



FEDERAL STUDENT AID  
HANDBOOK  
WITH ACTIVE INDEX

2018–2019



Developed by:  
**The Publications Team**  
**Policy Liaison and Implementation**  
**Federal Student Aid**

When referring students to the Department of Education,  
please have them call **1-800-4-FED-AID**

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Federal Student Aid, an office of the U.S. Department of Education, ensures that all eligible Americans benefit from federal financial assistance—grants, loans and work-study programs—for education beyond high school. By championing the promise of post secondary education, we uphold its value as a force for greater inclusion in American society and for the continued vitality of America as a nation.

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**Federal Student Aid Handbook**

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# Index to the 2018–2019 Federal Student Aid Handbook

*Page numbers are given in the following format: Volume number–Page number.*

*AVG in place of a volume number refers to the “Application and Verification Guide.”*

*In general, concepts with established acronyms are found under the acronym, e.g., FAFSA, FSEOG.*

*Entries that extend to multiple pages are in blue.*

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# Introduction



*This guide is intended for college financial aid administrators and counselors who help students begin the aid process—filing the Free Application for Federal Student Aid (FAFSA<sup>®</sup>) form, verifying information, and making corrections and other changes to the information reported on the FAFSA.*

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Throughout the Federal Student Aid Handbook we use “college,” “school,” and “institution” interchangeably unless a more specific use is given. Similarly, “student,” “applicant,” and “aid recipient” are synonyms. “Parents” in this volume refers to the parents of dependent students, and “you” refers to the primary audience of the Handbook: financial aid administrators at colleges. “We” indicates the U.S. Department of Education (the Department, ED), and “federal student aid” and “Title IV aid” are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have on the Application and Verification Guide, as well as all the volumes of the FSA Handbook. We revise the text based on questions and feedback from the financial aid community, so please write us at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov) about how to improve the Handbook so that it is always clear and informative.

## CHANGES FOR 2018–2019

On page 5 we removed from the margin the sentence about ordering bulk quantities of the FAFSA on the Web worksheet, and we added a note about the Department no longer printing or mailing FSA publications.

We added to the margin note on page 7 about Renewal FAFSA reminder emails. We mentioned a second announcement that also discusses other emails that the Department sent to students about the IRS DRT and the IRS’s program to provide low-income filers with tax preparation services.

We removed the paragraph about the Research and Customer Care Center (RCCC) from the margin of page 8 and the pertinent bullet from the list in the margin of page 9. The [RCCC has been retired](#) effective May 31, 2018.

On page 9 we added a margin note stating that when students first submit a FAFSA late in an award year, they can receive aid not just for the remainder of the year but also for any payment periods they completed earlier in the year if they were eligible for aid at the time.

In the margin note on page 12 about the Social Security number (SSN) and Pacific island residents, we added a paragraph about what must be done when these students do not use the same pseudo-SSN across award years.

Also on that page, we rewrote the text in the body of the page pertaining to SSN to explain what options students have when they enter the wrong SSN. We also cite the relevant electronic announcement.

On page 14 we added in the margin note defining graduate student a sentence explaining what three years of full-time study means in terms of credit hours.

On page 15 we expanded the information about the IRS Data Retrieval Tool (DRT) and removed it from the regular body text. We explained, among other things, that data transferred with the tool will be masked and not viewable by students and parents, and we linked to three electronic announcements that give greater detail about the effects resulting from the change to the DRT.

We combined the two bottom paragraphs on page 16 into one section titled “Married filing separately.” On the same page, we removed the margin note about prior-prior year data.

On page 27 we added the last two sentences to the paragraph about emancipation and guardianship explaining that generally legal guardianship is not the same as legal custody.

We also added the last sentence on that page, which states that students who are 22 or 23 years old may answer “Yes” if they meet the requirements of homeless unaccompanied youth. Prior to 2018–2019 that was limited to students 21 and younger.

In the first paragraph on page 79, we note that while graduate students often can only receive unsubsidized Title IV aid, if they are awarded Federal Work Study, which is subsidized, they need to complete verification if selected for it.

We updated and added to the margin note on page 81 about verification for students and schools affected by federally declared disasters.

Also on that page, we revised the second-to-last paragraph to emphasize the importance of timely and accurate reporting of V4 and V5 verification results. We are aware that not all schools are reporting these results as required.

On page 82 we updated the margin note pertaining to the HEROES Act.

We replaced the margin note about the tax return transcript matrix on page 83 since the 2018–2019 matrix was released on June 6, 2018.

We updated the discussion about tax filing extensions on page 84 and indicated that the relevant verification requirements only apply to those who have received an extension beyond the normal six months.

We updated the guidance in the margin note on rollovers on page 85.

Also on that page we replaced the paragraph on obtaining a verification of nonfiling letter from the IRS or other relevant tax authority since that requirement has been reinstated for 2018–2019. In the paragraph preceding that one, we clarified that when a student’s spouse is a nonfiler, the student may certify on the spouse’s behalf that he or she has not filed a tax return and is not required to.

On page 86 we changed our guidance regarding amended tax returns to allow for the use of IRS DRT information on the ISIR record as an alternative to the tax return transcript. The amended return is still required though. We advised that when schools are aware that an amended return was filed, they must submit to the CPS any nondollar changes on the FAFSA and any dollar changes of \$25 or more. And we added what to do in rare cases when the IRS changes a taxpayer’s return even though he or she did not file a Form 1040X.

At the end of the first margin note on page 86, we added the sentence stating that “recomputed per computer” amounts may be ignored for verification. We also added a margin note about other IRS transcripts that are acceptable for verification.

On page 86 we added guidance about the special situation when students receive an automatic zero EFC.

In the sixth bullet on page 89, we included guidance stating that you do not have to collect proof of high school status for graduate students if entry into their program required two years’ worth of undergraduate study.

In the margin on page 90 we noted that when checking identity, it’s okay if the unexpired ID used will expire later in the award year. We also noted that schools determine which of their staff are authorized to review identity.

In the middle of page 91, we added a sentence from the online verification Q’s and A’s about changing a student’s status to unmarried.

In the second-to-last paragraph on page 92 we added a sentence clarifying that if you are required to submit changes to a student’s FAFSA because of verification, you must submit all changes, including those of less than \$25.

We added a couple margin notes on page 92: one explaining why schools on the Heightened Cash Monitoring 2 and Reimbursement payment methods cannot make interim disbursements, and one explaining when schools can delay disbursing Title IV aid in cases where they are verifying items that they selected rather than the Department.

We changed the third bullet on page 95 to clarify that when a student fails to submit verification documentation, the school may not disburse or originate *any* additional Direct Loans, including subsidized, unsubsidized, and PLUS loans.

On page 96 we removed the margin note about the Quality Assurance Program, which has ended, and we added a margin note about when verification ends.

We added guidance to the second paragraph on page 113 clarifying that while it is generally correct that schools must complete verification before making professional judgment (PJ) changes, it is not necessary to verify information that will be completely removed as a result of PJ.

On page 116 we removed the body text about code 399 and the special conflicting information that arose between the 2016–2017 and 2017–2018 award years. But we modified and retained a relevant margin note since 399 codes will continue through the first half of 2018.

We added the second-to-last sentence in the first paragraph on page 117 to clarify that students who are younger than 24 may qualify for a homeless unaccompanied youth determination. We also removed the definition of “youth” in the margin and the last paragraph on page 118 because that guidance is now irrelevant.

# The Application Process: FAFSA to ISIR



*The laws governing the Federal Student Aid (FSA) programs require that a person apply for aid with a form provided by the U.S. Department of Education (ED) and that no fee be charged for processing it. This is the Free Application for Federal Student Aid (FAFSA<sup>®</sup>) form, and its online version is FAFSA on the Web<sup>SM</sup> (FOTW<sup>®</sup>).*

To be considered for federal student aid, a student must complete a FAFSA. It collects financial and other information used to calculate the expected family contribution (EFC) and to determine a student's eligibility through computer matches with other agencies.

The FAFSA is the only form students must fill out to apply for Title IV aid. A school cannot require extra information from students except for verification or resolution of conflicting information. However, a school may require additional information for other purposes, such as packaging private or institutional aid. If the school collects additional information that affects Title IV eligibility, it must take the information into account when awarding Title IV aid.

## TYPES OF APPLICATIONS

Most students use *FAFSA on the Web* to apply for federal student aid, but there are other options.

### ***FAFSA on the Web (FOTW or fafsa.gov)***

Students can complete an application online at <https://fafsa.gov/> and send it directly to the Central Processing System (CPS). They can also correct previously submitted data that was not imported from the IRS. Help is available for students online or by calling the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID (1-800-433-3243).

### ***FAA Access to CPS Online***

You can submit a student's application data at FAA Access to CPS Online (<https://faaaccess.ed.gov>). You can also connect to the site through EDExpress.

Before submitting the data, print the signature page/FAFSA summary for the student (and parent if appropriate) to sign, or have the student fill out and sign a paper FAFSA. As noted at the end of *Chapter 2*, you will need to retain either the signed signature page/summary or signed FAFSA for your records, even if the student doesn't receive aid or attend your school.

### **FAFSA on the Web worksheet**

To make using the Web application easier, ED produces the FAFSA on the Web worksheet, which can be printed from the website.

### **End of printed publications**

As of August 30, 2018, the Department will no longer print or mail FSA publications, except the paper FAFSA. Publications will still be available online for users to download and print. See the [May 23, 2018, announcement](#).

### **Advantages of electronic filing**

We strongly recommend electronic applications over the paper FAFSA because of the following benefits:

- Faster processing
- Fewer errors and rejected applications because internal and end-of-entry data edits ensure that required fields are completed and conflicts are resolved prior to submission
- Skip logic, which helps "shorten" the form by allowing applicants to skip over questions that don't pertain to them
- Availability of online help

**Websites for students****<https://fafsa.gov>**

- FAFSA on the Web
- Make corrections to the application
- Check status of application
- Online SAR
- FAFSA4caster, which allows future college students to estimate what their EFC might be and what kind of federal student aid they might be eligible for when they apply for aid

**<https://fsaid.ed.gov>**

FSA ID website

**<https://studentaid.ed.gov>**

Higher education portal for students

**<https://www.nsls.ed.gov>**

Students' loan database

**<https://studentloans.gov>**

Loan information and counseling

**FAFSA filers under the age of 13**

Because the Children's Online Privacy Protection Act (COPPA) of 1998 prohibits any entity, including a government agency, from electronically conducting business or communicating with a person under age 13, applicants who are 12 or younger cannot complete the FAFSA online. Instead, when they apply for financial aid, they or a parent or legal guardian, financial aid administrator, or high school counselor can fill out the appropriate award year PDF FAFSA and mail it to

Federal Student Aid Programs  
Attn: COPPA/CORR Process Building 3  
1084 South Laurel Road  
London, KY 40744

Such applicants are not to provide an email address on the application or with any correction that might follow. After the FAFSA is submitted, it will be processed and a paper SAR will be sent to the student and a regular ISIR will be sent to schools. See the [electronic announcement from 8/4/16](#) for more information.

**Paper (PDF) FAFSA**

The Department no longer prints the FAFSA. More than 99% of applications are filed electronically, so the only paper option is the PDF FAFSA, which students can get at [fafsa.gov](https://fafsa.gov). They can print the PDF and fill it out by hand, or they can type their data on the PDF before printing and mailing it. If needed, they can request single copies from the FSAIC by calling 1-800-433-3243.

**FAFSA on the phone**

Students who have limited or no Internet access and face pressing deadlines can choose to complete and submit their application by calling 1-800-433-3243, telling a representative they would like to fill out their FAFSA over the phone and providing their information. This typically takes about half an hour. Students will receive a paper student aid report (SAR) 7–10 days later, which they (and their parents, if appropriate) must sign and return. Because this is not the preferred method to apply for aid, it should be used sparingly and only by those students identified previously.

**FSA ID**

Students (and parents) use the FSA ID to log on to [fafsa.gov](https://fafsa.gov) and other FSA websites—the National Student Loan Data System (NSLDS), [StudentLoans.gov](https://StudentLoans.gov), [Studentaid.gov](https://Studentaid.gov), and the TEACH Grant website—with a username and password they create. They can [find out more about the ID](#) and can create one online. See the [electronic announcement of April 18, 2017](#), for recent information about the ID.

**Renewal FAFSA**

A student who has received an FSA ID and who the year before had a successful match on Social Security number (SSN), name, and date of birth with the Social Security Administration (SSA) is eligible for a renewal FAFSA. When he logs on to [fafsa.gov](https://fafsa.gov), he will be asked if he wants to pre-fill some of the application with data from the prior year. By choosing this option, he can review each pre-filled item, correct any that has changed, and provide new information as needed. If an aid administrator's school does not appear on the renewal application, she can use the student's data release number (DRN) to access the application on FAA Access.

In October–December 2017, students with a valid email address in the CPS who submitted a FAFSA for 2017–2018 and have not done so for 2018–2019 will receive an email informing them of the recent FAFSA changes and encouraging them to complete the new application. In January 2018, renewal-eligible students who still have not submitted a 2018–2019 FAFSA will receive a renewal reminder as in previous years.

**PROCESSING THE FAFSA**

Paper FAFSAs go to the FAFSA processor for data entry and then to the CPS. Applications that are signed and submitted on the web go directly to the CPS. If a web applicant indicated she would sign electronically later or send a paper signature page, her FAFSA goes to a signature hold file for up to 14 days. If some type of signature is not received in that time, the application will be sent to the CPS but will be rejected; it won't be processed again until a signature is received.

