribution -

- First semester: \$ 1,535.50, which is the lesser of one-half of the three-quarter time Annual Award of \$3,071 (\$1,535.50) or the student's remaining eligibility of \$1,822.27.
- Second semester: \$286.77, which is the lesser of one-half of the full-time Annual Award of \$4,095 (\$2,047.50) or the student's remaining eligibility after prior payment periods (\$1,822.27 less \$1,535.50 = \$286.77).

**Example 4**

Background -

- LEU prior to the 2013-2014 award year: 566.425%.
- Program Type: Semester based credit hour program
- EFC: 525
- 2013-2014 Scheduled Award: \$5,095
- Enrollment Status: Half-time for both semesters
- Annual Award: \$2,548.

Award Calculation -

- Subtract the student's LEU from 600.000%:  $600.000\% - 566.425\% = 33.575\%$
- Multiply the result by the Scheduled Award:  $33.575\% \times \$5,095 = \$1,710.64625$   
= truncated to \$1,710.64

Payment Period Distribution -

- First semester: \$ 1,274.00, which is the lesser of one-half of the Annual Award of \$2,548 (\$1,274.00), not to exceed the student's remaining eligibility of \$1,710.64.
- Second semester: \$436.64, which is the lesser of one-half of the Annual Award of \$2,548 (\$1,274.00) or the student's remaining eligibility after prior payment periods (\$1,710.64 less \$1,274.00 = \$436.64).

### **Example 5**

The student's LEU prior to the 2013-2014 award year is 550.000%. The student has a 0 EFC and thus a \$5,645 Scheduled Award for 2013-2014. The student will be enrolled in a 900 clock hour program with only 22 weeks of instructional time. Because this is a clock hour program, the Annual Award is also \$5,645.

#### **Background -**

- LEU prior to the 2013-2014 award year: 550.000%.
- Program Type: 900 clock hour program in 22 weeks of instructional time
- EFC: 0
- 2013-2014 Scheduled Award: \$5,645
- Enrollment Status: full-time in clock hour program
- Annual Award<sup>3</sup>: \$4,776.54

#### **Award Calculation -**

- Subtract the student's LEU from 600.000%:  $600.000\% - 550.000\% = 50.000\%$
- Multiply the result by the Scheduled Award (not by the Annual Award):  $50.000\% \times \$5,645 = \$2,822.50$

#### **Payment Period Distribution -**

- First payment period: \$2,388.26, which is the lesser of one-half of the Annual Award of \$4,776.53 (\$2,388.26) or the student's remaining eligibility of \$2,822.50.

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<sup>3</sup> See Volume 3, Chapter 3 of the Federal Student Aid Handbook for more information on how to calculate a Pell Grant award for a clock hour program. Because the student's program is only 22 weeks in duration and not the full statutory minimum of 26 weeks of instructional time, the payment period amounts must be calculated under Pell Grant Formula 4 by multiplying the Scheduled Award by the lesser of the fraction provided in 34 CFR 690.63(e)(2)(i) and (ii). The student's Annual Award is 22 weeks divided by 26 weeks times the Scheduled Award of \$5,645 = \$4,776.5384 truncated to \$4,776.53.

- Second payment period (after the student has successfully completed the first payment period of 450 clock hours and 11 weeks): \$434.24, which is the lesser of the student's remaining eligibility after prior payment periods (\$2,822.50 less \$2,388.26 = \$434.24) or one-half of the Annual Award of \$4,776.53 (\$2,388.26).

#### Minimum Pell Grant Awards –

There is no de minimus award amount for purposes of determining a student's award because of the 600% LEU limitation. For example, for the 2013-2014 award year, a student with an EFC of 0 and an LEU of 593.000% would be eligible for the remaining 7.000% which is \$395.15. Even a student with a very small remaining LEU is eligible to receive the calculated amount of Pell Grant. For example, a student with an EFC of 2550 and an LEU of 599.500% would be eligible for the remaining 0.500% which is \$15.475 truncated to \$15.47 or, if necessary, rounded down to \$15.00.

As noted, for further information on determining how to award and disburse a Pell Grant please reference Volume 3 of the Federal Student Aid Handbook, Chapter 3: Calculating Pell and Iraq & Afghanistan Service Grant Awards.

#### Liability for Exceeding the 600% LEU Maximum

Prior to each disbursement, institutions are required to review the student's records to ensure that the student is eligible for the financial aid disbursement. If the institution has information that indicates that the student is not eligible for all or part of that disbursement because of the LEU limit, it must cancel or reduce, as appropriate, the student's Pell Grant award. If an institution disbursed Pell Grant funds beyond the student's eligibility because it failed to follow regulatory and operational procedures, the institution is liable for the overpayment and must make the necessary COD System adjustments.