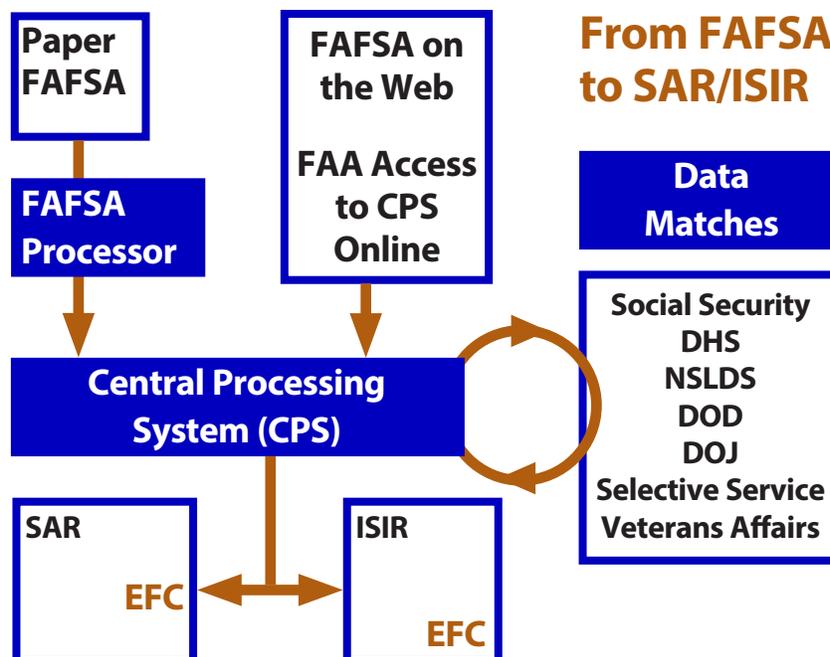
The CPS uses application data to calculate the EFC and to match against several databases: those of NSLDS, the Department of Defense, the Department of Justice, the SSA, and the Department of Veterans Affairs, as well as the Department of Homeland Security's database of noncitizens and the Selective Service System registration database.

The CPS also checks the application for possible inconsistencies and mistakes. For instance, if a dependent student reported the parents' marital status as married but reported the household size as "2," the edit checks would catch the inconsistency. Even when data is inconsistent, the CPS may be able to calculate an EFC based on assumptions. For applications that your school submits through FAA Access, you can anticipate certain assumptions and correct or override information on the student's FAFSA submission. Students who submit applications using [fafsa.gov](http://fafsa.gov) can also correct or override some of the CPS edits before submitting the application.

### OUTPUT DOCUMENTS: THE SAR AND ISIR

After processing is complete, the CPS produces output documents or records that show the information the student originally provided, the EFC, the results of the eligibility matches, and information about any inconsistencies identified through the CPS edits. If the CPS was unable to calculate an EFC, the output record will not show one.

There are two types of output documents: the *Institutional Student Information Record* (ISIR), which is made available electronically to the schools the student listed on the FAFSA (or added later) and their state agency, and the *Student Aid Report* (SAR), which is sent to the student or made available to her online.



### Renewal FAFSA and students from Palau, the Marshall Islands, and Micronesia

Because students from the above Pacific islands, known collectively as the Freely Associated States, are not eligible for an FSA ID (for lack of an SSN), they can't pre-fill data on FAFSA on the Web. But an FAA can use FAA Access to CPS Online to enter and access renewal applications for these students if they meet the renewal application eligibility requirements.

### Renewal FAFSA reminders

For more information see the electronic announcements on [10/12/17](http://10/12/17) and on [1/5/18](http://1/5/18). The latter announcement also explains (and gives samples of) emails that were sent to students to encourage them to use the IRS DRT as a FAFSA correction and to inform them about an IRS program to provide free tax preparation services for low-income filers.

### FAFSA on the Web demo

You can use the FAFSA on the Web demonstration to train financial aid staff or to show students how to use the online application. Go to <http://fafsademotest.ed.gov> and type in eddemo for the user name and fafsatest for the password.

## 2018–2019 Summary of Changes for the Application Processing System

Go to <https://ifap.ed.gov> and select Publications > Summary of Changes for the Application Processing System > 2018–2019.

You will receive an ISIR for the student only if she includes your school on her FAFSA. If your school is not listed, you can request an ISIR for her through FAA Access by adding your federal school code if you have her DRN, which authorizes your access to the student’s application information. The DRN appears in the upper right corner of the first page of the SAR and at the top of some of the correctable pages.

You are required to receive ISIRs and to accept SARs from students, but you cannot require them to submit SARs in order to receive aid. If you don’t have an ISIR for a student, your federal school code must be added to her record so an ISIR is sent to you. We recommend making corrections electronically via [fafsa.gov](http://fafsa.gov) (the student) or FAA Access (the school); however, you can require students to use a SAR to make corrections. If you don’t have an ISIR for a student who provided a SAR or SAR Acknowledgement, you must use the SAR or the acknowledgement to award and disburse the student aid. Again, you must also ensure that your school code is added to the student’s CPS record (see page 94).

The SAR arrives in one of three ways. (1) Students who give an email address will receive an email with a link to an online SAR. (2) Students who don’t give an email address and who apply with a PDF FAFSA will receive a paper SAR. (3) Students who don’t give an email address and who apply electronically will receive a paper SAR Acknowledgement, which has fewer and less detailed comments than the SAR and can’t be used for corrections as the SAR can. If a student or parent signature is missing, students will receive a paper SAR, which they must sign and return for processing to continue.

The SARs and ISIRs include comment codes and text explaining any questionable results from the matches and edits described here. For some of these there will also be a C code, which you must resolve before paying the student aid. For instance, if a student has defaulted on a federal student loan, the SAR and ISIR will note this in several places, including comments to the student and the NSLDS financial aid history page.

For other problems, the SAR and ISIR will show that the student’s application has been rejected and no EFC has been calculated. The SAR will tell the student how to remove the reject by providing signatures or more information or by correcting errors. Reject codes are given in the FAA Information section, and a complete list of reject codes is in [The ISIR Guide 2018–2019](#).

### Resources for aid administrators

For CPS technical support and questions about EDconnect, EDEExpress, and Renewal FAFSAs, call or email CPS customer service:

1-800-330-5947

TDD/TTY 1-800-511-5806

CPSSAIG@ed.gov

For technical system publications, go to <https://fsadownload.ed.gov> and click on “Technical References and Guides.”

## DEADLINES

The application processing cycle lasts 21 months. For the 2018–2019 award year, applications are accepted beginning October 1, 2017, and will be accepted through June 30, 2019.

The CPS must receive a student's electronic FAFSA by June 30, 2019. A paper FAFSA must be legible, and it must be mailed to the Federal Student Aid Programs address listed on the FAFSA in time for the processor to receive it by June 30, 2019. There are no exceptions to these deadlines. An electronic application cannot be received before October 1, 2017, and if it is received after June 30, 2019, it will not be processed. A paper application received before October 1, 2017, or after June 30, 2019, will be returned unprocessed with a letter of explanation. If it is signed before and received after October 1, 2017, it will be accepted, but the student will receive a rejected SAR asking him to date and re-sign the SAR and return it for processing.

For other deadlines pertaining to corrections, changes, disbursements, and verification, see the official deadline notice for the 2018–2019 award year. It will provide all the processing deadline dates and will be available on the IFAP website under “Federal Registers.” For these deadlines, the date the CPS processed the ISIR transaction is considered to be the date the institution received the ISIR. On the SAR, SAR Acknowledgement, and ISIR print-out, the processed date is above the EFC on the first page.

## Reach FSA

You can call a single toll-free number, 1-855-FSA-4-FAA (1-855-372-4322), to reach any of the following FSA contact centers for schools:

- Campus-Based Call Center
- CPS/SAIG technical support
- COD School Relations Center
- eZ-Audit Help Desk
- Foreign Schools Participation Division
- G5 Hotline
- NSLDS Customer Support Center
- Nelnet Total and Permanent Disability Servicer
- School Eligibility Service Group

At this single number you can get more information about the various call centers or connect directly to the center you need. The separate phone numbers for all the centers remain, and you can use those to call the centers directly.

## Valid SAR or ISIR definition

A SAR or ISIR on which all the information reported on a student's FAFSA is accurate and complete as of the date the application is signed.

34 CFR 668.2

## Aid for late FAFSA filers

Students who don't submit the FAFSA till later in the award year can receive aid for the entire year, including completed payment periods, as long as they were not ineligible at the time. See the section on retroactive disbursements for completed periods in *Volume 3*.



# Filling Out the FAFSA



*The FAFSA form is the first step in the financial aid process. Because it's important to complete the form correctly, this chapter discusses some of the more difficult questions that arise. While the chapter more closely follows the organization of the paper application, the guidance applies equally to [fafsa.gov](https://fafsa.gov). To see how FAFSA data are used to calculate the expected family contribution, refer to Chapter 3.*

The FAFSA is organized as steps, each consisting of a group of related questions. There are also instructions on how to fill out the form. The guidance in this chapter supplements those instructions, and students can get similar advice on filling out the FAFSA online at <https://studentaid.ed.gov>.

The parents mentioned are those of dependent students. The numbers in parentheses are for the items as they appear on the SAR, ISIR, paper FAFSA, and FAA Access. As of the date the FAFSA is signed, it is considered a “snapshot” of the family’s information that can be updated only in certain circumstances and only for certain items; see *Chapter 4*.

## Paper FAFSA steps

- Step One**—General student information
- Step Two**—Student/spouse income and assets
- Step Three**—Dependency status
- Step Four**—Parents’ information (dependent students only)
- Step Five**—Independent student data
- Step Six**—School information
- Step Seven**—Signature(s)

## STEP ONE: GENERAL STUDENT INFORMATION

**Purpose:** This step identifies the student and establishes his aid eligibility based on factors such as citizenship, educational level, and Selective Service registration (see also *Volume 1: Student Eligibility*). In Step One, 31 questions are included to help the school package awards and to eliminate the need for students to fill out a separate state or school financial aid form.

- **Student’s name (1–3).** The name, along with other identifying information, is used for several data matches. Because the U.S. Department of Education (ED) matches the student’s name and Social Security number (SSN) with the Social Security Administration (SSA), the name here should match the one in the SSA’s records, i.e., as it appears on the student’s Social Security card.
- **Permanent mailing address (4–7).** This is the student’s permanent home address, with two exceptions: incarcerated students should use the address of the facility they are in, and homeless youth should use a mailing address where they can reliably receive mail. That can be the address of a relative or friend who has given them permission to use it, or it can be their school’s address as long as they have contacted the school for permission and instructions on how mail they receive at the school will reach them. As soon as incarcerated and homeless students have more permanent housing, they should update their address on the FAFSA.

## Completing the FAFSA

Information for students is online at <https://studentaid.gov/resources>. You may want to link to this reference from pages that students use on your website. Scroll down the page for the guide *Completing the FAFSA*. You can also download FAFSA on the Web graphics to use on your website: <https://studentaid.gov/about/link>.

# STEP 1

## Questions 8–20

### Student information

#### The SSN and certain Pacific island residents

Persons from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau (the Freely Associated States or FAS) typically do not have SSNs. Students who are filling out a FAFSA for the first time and who indicate that their state of legal residence is one of the above Pacific island groups should enter “666” for the first three digits of their SSN, and the CPS will assign them an identification number. Students from the FAS who have submitted a FAFSA before and were issued such a pseudo-SSN will enter it in the SSN field. **It is important that they use the same number on all subsequent FAFSAs** because it allows for more accurate information on Pell Grant Lifetime Eligibility Used (LEU). See the relevant electronic announcements from October 7, 2011, and November 20, 2013.

If a student does not use the same pseudo-SSN across award years—if on a subsequent FAFSA he either gets a new pseudo-SSN and uses that or if he uses a real SSN that he obtained from the SSA—the school must contact the [COD School Relations Center](#) so the multiple student records can be merged into one and the correct LEU can be calculated. Also, when Pacific island students file with a real SSN, schools will need to have an alternate way, other than the pseudo-SSN, of identifying that population to ensure that the correct award limitations (see *Volume 1, Chapter 2* of the FSA Handbook) are in place for those students.

- **Student’s SSN (8).** Students must have an SSN to apply for federal student aid except as noted in the margin. If they submit a FAFSA without an SSN, the FAFSA will be returned unprocessed. To get an SSN or to find out what the number is if the Social Security card was lost, they must contact the local SSA office. Call the SSA at 1-800-772-1213 for more information.

Students who enter the wrong SSN on their FAFSA can correct it in a few ways: through the school, by submitting a corrected paper SAR, or by filing a new FAFSA. If they don’t have a copy of their SAR, they can call the Federal Student Aid Information Center (1-800-433-3243) and have one sent to them, which they can correct and mail to the address on the SAR. However, correcting the SSN through the school or with the SAR will not change the number in the student’s identifier; that will remain the original SSN and may later cause confusion. Completing and submitting a new FAFSA solves this problem. Note that there are other rare instances where a student must submit a special “correction application.” See the [June 22, 2017, announcement](#) for more information.

- **Student’s email address (13).** If the student provides this address, he should get an email with a link to his online SAR data within one to three days after the CPS receives his application. The Department will also use this email address to correspond with him regarding his application and FSA ID.
- **Citizenship status (14).** Examples of eligible noncitizen categories are given in the FAFSA instructions, and a detailed discussion of citizenship issues can be found in *Volume 1: Student Eligibility*. Only U.S. citizens or certain classes of noncitizens are eligible for Title IV aid; however, other students can still submit the FAFSA because they might be eligible for aid from institutional, state, or private sources that do not have the same requirements but use FAFSA information.
- **Student’s marital status (16 and 17).** This is marital status “as of today”—the day the application is signed. Marital status cannot be projected. It can be updated in limited circumstances; see *Chapter 4*.
- **Student’s state and date of legal residence (18–20).** This is used to figure the allowance for state and other taxes for the EFC calculation.

It also indicates which state agency should receive the student’s FAFSA information. States have varying criteria for determining whether the student is a resident for purposes of their financial aid. However, residing in one state for five years will meet any state’s criteria. Therefore, a person answering “Yes” to Question 19 will likely meet the residency requirements of the state reported in Question 18, while the state eligibility for a person answering “No” will depend on the date reported in Question 20 and the state’s requirements.

- **Conviction for possessing or selling illegal drugs (23).** Students convicted of a federal or state offense of selling or possessing illegal drugs that occurred while they were receiving federal student aid

should still complete and submit the FAFSA because they may be eligible for federal aid, and even if they aren't, they may be eligible for state or institutional aid.

Students who use [fafsa.gov](http://fafsa.gov) and answer “Yes” to Question 23 will immediately receive a series of questions to determine their eligibility.

Students who fill out a paper FAFSA and answer “Yes” to this question will receive a worksheet with their SAR to determine whether the conviction affects their eligibility for federal student aid. If the date they regain eligibility falls before July 1, 2018, the worksheet will instruct them to change the response to a “1,” indicating full eligibility for the award year. If the date falls between July 1, 2018, and June 30, 2019, they will not be eligible for part of the award year and will need to change the response to a “2.”

If the date falls after June 30, 2019, the students’ response will remain a “3.” They will not be eligible for federal aid during the entire award year unless they complete a qualified drug rehabilitation program or pass two unannounced drug tests given by such a program. For more information, see *Volume 1: Student Eligibility*.

Students who leave Question 23 blank cannot be paid Title IV aid until they respond by submitting a corrected SAR or ISIR.

- **Highest level of school completed by student’s parents (24 and 25).** Some state agencies use this information to award grants and scholarships. Father and mother are defined here as the student’s birth or adoptive parents but not stepparents, guardians, or foster parents. This definition is unique to these questions—all others use the definition on page 28.
- **High school completion status (26).** The student indicates one of the following: high school diploma, General Educational Development (GED) certificate or state equivalent test, homeschooled, or none of the above. None of the above includes those who have the equivalent of a high school diploma (see *Volume 1, Chapter 1*, of the FSA Handbook) other than a GED certificate or state equivalent test. State tests (or state-authorized examinations, as referred to in 34 CFR 600.2) are those that states approve and award certificates and/or transcripts for. They include tests comparable to the GED (i.e., they are created and distributed by a test publisher), such as the High School Equivalency Test or the Test Assessing Secondary Completion, as well as those established by states, for example, the California High School Proficiency Exam (CHSPE). California considers a passing grade on the CHSPE to be equivalent to a diploma.
- **High school (27).** This question asks for the name of the high school where the student received or will receive her diploma, as well as the city and state where it is located. On [fafsa.gov](http://fafsa.gov), the student will be able to choose the name from a list or type in the name if the school is not on the list. See *Volume 1, Chapter 1*, of the Handbook about checking the validity of a high school education.

# STEP 1

## Questions 23–27 Student information

### Same-sex marriage and the FAFSA

In 2013, in *United States v. Windsor*, the Supreme Court ruled that Section 3 of the Defense of Marriage Act (DOMA) was unconstitutional because it violates the principles of due process and equal protection. As a result, same-sex couples who have married in a domestic or foreign jurisdiction that recognizes the marriage should complete the FAFSA as a married couple regardless of whether the jurisdiction in which they reside or the student attends school recognizes the marriage. This applies to independent students and to the parents of dependent students. See [DCL GEN-13-25](#) for more information.

### Undergraduate student definition

An undergraduate student is one who is enrolled in a program that usually does not exceed four academic years or a longer program that leads to a first degree at the baccalaureate level. Students in programs longer than five years are considered undergraduates for only the first four years.

For the FSEOG, Pell, and TEACH Grant programs, a student is an undergraduate only if he has not earned, or completed the requirements for, a bachelor’s or professional degree. Students enrolled in a postbaccalaureate program as described in 34 CFR 686.2(d) and 690.6 are still undergraduates for receiving TEACH and Pell grants.

Students in dual degree programs that confer a bachelor’s degree and either a graduate or first professional degree are undergraduates for at least the first three years of the program. The school determines at what point after three years they cease to be undergraduates. 34 CFR 668.2(b)

# STEPS 2 & 4

## Questions 28–35 and 80–83

### Grade level, tax return, and filing status

#### Graduate or professional student definition

A graduate student is one who: is not receiving aid as an undergraduate for the same period of enrollment; is enrolled in a program above the bachelor's degree level or one leading to a professional degree; and has completed the equivalent of at least three years of full-time study, either before entrance into the program or as part of it.

Measured in credit hours, three years of full-time study must be at least three times the annual minimum for full-time study: 72 (24×3) semester or trimester hours or 108 (36×3) quarter hours. 34 CFR 668.2(b)

#### Income and assets

HEA Sec. 480(a), (b), (f), (g)

#### Income earned from work and the IRS 1040 form

The FAFSA instructs the applicant to sum lines 7, 12, and 18 of the 1040 form and box 14 [code A] of Schedule K-1 (Form 1065) as an option for determining the income earned from work. But when the values of lines 12 or 18 or box 14 are negative, this will reduce the total and can wrongly affect the Social Security allowance. If values from lines 12 or 18 or box 14 are negative, treat them as zero when determining the income earned from work.

#### Income earned from work and combat pay

Because combat pay is not counted as untaxed income and is removed from the AGI when it is taxable, it should not be included in the income earned from work.

- **First bachelor's degree (28).** The student indicates whether he will have a first bachelor's degree before July 1, 2018, because eligibility for Pell and Federal Supplemental Educational Opportunity grants (FSEOGs) is almost exclusively restricted to students who have not received a bachelor's degree or completed the requirements for one. See "Pell Grants" in *Chapter 6 of Volume 1: Student Eligibility* regarding degrees from unaccredited and foreign schools, which can count as bachelor's degrees for Pell and FSEOG eligibility.
- **Student's grade level at the start of the school year (29).** This is not based on the number of years the student has attended college but on work completed toward the degree/certificate. For instance, a full-time student might attain second-year grade level after one year of study, while a half-time student would take two years to reach that level.
- **Interest in work-study (31).** The student indicates whether she is interested in receiving Federal Work-Study (FWS). This helps the school in packaging her award. If she isn't sure about wanting FWS, she should answer "don't know" so she will be considered for it; later she can decline any aid she doesn't want.

### STEPS TWO AND FOUR: INCOME AND ASSETS

**Purpose:** Questions 32–45 ask for the student's and spouse's income and assets. Step Four collects similar information about parents' income and assets, so the following discussion also pertains to parents.

If the student or her parent wasn't married in 2016 but is married when the application is signed, the student also needs to provide income and asset information for the new spouse. If the student or her parent was married in 2016 but is separated or divorced or the spouse has died when the application is signed, the student or parent doesn't provide income and assets for that spouse even though the information may be on the 2016 tax forms.

The FAFSA asks for income and taxes paid according to lines on the IRS tax forms for 2016, the "base year" for 2018–2019. Data from the completed tax year is used as a predictor of the family's financial situation for the current year. In the rare instance that 2016 tax data is not available yet, best estimates can be used on the application. However, the student is asked to correct this information later when the tax return is filed.

The FAFSA also collects information for certain investments and other assets. Applicants only report the net worth of assets instead of reporting the value and debt. They should report asset amounts **as of the date the application is signed.**

- **Tax return filed and tax filing status (32–35, 80–83 for parents).** These questions ask if a 2016 tax return was completed, which return was or will be filed, what the filing status was or will be, and whether the student or parents were eligible to file a 1040A or 1040EZ. The answers are used in part to identify if the student is eligible for the simplified needs test or the auto zero EFC (see the margin note on page 17) and to find inconsistencies between the FAFSA and the tax return.

## IRS Data Retrieval Tool

The IRS Data Retrieval Tool (DRT) allows students and parents who are using [fafsa.gov](http://fafsa.gov) and who have already submitted their federal tax return to electronically retrieve their tax data from the IRS database. The ISIR will show that data was imported and if it was altered. All students and parents of dependent students who indicate on the application that they have already filed a federal tax return and who are otherwise eligible to use the DRT will be directed to do so.

Beginning with the 2018–2019 award year, the actual values of the imported data will not be viewable by students and parents (they will, however, still appear on the ISIR). This is to enhance security and privacy and to prevent the misuse of sensitive tax-related data. See the [electronic announcement of May 3, 2017](#). Because aid officers and other officials will be able to see the transferred data, and in keeping with the expectation that they protect the confidentiality of data associated with the Title IV programs, they must not disclose income and tax information from the FAFSA with the applicant, his spouse, or his parents unless they can authenticate their identity. For example, a student appearing in person and presenting an unexpired, valid, government-issued photo ID such as a driver's license would be an effective way to authenticate his identity. See the [September 5, 2017, announcement](#) for more information.

As a result of IRS data being masked, students and parents will not be able to change it on the FAFSA; the financial aid office will need to make corrections. Also, rollovers will be handled differently. If the DRT transfers a non-zero amount into the untaxed pension or IRA distribution field, the applicant will be asked if any of it is due to a rollover. If he answers yes, he will then enter the rollover amount, which the CPS will subtract when calculating the EFC. And because of the data masking, students and parents who file a joint tax return will not be able to transfer their income earned from work but will have to manually enter those amounts. The income earned from work of single persons will, however, continue to transfer. See the [August 7, 2017, announcement](#).

When the ISIR shows an IRS Request Flag value of 06 or 07, schools will need to contact the student or parent. A value of 06 indicates that after the DRT was used and the FAFSA was submitted, the student or parent changed an item on the FAFSA (e.g., the date of marriage) that would have made the person ineligible to use the DRT. The school must contact the student or parent to determine if all of the transferred data was correct or if it needs to be corrected. A value of 07, which is new for 2018–2019, is an indication from the IRS that the student or parent used the DRT but also has filed an amended tax return for the relevant year. Because the data that was transferred will be from the original return and not the amended one, the school must contact the student or parent and make any applicable corrections to FAFSA items, regardless of whether the application was selected for verification.

New for 2018–2019, ISIRs will display IRS Data Field flags that indicate if any individual item was transferred from the IRS and if it was subsequently changed. A flag value of 1 will indicate that the datum was transferred and was not changed. Such items do not need to be verified if the student is selected for verification. However, when there is a Request Flag value of 06 or 07, the above guidance must first be followed. The August 7 announcement has more information.

There will be two new comment codes for 2018–2019, also due to the IRS data masking, that schools must respond to: code 400 for parents and 401 for students. When an ISIR indicates either of these codes, the school must check the FAFSA to see if any of the following conditions exist and make necessary corrections:

1. The student or parent is a tax filer and the AGI transferred from the IRS is zero, but the total income earned from work is greater than zero.
2. The total of the taxable income offsets (see page 19) for the student or parents is greater than the AGI transferred from the IRS.
3. Any of the untaxed income items (see page 21) for the student or parent is greater than or equal to the AGI transferred from the IRS.

The school may need to contact the student or parent for an explanation of one of the above conditions and to determine if any of the associated FAFSA items need to be corrected. Also, comment codes 400 and 401 can be considered resolved if (V1 or V5) verification is completed for the same ISIR. Again, see the August 7 announcement for more.

# STEPS 2 & 4

## Questions 36–40 and 85–89

### Income and other tax data

#### EFA or not?

Sometimes it is difficult to account for an outside financial award. If a student receives the award because of post-secondary enrollment, it counts as estimated financial assistance (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.

- **Adjusted gross income (AGI) and other tax data (36–40, 85–89 for parents).** Dependent students report these items for their parents. Each question gives the line reference to the 2016 IRS tax forms.

Though students and parents may manually enter their IRS data in the FAFSA, they are strongly encouraged to transfer it with the DRT because that method is accurate, efficient, and useful for verification.

Filers of a joint return who are divorced, separated, or widowed when the application is signed won't be able to copy the information from the tax forms or transfer data with the DRT. Instead, they must figure out how much of the income and taxes paid is attributable to them and not their spouse. For more on this calculation, see "Using a joint return to figure individual AGI and taxes paid" in *Chapter 4*.

If the student, spouse, or parents were not required to file a tax return, the student should still report any **income earned from work** in lines 39–40 (student and spouse) and lines 88–89 (parents). The W-2 form and other records of work earnings should be used to determine these amounts. Do not include combat pay (see the margin note on page 14).

Income earned from work is used to calculate allowances for the Social Security and Medicare tax (aka the Federal Insurance Contributions Act or FICA tax) and for the added costs incurred by working families. For non-tax filers it will also be used in place of AGI and will cause the application to be rejected if it is above the tax filing threshold.