#### Institutional Reporting Liability

On February 28, 2013, we published a Federal Register notice that reduced from 30 days to 15 days the timeframe for when an institution must submit to the COD System, Pell Grant disbursement information, including adjustments to previously reported disbursements. The reduced 15 day timeframe applies to any disbursement or adjustment made on or after April 1, 2013. This reduction in the reporting timeframe was made to limit those circumstances where a student might be required to repay a Pell Grant overpayment as a result of having exceeded the new Pell Grant LEU limitation. This timelier reporting is especially important in the event that a student transfers from one institution to another.



An institution that does not report Pell Grant disbursement within the required 15 day timeframe may be liable for any overpayment that results from another institution disbursing Pell Grant funds with incomplete information because of the late reporting.

#### Student Liability

In instances where all involved institutions were in compliance with all disbursement and reporting requirements, the student would be liable for the overpayment pursuant to the Federal Pell Grant regulations at 34 CFR 690.79. Thus, to mitigate the possibility of a Pell Grant overpayment, we urge institutions to report Pell Grant disbursement (and adjustment) information to the COD System as early as possible.

#### Disputing the Accuracy of Pell Grant LEU Information

While the COD System has the most up to date information about students' Pell Grant disbursements, there may be circumstances where a student disputes the accuracy of the information in the COD System. Under Public Law 112-74, the Secretary does not have the statutory authority to "waive" a student's Pell Grant eligibility limitation. It is the responsibility of the institution where the student is attempting to receive a Pell Grant to assist in resolving a student's assertion that the information in the COD System is in error. Generally, confirmation or rejection of the student's assertion will be based on documentation obtained from one or more of the institutions reported in the COD System as having disbursed Pell Grant funds to the student.

Note that if the amount of the Pell Grant LEU percentage being disputed would not, if corrected, make a student eligible for additional Pell Grant funding, the institution should not escalate the matter. For example, if a student's reported LEU is 850% and he is disputing one award year's percentage, the institution should explain to the student that even if the disputed amount is resolved in the student's favor, he would still remain ineligible for additional Pell Grant funding because he would be at 750% LEU, well over the 600% statutory limit.

An example of a disputed LEU would be if the student claimed that he never attended one of the institutions that reported Pell Grant disbursement information. Acceptable documentation would be a written statement from the previous institution confirming that the student never attended, or at least never received Pell Grant funds from that institution for the award year in question.

If, based on available documentation, the institution believes that the COD System information may be incorrect, the institution, not the student, must contact Federal Student Aid's COD School Relations Center at 800/474-7268. The Department, after its review of the student's assertion and any submitted information, will provide the institution with a response and instructions as to how to proceed.

Additional details on the documentation required to support a student's claim that their Pell LEU is inaccurate will be provided a future electronic announcement to be posted to the IFAP Web site.

#### Contact Information

If you have questions regarding the information included in this announcement, contact the COD School Relations Center at 800/474-7268 or by e-mail at [CODSupport@ed.gov](mailto:CODSupport@ed.gov).

We appreciate your help in the implementation of the Pell LEU limit and the assistance you provide to students and their families who benefit from the federal student aid programs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Baker', with a long horizontal flourish extending to the right.

Jeff Baker, Director  
Policy Liaison and Implementation

Federal Pell Grant LEU Operational and Technical Documents

2012-01-18 - (Dear Colleague Letter) Subject: Changes Made To The Title IV Student Aid Programs By The Recently Enacted Consolidated Appropriations Act, 2012.

2012-02-17 - (Grants) Subject: Preliminary Information - Implementation of the 12 Semester Lifetime Limit for Federal Pell Grants

2012-04-06 - (COD System) Subject: Additional COD System Implementation for 2012-2013 Award Year

2012-05-10 - (Grants) Subject: Reminder - Retrieving the Pell Grant LEU Report Through the School's Reporting Newsbox on the COD Web site

2012-06-14 - (Grants) Subject: Pell Grant LEU Information - Additional 2012-2013 COD System Update

2012-06-29 - (Grants) Subject: Pell Grant LEU Information - July 2012 System Updates for Lifetime Limit for Federal Pell Grants

2012-08-13 - (General) Subject: Pell Grant Lifetime Eligibility Used: Importance of Timely Reporting