#### Zero income

Occasionally an applicant will report no income for the base year. This can occur when the family has tax write-offs that produce a negative AGI or when the applicant neglected to report untaxed assistance. Zero income is noted in our CPS edits and may increase the likelihood that the applicant will be selected for verification. If the CPS does not select the student for verification, you may still choose to ask her for further information about her means of support during the base year. Also, you may use professional judgment (PJ) to adjust the income line items to reflect income the family receives that doesn't appear on the tax return.

Any cash support for the student, other than support from a parent for a dependent student, counts as untaxed income and must be reported. In-kind help (see page 23) from a friend or relative is not considered untaxed income, but you may use PJ to account for the value of that in-kind support. For example, you could adjust the room and board component of the cost of attendance (COA) for a student who lives with his aunt and eats meals with her family.

#### Married filing separately

When a student and spouse or a dependent student's parents file separate and different types of returns, what type should be indicated in Question 33 or 81? In such cases, IRS Form 1040 and foreign tax returns are considered comparable, while forms 1040A and 1040EZ are comparable to tax returns from the five inhabited U.S. territories: Puerto Rico, Guam, the U.S. Virgin Islands, the Northern Mariana Islands, and American Samoa. The former take precedence over the latter; for example, if a student filed a 1040A form and his spouse filed a foreign return, he would answer foreign tax return to question 33. When comparable but different returns are filed, the IRS return takes precedence and is indicated. If the above student's spouse filed a Puerto Rican return, then he would answer 1040A or 1040EZ to the question.

If one spouse files separately and the other does not file a return but has some income, how do you figure the AGI? Add the income earned from work (e.g., earnings from the W-2 form or any other earning statements) of the spouse who does not file a return to the AGI (as given on line 37, 21, or 4 of Form 1040, 1040A, or 1040EZ respectively) of the spouse who does and enter the sum on the appropriate AGI line of the FAFSA.

For a fiscal year tax return, as opposed to one for the calendar year, the applicant should report information from the fiscal year return that includes the greater number of months in 2016.

If the student or parents filed a tax return using something other than a common IRS form, such as a foreign or Puerto Rican tax form, the student should report on the FAFSA the amounts (converted to U.S. dollars) from the lines of the form that correspond most closely to those on the common IRS forms.

- **Assets (41–43, 90–92 for parents).** An asset is property that the family owns and has an exchange value. The FAFSA collects current (as of the day of signing the FAFSA) data about cash, savings and checking accounts, investments, businesses, and investment farms. Most assets are **investments** such as college savings plans, Coverdell education savings accounts, real estate, installment and land sale contracts (including mortgages held), trust funds, mutual funds, money market funds, UGMA and UTMA accounts, certificates of deposit, stocks, stock options, bonds, commodities, and precious metals. If the asset isn't a business or investment farm, it is reported as an investment.

The FAFSA asks for the net worth of investments, which is their total current market value minus their associated debts. If their net worth is negative, the student reports a zero.

Similarly for **businesses and investment farms**, the current net worth is reported for land, buildings, machinery, equipment, livestock, and inventories. The current market value of a business or investment farm is reduced by the debt owed on it to determine the net worth. Business or farm debt means only those debts for which the business or farm was used as collateral.

**Excluded assets—the following are NOT reported on the FAFSA:**

- **Possessions** such as a car, a stereo, clothes, or furniture
- **A family's principal place of residence**, even if it is part of a business
- **A family farm** (including equipment, livestock, etc.) if
  - it is the principal place of residence for the applicant and his family (spouse or, for dependent students, parents), and
  - the applicant (or parents of a dependent student) materially participated in the farming operation
- **Family-owned and controlled small businesses** (which can include farms) that have 100 or fewer full-time or full-time equivalent employees. "Family-owned and controlled" means that more than 50% of the business is owned by persons who are directly related or are or were related by marriage. (Family members do not have to be counted in the household size for this question.)

# STEPS 2 & 4

## Questions 41–43 and 90–92 Assets

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### Other tax forms

The following tax forms are considered alternatives to a U.S. Form 1040A and 1040EZ: the income tax returns required by the tax codes of the Commonwealth of Puerto Rico, Guam, American Samoa, and the U.S. Virgin Islands. Information from these tax returns would be reported on the FAFSA in the same manner as U.S. tax information, and copies of these forms can be used for verification in the same way as U.S. tax forms are. Amounts are already reported in U.S. dollars, and the school should look at tax return line items that are comparable to the IRS line items for verification.

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### Simplified needs test

The law provides a "simplified EFC" calculation for a student who meets certain income and tax filing requirements. If the applicant is eligible based on the information on the FAFSA, the CPS will automatically exclude assets from the EFC calculation. However, some states and schools require this information for their own aid programs.

# STEPS 2 & 4

## Qualified tuition programs

### Rental properties

Rental properties are an asset. A unit within a family home that has its own entrance, kitchen, and bath (therefore a rented bedroom would not count) and that is rented to someone other than a family member counts as an asset. To calculate its net value, multiply the net value of the entire structure by the fraction the rented space represents. Similarly, if a family owned a 10-unit apartment building and lived in one of the apartments, 9/10 or 90% of the net value of the building would be an asset.

At times a student or parent will claim rental property as a business. Generally, it must be reported as real estate instead. A rental property would have to be part of a formally recognized business to be reported as such, and it usually would provide additional services like regular cleaning, linen, or maid service.

### UGMA and UTMA accounts

The Uniform Gifts and Uniform Transfers to Minors Acts (UGMA and UTMA) allow the establishment of an account for gifts of cash and financial assets for a minor without the expense of creating a trust. Because the minor is the owner of the account, it counts as his asset on the FAFSA, not the asset of the custodian, who is often the parent.

### Fiscal year return example

Owen's parents file a fiscal year tax return. They start their fiscal year in September. The return they filed for the fiscal year starting in September 2015 includes eight months in 2016. The return they filed for the fiscal year starting in September 2016 only includes four months of 2016. Therefore, they should use the information from the tax return for the fiscal year that started in September 2015.

## Qualified education benefits

Qualified tuition programs (QTPs, also known as section 529 plans because they are covered in section 529 of the IRS tax code) and Coverdell education savings accounts are grouped together in the law as qualified education benefits and have the same treatment: they are an asset of the owner (not the beneficiary because the owner can change the beneficiary at any time) except when the owner is a dependent student, in which case they are an asset of the parent. When the owner is some other person (including a noncustodial parent), distributions from these plans to the student count as untaxed income, as "money received." When a parent owns a plan for a child and the parent is filing a FAFSA as a student himself, the plan counts as an asset on his FAFSA.

States, their agencies, and some colleges sponsor qualified tuition programs. The IRS mentions two types of QTPs that are commonly called prepaid tuition plans and college savings plans. States may offer both types, but colleges may only sponsor prepaid tuition plans.

Prepaid tuition plans allow a person to buy tuition credits or certificates, which count as units of attendance. The number of units doesn't change even though tuition will likely increase before the beneficiary gets to use the tuition credits. They are an asset of the plan owner, and their worth is the refund value of the credits or certificates.

College savings plans allow a benefactor to deposit money into an account that will be used for the beneficiary's college expenses. The buyer does not pre-purchase tuition credits as with a prepaid tuition plan. Rather, this type of plan is essentially a savings account, and its value as an asset is the current balance of the account.

Coverdell education savings accounts, or ESAs, are another tax-advantaged savings vehicle for college education. They are treated the same as college savings plans: the current balance is an asset of the account owner.

As long as distributions from QTPs and ESAs do not exceed the qualified education expenses for which they are intended, they are tax-free, so they will not appear in the next year's AGI. They should not be treated as untaxed income (except in the cases mentioned above) or as estimated financial assistance. For more information on these benefits, see the IRS's Publication 970, *Tax Benefits for Education*.

## Reporting "take-back" mortgages

In a take-back mortgage, the seller of a house finances a portion of its cost for the buyer, who repays this additional mortgage to the seller. The seller reports the interest part of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if a student or his parents report such interest on the tax return, it likely indicates an asset that should be reported on the FAFSA: the value of the take-back mortgage. There would be no debt reported against this asset. For example, if a dependent student's parents sold their house for \$200,000 and financed a take-back mortgage of \$40,000 to the buyer, the parents should report \$40,000 as the net worth of the investment. The worth will decrease each year depending on how much of the principal the buyer paid back that year. This concept applies to other forms of seller financing of the sale of a home or other property.

→ **Retirement plans and whole life insurance.** The value of retirement plans—401(k) plans, pension funds, annuities, noneducation IRAs, Keogh plans, etc.—is not counted as an asset, but distributions do count as income; they appear in the AGI if taxable and in questions 45 and 94 if untaxed. Similarly, the cash value or equity of a whole life insurance policy isn't reported as an asset, but an insurance settlement does count as income.

The full amount of the distribution is reported, whether it was a lump sum or annual distribution, and it will count as taxable or untaxed income, as appropriate. An exception to reporting pension distributions is when they are rolled over into another retirement plan in the same tax year.

→ **Excluded assets for Native American students.** The law (see HEA Sec. 479C) excludes reporting any income and asset of \$2,000 or less per individual payment (any amount over \$2,000 is reported as untaxed income) received under the Per Capita Act or the Indian Tribal Judgment Funds Use or Distribution Act. It also excludes any income received under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Per capita distributions or the proceeds received from the Land Buy-Back Program for Tribal Nations—a tribal purchase of fractionated lands as a result of the Cobell settlement under the Claims Resolution Act of 2010 (42 U.S.C. 1305)—should also be excluded.

■ **Taxable income offsets (44 and 93).** These questions total certain types of income and other monies that are excluded from income in the need analysis. The CPS subtracts these excluded amounts from the AGI when calculating the EFC.

**a. Education tax credits.** These are the American Opportunity and Lifetime Learning tax credits; the FAFSA refers to lines 50 and 33 on the 1040 and 1040A tax returns respectively. See the margin note.

**b. Child support payments.** Count payments *made* during 2016 because of divorce, separation, or legal requirement by the student, spouse, or parent whose income is reported on the FAFSA. Don't include support for children in the household (see the example in the margin). Also, don't count child support *received* for a child in the household size; that is considered untaxed income.

**c. Taxable earnings from need-based work programs.** This includes earnings from Federal Work-Study and need-based employment portions of fellowships or assistantships. The student uses the W-2s or other records she received for this income.

**d. Student grant and scholarship aid.** A student reports **only** the amount of grants and scholarships received that is taxable income. This includes grant and scholarship (not employment) portions of fellowships and assistantships, as well as taxable stipends and employer tuition reimbursements. Include also AmeriCorps benefits (awards, living allowances, and interest accrual payments) except

## STEPS 2 & 4

### Questions 44 and 93

### Excluded assets and income offsets

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#### When there are U.S. and foreign tax returns

When a student or parent has returns from both a foreign nation and the United States for the same tax year, they should use the data from the U.S. return when filling out the FAFSA.

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#### American Opportunity credit

Part of this credit can be refundable, that is, payable to tax filers even if they do not owe any federal income tax. The nonrefundable portion appears on the same lines of the tax return and the FAFSA as the Lifetime Learning credit. The refundable portion appears on line 66 of the 1040 form and line 40 of the 1040A. It does not appear on the lines of the FAFSA for the education tax credits, nor does it count as untaxed income.

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#### Reimbursements and stipends

Employers often help with education costs by paying stipends or reimbursing employees for classes taken. These benefits count as estimated financial assistance (or reduce the cost of attendance) even if they aren't received until the end of the class(es) and are contingent on earning a minimum grade. Any taxable portion received in the prior year and appearing in the AGI is entered in Question 44 or 93.

## Reporting trust funds

Trust funds in the name of a student, spouse, or parent should be reported as that person's asset on the application, generally even if the beneficiary's access to the trust is restricted. If the settlor of a trust has voluntarily placed restrictions on its use, then the student should report its present value as an asset, as discussed below. If a trust has been restricted by court order, however, the student should not report it. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

How the trust must be reported depends on whether the student (or dependent student's parent) receives or will receive the interest income, the trust principal, or both. In the case of a divorce or separation where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes unless the terms of the trust specify some other method of division.

### Interest only

If a student, spouse, or parent receives only the interest from the trust, any interest received in the base year must be reported as income. If the interest accumulates and is not paid out, the recipient must report an asset value for the interest she will receive. The trust officer can usually calculate the value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay for the interest income.

### Principal only

The person who will receive only the trust principal must report as an asset the present value of his right to that principal. For example, if a \$10,000 principal reverts to a dependent student's parents when the trust ends in 10 years and the student is receiving the interest, he would report the interest he received as income and report as a parental asset the present value of his parents' rights to the principal. The present value of the principal can be calculated by the trust officer; it's the amount that a third person would pay for the right to receive the principal 10 years from now—basically, the amount that one would have to deposit now to receive \$10,000 in 10 years.

### Both principal and interest

If a student, spouse, or parent receives both the interest and the principal from the trust, the student should report the present value of both interest and principal, as described in the discussion of principal only. If the trust is set up so that the interest accumulates within the trust until it ends, the beneficiary should report as an asset the present value of the interest and principal that she is expected to receive when the trust ends.

## Ownership of an asset

In some cases the ownership of an asset is divided or contested, which can affect how the student reports the asset.

### Part ownership of asset

If the parent or student has only part ownership of an asset, the student should report only the owned part. Generally the value of an asset and debts against it should be divided equally by the number of people who share ownership unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.

### Contested ownership

Assets shouldn't be reported if the ownership is being contested. For instance, if the parents are separated and can't sell or borrow against jointly owned property because it's being contested, the parent reporting FAFSA information would not list any net worth for the property. However, if the ownership of the property is not being contested, the parent would report the property as an asset. If ownership of an asset is resolved after the initial application is filed, the student can't update this information.

### Lien against, and imminent foreclosure of, an asset

If there's a lien against the asset, the net value of the asset is determined by subtracting from its total value any associated debt as well as the amount of the lien. If foreclosure of an asset is imminent, the net value of the asset would still be reported until the party making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, the student can't update the asset information.

those for health care or child care. The filer usually writes the taxable amount of the grant or scholarship separately on the tax form next to the line where wages and other earnings are reported. If the amount was reported this way, the student can copy it from the tax form.

**e. Combat pay.** Enter only the portion that was included in adjusted gross income. This should be zero for enlisted persons and warrant officers (including commissioned warrant officers) because their combat pay is entirely nontaxable. For commissioned officers generally, combat pay in excess of the highest enlisted person's pay (plus imminent danger/hostile fire pay) is taxable. To determine the taxable amount, find the total combat pay from the serviceperson's leave and earnings statements and subtract the untaxed portion, which is reported in box 12 of the W-2 form with code Q. See IRS Publication 3, *Armed Forces' Tax Guide*, for more information.

**f. College cooperative education program earnings from work.** The student uses the W-2s or other records she received for these earnings.

- **Untaxed income (45 and 94).** These questions total the untaxed income, some of which is reported on the tax form even though it isn't taxed. A student who hasn't filed a return will have to estimate these amounts, and students or parents may need to separate information from a joint return.

**a. Payments to tax-deferred or sheltered pension and savings plans (paid directly or withheld from earnings).** This includes untaxed portions of 401(k) and 403(b) plans. These types of payments are listed in boxes 12a through 12d of the W-2 and will have one of the following codes: D, E, F, G, H, or S. Note that employer contributions to these plans shouldn't be reported as an untaxed benefit.

**b. Deductible IRA or Keogh payments.** Payments to an IRA or Keogh plan that are excluded from taxation are reported as untaxed income. These amounts appear on the tax return.

**c. Child support received for all children.**

**d. Tax-exempt interest income.** Certain types of interest, such as interest on municipal bonds, are tax-exempt. This amount is on line 8b on both the 1040 and 1040A forms.

**e. and f. Untaxed IRA distributions and pension or annuity payments.** A tax filer determines how much of his IRA distribution or pension or annuity payment is taxable when he completes his tax return. The applicant reports the untaxed portion, which is determined from the tax return, but should not include rollovers (transfers of funds from one IRA to another).

**g. Housing, food, and other living allowances.** Some people, such as clergy, receive these allowances as compensation for their jobs. Money received to pay for rent should also be reported, as should the free use of a house or apartment (the rent or market value of a comparable

## STEPS 2 & 4

### Questions 45 and 94

#### Untaxed income

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#### Child support payments example

Steven and his wife each have a child from a previous relationship who doesn't live with them and for whom they pay child support. Because Steven provides over half of his daughter's support through his payments, he counts her in his household size. Therefore, he doesn't report the amount of child support he pays on his FAFSA. Steven's wife isn't providing over half of her son's support, so he isn't included in Steven's household size. Therefore, Steven can report the amount of child support his wife pays.

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#### Health savings accounts

Health savings accounts (HSAs) resemble tax-deferred pension and savings plans more than flexible spending arrangements; for example, the balance in an HSA persists from year to year, while that in a flexible spending arrangement must be spent on qualified expenses by the end of the year. Therefore, treat tax-free contributions to an HSA as untaxed income; these will appear on line 25 of the 2016 IRS Form 1040. The balance in the account does not count as an asset, nor would distributions from it count as untaxed income when they are used for qualified medical expenses. Distributions not used for qualified expenses are subject to income tax (and a possible penalty) and will be counted in the adjusted gross income.

# STEPS 2 & 4

## Questions 45 and 94

### Untaxed income

#### Extended foster care payments

Foster children who meet certain criteria can receive benefits until age 21. If these extended payments are under the authority of Title IV, Part E, of the Social Security Act, they are not reported on the FAFSA. If they are paid under some other authority, e.g., a state foster youth support program, they are reported as untaxed income to the student in Question 45i of the 2018–2019 FAFSA. See DCL [GEN-13-18](#).

#### Independent student with parental support example

Doug is a graduate student, so he's independent even though he still lives with his parents and has no income of his own. Although the FAA at his school can't make him a dependent student, she can decide to use professional judgment to add an amount to his untaxed income to account for the in-kind support his parents provide.

#### Box 14 items on the W-2

Schools are not required to review income listed in box 14 of the IRS's W-2 form. There are a few reasons for this. Several of the items the IRS suggests could be reported in box 14 are captured already on the FAFSA (in adjusted gross income for instance); also, employers could include in box 14 certain nonelective pension plan contributions, and nonelective contributions should not be counted in the need analysis. Finally, because no employer is required to provide information in box 14, it is unlikely that employers will be consistent in what they report there.

But if you are aware that a box 14 item should be reported—i.e., if it represents discretionary income—you should count it on the pertinent line. For example, clergy parsonage allowances often appear in box 14, and you would count that on line g of Question 45 or 94.

house or apartment can be used). Similarly, if the student received free room or board in 2016 for a job that was not awarded as student financial aid (including resident advisor positions that provide free room and board as part of the student's non-need-based employment compensation), she must report the value of the room and board as untaxed income. Members of the U.S. military report their basic allowance for subsistence (BAS) but not their basic allowance for housing (BAH).

**h. Veterans' noneducation benefits.** This includes disability, the death pension, Dependency and Indemnity Compensation (DIC), and Veterans Affairs (VA) educational work-study allowances.

**i. Any other untaxed income not reported elsewhere.** This includes disability (but not Social Security disability), worker's compensation, tax-free contributions to HSAs (see the margin note), interest income on education IRAs, untaxed portions of Railroad Retirement benefits, black lung benefits, refugee assistance, the untaxed portion of capital gains, and foreign income that wasn't taxed by any government and isn't part of the Foreign Earned Income Exclusion.

**j. Money received (45 only).** The student reports any cash support he received, but if dependent he does not count his parents' support, with one exception: money from a noncustodial parent that is not part of a legal child support agreement is untaxed income to the student. Cash support includes money and gifts and housing, food, clothing, car payments or expenses, medical and dental care, college costs, and money paid to someone else or paid for on his behalf. For example, if a friend or relative pays his electric bill or part of his rent, he must report the amount as untaxed income. If he is living with a friend who pays the rent and the student's name is on the lease, the rent paid on his behalf counts as cash support because he is responsible for payments that his friend is making. Note that only the student reports this item—it does not appear in the parents' question.

#### Tips on reporting benefits:

The student reports the actual amount of benefits received during the year, even if it is an underpayment or an overpayment that will be corrected in the next year. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Benefits the student or parent receives on behalf of anyone included in his FAFSA household size count as income to him unless the person is an adult, e.g., a grandmother (a child would not count) who receives the benefits in her name. Such a person is not included in the household size if benefits in her name total more than half of her support.

#### Income and benefits NOT to be included:

→ **Student aid** is accounted for in packaging (see *Volume 3: Calculating Awards and Packaging*); it does not count as income in the calculation

of the EFC. Student aid includes tuition benefits a parent receives for a dependent, such as those from the parent's employer. Student aid that was included in the AGI is reported separately as an exclusion so that it can be subtracted from income.

- **Veterans' education benefits.** Appendix A in *Chapter 7 of Volume 3* for 2017–2018 has the list of excluded benefits. See also the pertinent [electronic announcement from 2009](#).
- **The value of on-base housing** or the BAH for students or parents in the U.S. military. However, the BAS does count as untaxed income.
- **Rent subsidies for low-income housing.**
- **Payments and services received from states for foster care or adoption assistance,** under Part A or Part E of Title IV of the Social Security Act (e.g., Wisconsin's Adoption Assistance Program, which facilitates the adoption of children with special needs).
- **Per capita payments to Native Americans.** See page 19.
- **Heating/fuel assistance.** This includes payments or allowances received under the Low-Income Home Energy Assistance Act (LIHEA). Payments under the LIHEA are made through state programs that may have different names.
- **Flexible spending arrangements.** These are employee benefit programs, sometimes called "cafeteria plans." Neither contributions to nor payments from these programs should count as untaxed income.
- **Welfare benefits, untaxed Social Security benefits, and the earned income and additional child tax credits.** Welfare benefits are means-tested state or federal supplementary assistance. Examples are benefits from Medicaid (including the Children's Health Insurance Program), the Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF).
- **Combat pay, foreign income exclusion, and credit for federal tax on special fuels.**
- **In-kind support** is other than money, for example, friends or relatives giving the student food or allowing him to live with them rent-free. That support isn't included as untaxed income, though you may use professional judgment (e.g., by reducing the cost of attendance or increasing income) with students who receive such in-kind support. This is not the same as housing and other allowances received as compensation for a job, which, as stated earlier, must be reported. If the student is living with someone who is paying living expenses, it can be difficult to determine whether the support is cash support or in-kind support. The basic rule is: if someone pays a cost the student is obligated to pay, the amount counts as cash support.

## STEPS 2 & 4

### Untaxed income not reported on the FAFSA

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#### Puerto Rico tax exemption

Act 135-2014 amended the Puerto Rico tax code to exempt from income taxation (but not from Social Security and Medicare taxation) up to \$40,000 of income for employees 16 to 26 years old. The exemption is due to last through December 31, 2019.

For student tax filers who receive the exemption, because the EFC formula uses AGI for tax filers, the exempt amount should be included in the income earned from work **and** in other untaxed income.

For students who do not file a return and are not required to file, the exempt amount should be included in the income earned from work only and not in untaxed income. This is to avoid double-counting the amount because for non-filers income earned from work is used in place of the AGI.

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#### Dependent benefits example

Stanislaw's uncle Yvor lives with him and receives a small disability payment each month. This amount is paid directly to Yvor, so Stanislaw doesn't report it as income when he completes the FAFSA. The payment is small enough that Stanislaw is still providing more than half of Yvor's support, and because he expects to continue to provide more than half support during the award year, he includes Yvor as a dependent in his household size. However, starting the July after the current award year, Yvor expects to also start receiving a pension. The combination of the pension and the disability payment will be enough that Stanislaw won't be providing more than half of his uncle's support and therefore won't be able to include Yvor in his household size after this award year.

# STEP 3

## Questions 47–48 Dependency status

### Military service academies and preparatory schools

U.S. Military Academy (West Point)  
U.S. Naval Academy (Annapolis)  
U.S. Air Force Academy  
U.S. Coast Guard Academy  
U.S. Merchant Marine Academy  
U.S. Military Academy Preparatory School  
Naval Academy Preparatory School  
U.S. Air Force Academy Preparatory School

### Early exit cadets

Students who attend a U.S. military academy or military academy preparatory school and are discharged other than dishonorably prior to commission are veterans for FSA purposes but might not be veterans for VA purposes. These students' match results will likely show that they aren't veterans. As with other students who receive these match results, if an early exit cadet meets one of the other criteria for independence, no resolution is required. But if he meets no other independence criteria, he must provide the school with documentation that shows he was a cadet of a military academy or its preparatory school.

### Example: surviving parent and stepparent

Al's parents divorced when he was seven. His mother later remarried, and Al lived with her and his stepfather, who did not adopt him. His mother died last year, but his father is still living. Al doesn't meet any of the independence criteria, so he's a dependent student. Because his father is his only surviving parent, Al needs to report his father's information on the form, even though he's still living with and being supported by his stepfather.

### STEP THREE: DEPENDENCY STATUS

**Purpose:** The law governing the FSA programs is based on the premise that the family is the first source of the student's support, and the law provides several criteria that decide if the student is considered independent of his parents for aid eligibility. Note that a student reaching the age of 18 or 21 or living apart from his parents does not affect his dependency status. For the 2018–2019 year, a student who meets any of the following criteria from HEA Sec. 480(d) is independent; he

- was born before January 1, 1995;
- is married as of the date he applies;
- will be a graduate or professional student when the award year starts;
- is currently serving on active duty for purposes other than training;
- is a veteran of the U.S. Armed Forces;
- has dependents other than a spouse;
- was an orphan, foster child, or ward/dependent of the court at any time since the age of 13;
- is an emancipated minor or in legal guardianship or was when he reached the age of majority in his state; or
- was determined at any time since July 1, 2017, to be an unaccompanied youth who was homeless or self-supporting and at risk of being homeless.

If a student is considered a dependent of his parents, their income and assets must be included on the FAFSA. The CPS will calculate a parent contribution and add it to the student's contribution to derive an EFC.

In unusual cases an aid administrator can determine that a student who doesn't meet any of the independence criteria should still be treated as an independent student. (See "Dependency Overrides" in *Chapter 5*.)

- **Married (47).** The student must answer this question according to her marital status at the time the FAFSA is signed; after that, she **cannot** update FAFSA information for changes in her marital status except in limited instances; see *Chapter 4*.

A student who is only engaged answers as unmarried unless she waits until after the wedding to complete the FAFSA. For this question a student is considered married if she is separated or planning to divorce or if she has a relationship that meets the criteria for common-law marriage in her state. A student who was independent only because she was married becomes dependent for the next award year if she divorces and cannot answer "Yes" to any of the dependency questions.

- **Graduate or professional study (48).** The FAFSA asks if the student will be working on a master's, doctorate, or graduate certificate program at the beginning of the school year. A student who is a graduate or professional student is independent for purposes of Title IV aid.

Graduate and professional students aren't eligible for Pell grants, so a student who incorrectly answers "Yes" to this question must submit a correction before he can get a Pell grant, even if he is independent for another reason.

Students should fill out the FAFSA based on their expected grade level at the beginning of the award year. If a dependent student completes her undergraduate program during the year and begins graduate school, she can update the answer to the dependency question so that the CPS can reprocess her application, or the aid administrator at the graduate school can recalculate her EFC and use it to package her graduate aid.

■ **Member or veteran of the U.S. Armed Forces (49 and 50).**

Veterans and persons on active duty in the U.S. Armed Forces (the Army, Navy, Air Force, Marines, or Coast Guard) for purposes other than training are independent.

Veterans are those who were in active service and were released under a condition other than "dishonorable." This includes those who fraudulently entered the service, as long as their entire period of service was not voided. There is no minimum amount of time the student has to have served to be a veteran—even one day counts and even basic training (boot camp) counts—but it does have to be active service. (See the following rules for reservists.) This is less stringent than the VA's definition of a veteran for receiving certain VA benefits.

The application also tells students to answer "Yes" to the question about veteran status if they aren't yet a veteran but will be by June 30, 2019. Students who attended a **U.S. service academy** or preparatory school (see margin note on page 24) for at least one day and were released under conditions other than "dishonorable" count as veterans for Title IV purposes. Students serving in ROTC or currently attending a U.S. military academy are not veterans.

Members of the **National Guard** or **Reserves** are only considered veterans if they were called up to active federal duty by presidential order for a purpose other than training. It does not matter how long the active duty lasted or if the student returned to reserve status afterward, but, as with the other qualifying veterans, the student must have had a character of service that was not "dishonorable."

- **Children and legal dependents (51 and 52).** Students who have legal dependents are independent. Legal dependents comprise children (including those who will be born before the end of the award year) of the student who receive more than half their support from the student, and other persons (except a spouse) who live with and receive more than half their support from the student as of the FAFSA signing date and will continue to do so for the award year. The same criteria apply to household size.

## STEP 3

### Questions 48–52

#### Dependency status

#### Legal dependent examples

Laurel is going to college and is her cousin Paul's legal guardian. Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel on his behalf. These benefits provide more than half of Paul's support. Because Paul lives with Laurel and will be supported by her (through the Social Security benefits) throughout the award year, Laurel answers "Yes" to the legal dependent question. If Paul didn't live with Laurel, she would have to answer "No" to the question.

Alan pays \$4,000 to support his girlfriend, Cathy, who lives with him. She has earned income of \$3,000, and she receives \$200 a month (\$2,400 a year) from her parents. She uses all of this for her support. Alan cannot consider Cathy a dependent since the \$4,000 he provides is not more than half of her total support of \$9,400.

In April 2018 Anika applies for aid for 2017–2018. One month prior to that, her cousin Bettina came to live with her. Even though Anika provides all of her cousin's support, the one month of support she has given plus the two months left in the award year would not amount to more than 50% for the entire year, so she can't consider Bettina her dependent for 2017–2018. If Bettina had moved in just before the midpoint of the year, Anika would have been able to count her as a dependent for 2017–2018.

## Veteran match (for Question 50)

If the student answers “Yes” to the question about veteran status, the CPS performs a match with VA records to confirm that status. The VA sends the result back, which appears as a match flag in the FAA Information section of the output document. For flags 2, 3, and 4, a comment and a C flag will appear on the SAR only if veteran status is the sole reason that the student would be independent. See the guide *SAR Comment Codes and Text: 2018–2019* on the IFAP website.

### Successful match (match flag 1)

There won’t be any comments on the output document if the VA confirms that the student is a veteran.

### Not a veteran (match flag 2)

A student will receive this flag if the VA database indicates he is not a veteran. If the student answered “Yes” to one of the other dependency questions, he is independent based on that question and can receive student aid without resolving his veteran status.

If the student answered “No” to all the other dependency questions and he believes he is a qualifying veteran, he should provide the financial aid office at his school a copy of his DD214 (the Certificate of Release or Discharge from Active Duty, with “Character of Service” as anything but “dishonorable”). If it shows that he is a veteran, he can receive aid as an independent student. A dependency override is not necessary because the CPS accepts his “Yes” answer to the veteran question. If a National Guardsman or a reservist who served on active duty (for other than training) did not receive a DD214 but can obtain a letter from a superior officer that documents the call-up to active duty and that classifies the character of service as anything but “dishonorable,” the student will be considered a veteran for FSA purposes. If the student turns out not to be a veteran, he will need to change his answer to the question from “Yes” to “No” and provide parent information, including a parent’s signature.

If the VA match problem is due to an error in the VA’s database, the student should contact the VA and correct the error. A subsequent transaction will then redo the match with the VA.

### Not in database (match flag 3)

Much of the guidance above applies for students not in the VA database: if the student is independent for a reason other than being a veteran, she doesn’t need to resolve the problem before receiving student aid, although she should have the VA correct its database if it’s wrong. If she answered “No” to the other dependency questions, she must either correct any problem with the VA, provide documentation showing she is a veteran or will be one by June 30, 2019, or, if she is not a veteran and will not be one by that date, provide parent data and change her response to the question from “Yes” to “No.”

### Active duty (match flag 4)

If the student is currently on active duty, he isn’t a veteran yet, but if his active duty will end by June 30, 2019, he counts as a veteran for dependency status. Because he should have answered “Yes” to the active duty question, he would be independent by that criterion and wouldn’t have to resolve this situation.

## Documentation of foster youth (for Question 53)

If you have cause to require documentation from students who indicate that they were in foster care since turning 13, the following are examples of documents that could attest the student’s former foster youth status: a copy of a court order; the statement of a state or county child welfare agency; the statement of a private provider agency that delivers child welfare services; or the statement from an attorney, guardian ad litem, or court-appointed special advocate documenting the person’s relationship to the student as well as the latter’s foster youth status.

When a student applies after the award year has begun, in order to count a person not her child as a dependent, the support already given that year plus the future support must total more than 50% for the whole year. See the margin example.

- **Orphan, foster child, or ward of the court (53).** A student who was an **orphan**—both her parents were dead—when 13 or older is independent even if she was subsequently adopted. Likewise, a student who was at any time since the age of 13 a **foster child** or a **ward of the court** is independent even if her status changed later.

A student is a ward of the court if it has assumed legal custody of her. In some states the court may impose its authority over a juvenile who remains in the legal custody of her parents; such a student is not a ward of the court. Also, incarceration of a student does not qualify her as a ward of the court. In some states the phrase “ward of the state” is used. This is considered the same as a ward of the court for dependency status as long as the student is a ward of the state **not** due to incarceration.

- **Emancipation and legal guardianship (54 and 55).** Students are independent if they are, or were upon reaching the age of majority, emancipated minors (released from control of their parent or guardian) or in legal guardianship, both as adjudicated by a court of competent jurisdiction in the state of the students’ legal residence at the time of the adjudication. While the basis for emancipation can vary by state, the emancipation must be determined by a court, not by an attorney. Students in legal guardianship to their parents—for instance, if they are disabled adults and under their parents’ care—are not independent for Title IV program purposes by this criterion and would answer “No” to Question 55. They should also answer “No” and contact your school if custody was awarded by a court and the court papers say “custody” instead of “guardianship.” Most states have a clear definition of legal guardianship that is distinct from custody, but if a given state does not, you should consult your school’s legal counsel for help with this question.
- **Unaccompanied homeless youth (56–58).** A student is independent if at any time on or after July 1, 2017 (irrespective of whether he is currently homeless or at risk thereof), he is determined to be an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless. This determination can be made by: a school district homeless liaison, the director (or designee) of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development, or the director (or designee) of a runaway or homeless youth basic center or transitional living program. Depending on the district, these authorities *may* choose to make this determination only if the student is receiving their programs’ services or if, in the case of a school district homeless liaison, the student is in high school. An FAA may also determine this; see *Chapter 5*. Beginning in 2018–2019, students who are 22 or 23 years old may also answer “Yes” to these questions.

## STEP 4

### Questions 53–58 Dependency status

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#### Student living with relatives example

Millie’s father is dead, and her mother can’t support her, so she is living with her grandmother. Her mother doesn’t pay any money for her support. Millie doesn’t meet any of the independence criteria, so she has to provide parental information. Because her grandmother hasn’t adopted her, her grandmother isn’t her parent. Millie will have to provide information about her mother on the form unless there are unusual circumstances that would warrant a dependency override or her receiving only unsubsidized loans. In any case, the school might use PJ to account for the grandmother’s support.

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#### Dependent student household size example

Lydia is a dependent student, and her parents are married. Her brother Ron is 26, but his parents still provide more than 50% of his support, so he is included in the household size. Her sister Elizabeth is attending college but is an independent student and isn’t supported by their parents, so she isn’t included in the household size. Her sister Susan is not attending college but is working and supporting herself. However, if Susan were to apply for student aid, she would be considered a dependent student, so she is included. Therefore, the household size that Lydia reports for her parents is five.

## Who does and does not count as a parent on the FAFSA?

If the applicant answers “No” to questions 46–58, then she is dependent and must report her parents’ information in Step 4 on the FAFSA. In most cases it’s clear who the parents are but not always.

### ✓ **Biological, adoptive, and stepparents**

A parent is a biological or adoptive parent or a person that the state has determined to be a parent (for example, when a state allows another person’s name to be listed as a parent on a birth certificate). A stepparent is considered a parent if married to a biological or adoptive parent and if the student counts in their household size. Biological and adoptive (whether of the opposite or same sex) parents who are unmarried and living together give that as their status in Question 59, and both report their information on the FAFSA. See DCL GEN-13-12.

However, a stepparent who did not adopt the student cannot be the sole parent for determining dependency status. If the other parent dies, the student is still a dependent of the remaining biological parent, not the stepparent. If no biological parent remains, the student answers “Yes” to Question 53 and is independent.

### ✗ **Foster parents, legal guardians, and relatives**

A foster parent or a legal guardian is not treated as a parent for FSA purposes. If at any time since the age of 13 both of the student’s parents were dead (and he did not have an adoptive parent) or he was in foster care, he is independent. If he is now, or was when he became an adult, an emancipated minor or in legal guardianship (see the exception under Question 55), he is independent.

If a student is living with her grandparents or other relatives, their data should not be reported on the FAFSA as parental data unless they have adopted the student. Any cash support from persons other than the student’s parents should be reported as untaxed income, as discussed in Step 2. The school may also consider other kinds of support as part of the student’s financial resources and use professional judgment to include the support under the item for student’s untaxed income (see *Chapter 5* on professional judgment).

## Other sources of support for children and other household members

If the student is receiving support to raise her child, is the child still considered a legal dependent? If one or both of the student’s parents are directly or indirectly providing more than 50% support in cash or other assistance to the child, then the student would answer “No” to the FAFSA question about legal dependents. “Indirect support” to the child includes support that a parent gives to the student on behalf of the child. If the student is living with a parent who is paying for most of the household expenses, the parent would usually be considered the primary source of support to the child, and the student would answer “No” to the question about legal dependents. However, there may be some cases where the student can demonstrate that she provides more than half of her child’s support even while living at home, in which case she would answer “Yes” to the question about legal dependents.

When the student receives money for the child from any source other than her parents, she may count it as part of her support to the child. Sources include child support and government programs, such as TANF and SNAP (formerly the federal Food Stamp Program), that provide benefits for dependent children. So a student may be considered independent when the benefit she receives is the primary support for her child. For example, if a student who lives alone with her child receives cash from her boyfriend that amounts to more than 50% support for her child, then she would be able to count the child as a dependent and in her household size, and she would be independent. If the boyfriend is the father of the child and a student himself, then he would also be able to count the child as a dependent and in his household size, and he would be independent too.

## STEP FOUR: PARENTS' INFORMATION (DEPENDENT STUDENTS ONLY)

**Purpose:** Questions 59–79 collect information about the student's parents and their household. Questions 80–94 collect tax and financial data for the parents, and because these questions are answered in the same way as for the student, they were discussed earlier.

- **Parents' personal information (59–69).** The FAFSA asks for parents' marital status; the month and year they were married, separated, divorced, or widowed; SSN; last name; first initial; and date of birth. This information is used for the IRS Data Retrieval in FOTW and helps the government estimate erroneous Pell payments. If the SSN, last name, and birth date for at least one parent are not provided, or if neither parent's SSN matches with the SSA, the application will be rejected. When the SSN doesn't match with SSA, the wrong number must be corrected so that the application and SSA agree. For a name or birth date that doesn't match, correct the application if it's wrong or re-enter the information if it's correct. If the parent doesn't have an SSN, enter 000-00-0000 to prevent or remove a reject code. (See also the SSN chapter in *Volume 1*.)
- **Parents' state of residence (70–72).** Parents who do not live in the United States should enter "FC" for Question 70.
- **Household size (73).** This determines the standard living allowance that offsets family income in the EFC calculation. The following persons count in the household size of a dependent student's parents:
  - **The student and parents**, even if the student is not living with them. Exclude a parent who has died or is not living in the household because of separation or divorce, but include a parent who is on active duty in the U.S. Armed Forces apart from the family.
  - **The student's siblings and children**, if they will receive more than half their support from the student's parent(s) from July 1, 2018, through June 30, 2019. Siblings need not live in the home. This includes unborn children and siblings of the student who will receive more than half support from the student's parent(s) from birth to the end of the award year. It also includes siblings who would be considered dependent based on the FAFSA dependency questions (i.e., they need not be students nor apply for aid).
 

For children in the household size, the "support test" is used rather than residency because there may be situations in which a parent supports a child who does not live with her, such as when the parent is divorced or separated. If the parent receives benefits (such as Social Security payments) in the child's name, these benefits must be counted as parental support to the child.
  - **Other persons** who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year. When the application is submitted after the start of the year, see the relevant paragraph and example about legal

# STEP 4

## Questions 59–73

### Parent information and household size

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#### FSA and IRS household rules

The rules that decide whether someone is counted in the household for FSA purposes aren't identical to the IRS rules for determining dependents or household members.

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#### Service academies, household size, and number in college

Students at U.S. service academies (see the margin note on page 24) have most of their primary educational expenses paid for by the federal government. Because of this, their families cannot "reasonably be expected to contribute to their postsecondary education" and they are not counted in the number in college in the families of either dependent or independent students. Since they will not receive more than one-half of their support from any person, they also do not count in the household size of any independent students and some dependent students. However, if a service academy attendee is a sibling of a dependent student and can answer "No" to all the dependency status questions, he would count in the household size of that dependent student. HEA Sec. 474(b)(3); 480(k),(l)

# STEP 4

## Questions 74–84 Number in college, benefits, tax data, and dislocated worker

### Number in college

HEA Sec. 474(b)(3)

### Response of “Don’t know”

“Don’t know” is treated as “No” by the CPS. If a person gives this response, you are not required to verify it, but you may want to determine if he is a dislocated worker and if that would affect the student’s eligibility for federal aid.

dependents on page 25. See also the margin note on foster children on page 33.

- **Number in college (74).** The applicant **always** counts in the number in college, but parents do not. Others included in the household size are also included in the number in college if they are or will be enrolled at least half time during the award year in an eligible degree or certificate program at a school eligible for any of the FSA programs. The definition of half-time enrollment for this question must meet the federal requirements even if the school defines half time differently. (See *Volume 1: Student Eligibility* for enrollment status requirements.)
- **Receipt of means-tested federal benefits (75–79).** This is an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.
- **Tax forms filed by parents, filing status, income, and assets (80–83, 85–94).** Refer to the earlier discussion for these questions.
- **Dislocated worker (84).** This status, as defined in the Workforce Innovation and Opportunity Act or WIOA, is an alternative to the tax return and means-tested federal benefits criteria for determining if a person qualifies for the simplified needs test or automatic zero EFC. A person would answer “Yes” to this question if she meets the statutory definition of dislocated worker but does not appear to because of the general nature of the FAFSA instructions. Under the WIOA, a dislocated worker is someone who falls into at least one of these categories:
  - A person who meets **all** of the following requirements:
    - She was terminated or laid off from employment or received a notice of termination or layoff.
    - She is eligible for or has exhausted her unemployment compensation, **or** she is not eligible for it because, even though she has been employed long enough to demonstrate attachment to the workforce, she had insufficient earnings or performed services for an employer that weren’t covered under a state’s unemployment compensation law.
    - She is unlikely to return to a previous industry or occupation.
  - A person who was terminated or laid off from employment or received a notice of termination or layoff as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise
  - A person who is employed at a facility at which the employer made a general announcement that it will close within 180 days
  - A person who is employed at a facility at which the employer made a general announcement that it will close
  - A self-employed person (including farmers, ranchers, or fishermen) who is unemployed because of natural disasters or because of general economic conditions in his community

## Reporting information in cases of death, separation, divorce, and remarriage

### Death of a parent

If one, but not both, of the student's parents has died, the student answers the parental questions about the surviving biological or adoptive parent and does not report any financial information for the deceased parent. If both her parents are dead when she fills out the FAFSA, she must answer "Yes" to Question 53, making her independent. Remember that an adoptive parent counts as a parent, but a legal guardian doesn't. If the surviving parent dies after the FAFSA has been filed, the student must update her dependency status and report income and assets as an independent student.

### Stepparent

A stepparent is treated like a biological parent if the stepparent has legally adopted the student or if the stepparent is married, as of the date of application, to a student's biological or adoptive parent whose information will be reported on the FAFSA. **There are no exceptions.** A prenuptial agreement does not exempt the stepparent from providing information required of a parent on the FAFSA. The stepparent's income information for the entire base year, 2016, must be reported even if the parent and stepparent were not married until after 2016. See above for how to fill out the parent questions when the stepparent's spouse (the biological parent) dies; if the stepparent has not adopted the student, he would no longer provide parental information as before, but any financial support he gives to the student would be counted as untaxed income.

### Divorce of the student's parents

If the student's parents are divorced, he should report the information of the parent with whom he lived longer during the 12 months prior to the date he completes the application, regardless of which parent claimed him as an exemption for tax purposes. If the student lived equally with each parent or didn't live with either one, then he should provide the information for the parent from whom he received more financial support or the one from whom he received more support the last calendar year for which it was given. Note that it is not typical that a student will live with or receive support from both parents exactly equally. Usually you can determine that the student lived with one of the parents more than half the year or that he received more than half support from one of the parents. Example: Marta is 22 and doesn't meet any of the independence criteria. Her parents divorced recently, and she hasn't lived with them since she was 18. Also, neither parent provided support in the past year. The last time she received support from her parents was when she lived with them and they were still married. Because her father's income was larger and he contributed more money to the overall household expenses, Marta determines that the last time she received support, most of it was from her father. She provides his data on the FAFSA.

If biological or adoptive parents who are divorced still live together, their status is unmarried and living together and both would report their information on the FAFSA; see page 28. If one or both of them have married someone else and all live in the same household (and presumably the student lived with both parents an equal amount of time), the parent and stepparent, if applicable, who provided more support in the previous year would include their information on the FAFSA. Schools may use PJ to account for the other parent's financial contribution that is not already properly counted as child support on line 45c or money received on line 45j of the 2018–2019 FAFSA.

### Separation of the student's parents or the student and spouse

A couple need not be legally separated to be considered separated—they may deem themselves informally separated when one of the partners has left the household for an indefinite period and the marriage is severed. For a dependent student, use the rules for divorce to determine which parent's information to report. While a married couple that lives together can't be informally separated, in some states they can be legally separated. If their state allows this, and if they are still living together and are legally separated, then that is their status on the FAFSA unless they are the parents of a dependent student, in which case their status is unmarried and living together and both would report their information.

### Common-law marriage

If a couple lives together and has not been formally married but meets the criteria in their state for a common-law marriage, they should be reported as married on the FAFSA. If the state doesn't consider their situation to be a common-law marriage, then they aren't married; parents of a dependent student would report that they are unmarried and living together. Check with the appropriate state agency concerning the definition of a common-law marriage.

# STEP 4

## Question 84 Dislocated worker

- A spouse of an active duty member of the Armed Forces who has experienced a loss of employment because of relocating due to permanent change in duty station
- A spouse of an active duty member of the Armed Forces who is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment
- A displaced homemaker who meets **all** of the following criteria:
  - She has been providing unpaid services to family members in the home.
  - She has been dependent on the income of another family member but is no longer supported by that income.
  - She is unemployed or underemployed and is having difficulty obtaining or upgrading employment. An “underemployed” person is one who is working part time but wants to work full time or one who is working below the demonstrated level of her education or job skills.

Not everyone who receives unemployment benefits will meet the definition of dislocated worker. For example, in general those who quit their jobs are not considered dislocated workers, even if they are receiving unemployment benefits.

You are not required to verify the answer to this question. If you choose to verify it, documentation can include, as appropriate to the category, a letter or a layoff or termination notice from the employer, unemployment insurance (UI) system verification, tax returns, a business license, or newspaper articles. You may also use documents from the state workforce agency or a “one-stop career center,” though they are not required to provide you such documentation and a person may meet the dislocated worker definition without going to the workforce investment system for services. Absent all other evidence, self-certification will suffice, such as a statement signed by the person affirming that he meets the definition of dislocated worker.

**Information from the workforce investment system.** The local workforce investment system and state UI agency may support financial aid administrators by

- providing general information to dislocated workers;
- providing general information to financial aid administrators, such as the WIOA definition of dislocated workers and appropriate samples of documentation that financial aid offices can request from an individual to verify dislocated worker status;
- providing specific information to dislocated workers. A person can request documentation from the career center or other appropriate office that he is receiving dislocated worker services through the workforce investment system. That office can give the documentation to him, or at his request it may (but is not obligated to) give the documentation directly to the college.

If you must determine if someone is a dislocated worker, you have sole responsibility and must make the determination regardless of whether the person has proof of dislocated worker status—or is receiving dislocated worker services—from the workforce investment system.

### STEP FIVE: INDEPENDENT STUDENT DATA

**Purpose:** Questions 95–102 collect information about independent students. Only students who answered “Yes” to one or more questions in Step Three complete this step.

- **Student’s household size (95).** The following persons are included in the household size of an independent student:
  - **The student and his or her spouse,** unless the spouse has died or is not living in the household due to separation or divorce.
  - **The student’s children,** regardless of where they live, if they will receive more than half of their support from the student from July 1, 2018, through June 30, 2019. This includes the student’s unborn children who will be born during the award year and will receive more than half their support from the student from birth to the end of the award year.
  - **Other persons** who live with and receive more than half their support from the student and will receive more than half support for the entire award year. For FAFSAs submitted after the start of the year, see the relevant paragraph and example about legal dependents on page 25. See also the margin note on foster children.
- **Number in college (96).** The student is **always** included in the number in college. Also included are those in the household size who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education. The definition of half-time enrollment for this question must meet the federal requirements even if the school defines half time differently.
- **Receipt of means-tested federal benefits (97–101).** This is an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.
- **Dislocated worker (102).** See the explanation of Question 84 earlier.

## STEP 5

### Questions 95–102 Independent student household size, number in college, federal benefits

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#### Foster children in household size

Typically foster children do not count in the household size as their costs are covered by foster care payments. However, children in “kinship foster care” for whom no benefits are provided can count in the household size if they meet the tests for other persons, i.e., if they live with and receive more than half their support from their foster parents for the award year.

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#### Independent student household size example

Eddy is an independent student. He was married, but now he and his wife have separated. He’s paying child support, but it isn’t enough to provide more than half his children’s support, so he can’t include his children in his household size. Eddy’s nephew Chavo lives with him and gets more than half of his support from Eddy (and will do so for the award year), so he can be counted in Eddy’s household size, which is two.

Having just turned 24, Chavo is also independent, and his household size is one.

# STEPS 6 & 7

## Questions 103–105

### School data, date, and signatures

#### School information on the ISIR

The ISIR will only display the federal school code and corresponding housing code of the receiving school. The information of other schools the student included on the FAFSA will not appear except on the SAR and on ISIRs sent to state grant agencies. See the [electronic announcement of November 12, 2015](#), as well as *The ISIR Guide 2018–2019*.

#### Copies of signed documents

While you will often receive documents with original or “wet” signatures from the student (e.g., a paper FAFSA that the student has worked on and signed while in your office), there might be an occasion where the student gives you a copy or sends you a fax of a signed document. Except for a copied FAFSA, other imaged versions of the original signed document are valid and may be retained.

#### STEP SIX: SCHOOL INFORMATION

**Purpose:** These items collect information about which colleges the student wants to receive his FAFSA information. For a college to be able to receive his data, the student must list the college’s federal school code (not the OPE ID) or enter its complete name, address, city, and state. There is a federal school code search on [fafsa.gov](http://fafsa.gov), and the entire list of school codes is available in portable document format (PDF) and Excel on the IFAP site (<https://ifap.ed.gov>).

For each school the student indicates whether he expects to live on or off campus or with his parents. This information is not used to calculate his EFC, but it is useful to schools for determining the cost of attendance.

The student can list up to four schools on the paper FAFSA and 10 on the web (at least one is required). If he wants his information to be available to more schools, he can use his SAR or [fafsa.gov](http://fafsa.gov) to change the schools listed. The CPS will send data to no more than 10 (four with the paper FAFSA) schools at a time. *Chapter 4* tells how a student can add or change schools.

#### STEP SEVEN: SIGNATURE(S)

**Purpose:** By signing the FAFSA, the applicant is assuming responsibility for the accuracy of the information reported.

- **Date and signature(s) (104–105).** In addition to certifying that the data on the FAFSA are correct, the student is also signing a statement of educational purpose, which is required to receive FSA funds. Among other things, the student agrees to spend FSA funds only on educational expenses and affirms that he is not in default on a federal loan or does not owe a grant overpayment. If he is dependent, one parent whose information is reported on the FAFSA must also sign.

**Substitutes for a parent’s signature.** While parent information must be provided for a dependent student, a high school counselor or a college aid administrator may sign the application in place of a parent if

- the parents are not currently in the United States and cannot be contacted by normal means,
- the current address of the parents is not known, or
- the parents have been determined physically or mentally incapable of providing a signature.

The signer must provide her title in parentheses next to her signature and briefly state the reason (only one is needed) why she is signing for the parents; **if this is not done, the FAFSA will not be processed.** The signer assures a minimum level of credibility in the data submitted; however, she does not assume any responsibility or liability in this process. If the counselor or FAA finds any inaccuracies in the information reported, she should direct the student to send the SAR through the normal correction process or, if she is an FAA, she can submit corrections through FAA Access. Because this proxy signing isn’t possible electronically, it must be done on a paper FAFSA or on the signature page/FAFSA summary used with FAA Access.

- **Preparer's ID and signature (106–108).** Only persons who are paid a fee to help the student fill out the application are considered FAFSA preparers. Those who advise students without charging a fee, such as high school counselors and FAAs, are not preparers. A preparer must include his name, his company's name (if applicable), his address or the company address, and either his SSN or the company employer identification number (EIN, as assigned by the IRS). With the paper FAFSA, the preparer must also sign and date the form.

Preparers have other obligations. In their advertising and initial contact with a consumer, including via the Internet or phone, they must clearly inform him that the FAFSA is free and can be completed electronically or on paper without professional help. If they have a website for their service, it must link to FAFSA on the Web. They may not use any form other than the FAFSA to apply for Title IV aid.

A preparer who knowingly falsifies information on the application is subject to the same penalties as an applicant.

# STEP 7

## Questions 106–108

### Preparer's data

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#### **Assistance in preparation of the FAFSA**

HEA Sec. 483(d)

## Signatures for electronic applications

### FAA Access to CPS Online

If you enter a student's original application through FAA Access to CPS Online, you must obtain original or "wet" signatures on the printed signature page/FAFSA summary or on a completed paper FAFSA, and you must keep the signed document in the school files even if the student doesn't receive federal student aid or attend your school. You may electronically store the original document, but you may not accept faxed or copied signatures from the student for the FAFSA. (You have more latitude regarding verification documents and changes to the application; see *Chapter 4*.)

### FAFSA on the Web

Students who have an FSA ID can electronically sign their FAFSA on the Web. Parents who have an FSA ID can also electronically sign. When all the necessary signatures are provided electronically, the application will be processed within 72 hours.

Alternately, students can print the signature page, sign it, and mail it to the processor. If the processor doesn't receive the signature page within 14 calendar days of receiving the application data, it will mail a "reject 16" (missing student signature) SAR to the student, which the student can sign and return. If the student chooses not to print and send a signature page, or if no printer was available, the processor won't wait 14 days to print a rejected SAR for the student but will generate one within 72 hours of receiving the data.

If the student indicated on an electronic FAFSA that she would print, sign, and mail in a signature page but the processor has not received the signature page, the student can call the FSAIC and have her record released from the FAFSA hold file. Because no signature page has been received, the FAFSA processor will produce a rejected SAR and mail it to the student to sign and return. The processor will accept the first signature document it receives—either the signed signature page or the signed SAR.

Schools and states receive ISIRs for rejected records. A student's reject 16 SAR and her ISIR will reflect the data that she provided on the application; however, the CPS won't calculate an official EFC for the student (an unofficial EFC that cannot be used to award or disburse aid will appear on the ISIR) or do any database matches until it receives a signed signature page, a signed SAR, or an electronic signature. A school can also collect the required "wet" signatures at the school, either on the SAR or a document that has the required certification statements (FAA Access allows schools to print out a signature page for the ISIR). The school can then submit an electronic correction showing that the signatures have been provided.

When a parent of a dependent student doesn't sign with his own FSA ID, the student can print a signature page for the parent. If the student indicates that no printer was available, the CPS will generate a "reject 15" (missing parent signature) output document for the student within 72 hours. If the student indicated she would send in a signature page, the processor will wait up to 14 calendar days to receive the signed page. If it doesn't receive a signed signature page after 14 days, it will generate a reject 15 SAR and send it to the student. The student must have a parent sign the SAR and must send it back to the address on the SAR. For reject 15 records, a student's SAR and ISIR will reflect the data provided on the application, but the processor won't calculate an EFC for the student until it receives the parent's electronic signature or the signed SAR or signature page.

Signature requirements for changes made after the FAFSA is filed will be discussed in *Chapter 4*.

<b>Signature Requirements: Application and Verification for All FSA Programs</b>			
	<b>Application</b> ( <i>fafsa.gov</i> , PDF FAFSA, FAA Access to CPS Online)	<b>IRS Documentation</b> ( <i>Transcript or other form submitted for verification</i> )	<b>Verification Document</b>
<b>Student</b>	Must sign statement that data are accurate and other conditions are met (on paper FAFSA, web summary, or signature page or by using the FSA ID)	IRS Data Retrieval Tool (DRT) or tax return transcript (does not need to be signed). In rare instances when the tax return is used, it must be signed by the student (or spouse), or the tax preparer must provide his name and SSN, EIN, or PTIN.	Must sign documents used to verify FAFSA data
<b>Parent(s)</b> ( <i>if student is dependent</i> )	One parent must sign statement that data are accurate (on paper FAFSA, web summary, or signature page or by using the FSA ID)	DRT or tax return transcript (which does not need to be signed). In rare instances when the tax return is used, it must be signed by one parent, or the tax preparer must provide his name and SSN, EIN, or PTIN.	One parent must sign documents used to verify FAFSA data.
<b>Aid Administrator</b>	Must certify if overriding dependency status or exercising PJ (can't be done on <i>fafsa.gov</i> )		

<b>Signature Requirements for Changes*</b>			
	<b>Changes via SAR or Corrections on the Web</b>	<b>Changes submitted via FAA Access</b>	<b>Professional Judgment via FAA Access</b>
<b>Student</b>	Must sign corrections statement on the SAR; on the web the FSA ID serves as the student's signature.		
<b>Parent(s)</b> ( <i>if student is dependent</i> )	If parent data are changed, one parent must sign with FSA ID on the web, sign the corrections statement on the SAR, or print and sign the signature page.		
<b>Aid Administrator</b>		School must have signed documentation from student and parent	Must certify for PJ/FAA adjustments or dependency override

\* These requirements apply to any submission of changes to the CPS, whether required by regulation (for Pell Grant recipients or corrections to data match items) or at the discretion of the financial aid administrator (for Campus-Based aid and Stafford Loans).



# Expected Family Contribution (EFC)



*The EFC is a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education for the year. The EFC is calculated according to a formula specified in the law. In this chapter we describe the EFC formula in detail.*

## GENERAL INFORMATION

All the data the Central Processing System uses to calculate the EFC come from the information the student provides on the FAFSA. The EFC formula uses many variables, including income, assets, the number of persons in the household, and the number of those attending college for the award year.

Every year the Department publishes updated tables used in the EFC calculation. The 2018–2019 updates are in the May 1, 2017, *Federal Register*. Also available at <https://ifap.ed.gov> is the *EFC Formula Guide*.

The law provides three different formulas to calculate the EFC: one for dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse. In addition, there are three simplified versions of each formula with fewer data elements.

## SIMPLIFIED FORMULA

The simplified formula is basically the same as the regular formula except that asset information isn't considered in the calculation. A dependent student qualifies for the simplified calculation if

- the parents' combined adjusted gross income (AGI, for tax filers) or income earned from work (for non-filers) was less than \$50,000, and
- either (1) the parents were not required to file an IRS Form 1040,<sup>1</sup> (2) one of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act (see *Chapter 2* for a description of dislocated worker), or (3) anyone counted in their household size received a means-tested federal benefit during 2016 or 2017.<sup>2</sup>

An independent student qualifies for the simplified calculation if

- the student's and spouse's combined AGI (tax filers) or income earned from work (non-filers) was less than \$50,000, and

## Basic EFC formulas

- Dependent students
- Independent students
- Independent students with dependents

## Special calculations

- Simplified formula (no assets)
- Automatic zero EFC
- Other than nine-month enrollment

HEA Sec. 474–479

<sup>1</sup> Persons not required to file the IRS Form 1040 comprise those who do not have to submit a return, who filed or will file a 1040A or 1040EZ, and who were eligible to file a 1040A or 1040EZ but filed or will file a Form 1040 for no substantial reason or solely to claim an education tax credit.

For qualifying for the simplified formula or the automatic zero EFC, a foreign tax return counts as an IRS Form 1040, while a tax return for Puerto Rico, Guam, American Samoa, or the Virgin Islands counts as a Form 1040A or 1040EZ.

<sup>2</sup> See margin note #2 on the next page.

<sup>1</sup> See margin note #1 on the previous page.

<sup>2</sup> The means-tested federal benefit programs are:

- Medicaid (including the Children’s Health Insurance Program) or Supplemental Security Income (SSI)
- Supplemental Nutrition Assistance Program (SNAP) benefits, also known as food stamps
- Free and reduced price school lunches
- Temporary Assistance for Needy Families (TANF)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

A person need not have received the benefit for an entire year; receiving it at any time in the base or prior year qualifies. Also, an FAA may use professional judgment (PJ) to count a benefit if a person did not receive it during those 24 months but is receiving it now.

- either: (1) the student and spouse were not required to file an IRS Form 1040,<sup>1</sup> (2) one of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act, or (3) anyone counted in the household size received a means-tested federal benefit during 2016 or 2017.<sup>2</sup>

FAFSA on the Web has a threshold question that will cause the asset questions to be skipped when the student seems eligible for the simplified formula or an automatic zero EFC. But in some instances, such as when using a paper FAFSA, a student who qualifies for the simplified formula will provide asset information. In those cases the CPS will calculate two EFCs: one using the assets and one excluding them. The EFC from the simplified formula (which excludes assets) is called the primary EFC and is printed on the front of the student’s SAR, while the EFC from the full calculation is called the secondary EFC and is printed in the FAA Information section. To determine the student’s federal aid, the school must use the primary EFC, which will always be less than or equal to the secondary EFC. If it turns out that the student was not eligible for the simplified formula and did not provide asset information, the school must correct and submit the record and use the EFC reported on the resulting transaction.

### AUTOMATIC ZERO EFC

The law also provides for an automatic zero EFC for some students. The rules for determining who they are are the same as those for the simplified formula with these differences:

- The income threshold is \$25,000 or less instead of less than \$50,000.
- Independent students without dependents other than a spouse (those who use Formula B) do not qualify for an automatic zero EFC.

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### Automatic zero EFC

HEA Sec. 479(c)

### DEPARTMENT OF DEFENSE MATCH AND IRAQ AND AFGHANISTAN SERVICE GRANT

Schools will consider the EFC to be zero for Pell-eligible students with a parent or guardian who was a member of the U.S. Armed Forces and who died as a result of service in Iraq or Afghanistan after September 11, 2001. These students must have been less than 24 years old or enrolled in college when the parent or guardian died.

The CPS will match applications against a file provided by the Department of Defense (DOD). If a match is found, a personalized letter will be sent to the student explaining the potential increase in funding, the DOD match flag will be set to “Y” on the ISIR, and a date will appear in the parent’s date of death field (which, out of sensitivity, will not be noted on the SAR). The CPS will calculate an EFC normally; the school should use a zero EFC when packaging qualifying students.

Students in this situation who are not Pell eligible because their EFC is too high will be able to receive an Iraq and Afghanistan service grant (see *Volume 1, Chapter 6*). The amount of the grant will be the same as that of

the Pell Grant they would have been eligible for with a zero EFC minus a set percentage (see *Chapter 3 of Volume 3* for specific guidance on calculating grant awards). However, for these students the school uses the EFC calculated by the CPS for packaging instead of zero.

## ALTERNATE EFCs

The law specifies how the EFC of a dependent student must be modified if the student is going to enroll for other than a nine-month period. The EFC found in the upper right corner of the first page of the output document is based on a nine-month enrollment period and should always be used for awarding a Pell Grant, even if the student is attending for a longer or shorter period. The second section of the “FAA Information” area contains a table of alternate primary and secondary EFCs for periods of 1–12 months. These are alternate EFCs that you must use to award aid (other than Pell grants) if the student is attending for other than nine months.

## THE EFC WORKSHEETS

The end of the chapter contains the EFC worksheets, which can be used to manually calculate an EFC or to see how the EFC is determined for each of the formulas explained hereafter. For items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren’t used are grayed out.

## FORMULA A—DEPENDENT STUDENTS

The EFC for a dependent student is calculated using the FAFSA data for the student and his parents. The CPS calculates the parents’ contribution (which includes their assets), the student’s contribution from income, and the student’s contribution from assets; the EFC is the sum of these three.

Under the simplified formula, the parents’ contribution doesn’t include assets, nor is the student’s contribution from assets counted.

### **Parents’ contribution**

The parents’ available income and contribution from assets are first determined, and then these are used with the number in college to calculate the parents’ contribution.

▼ *Parents’ available income.* The parents’ available income is calculated by subtracting certain allowances from the parents’ total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been offset for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

The total income is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula. If the parents are tax filers, the parents’ AGI as reported on the FAFSA is the amount of the parents’ taxable income used in the calculation. If the parents are not

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### **Negative AGI or zero?**

The FAFSA instruction for parents’ AGI is to use the number that appears on a specific line of the tax return; this can be a negative number. The first line of the worksheet for EFC Formula A cites the FAFSA line number and instructs you to substitute a zero if the AGI is negative. This does not mean that a negative AGI should be reported as a zero on the FAFSA. The CPS will change the value to zero, and it makes assumptions that you will not make when completing an EFC worksheet by hand. When filling out the FAFSA, the applicant should follow the instruction given and use the AGI as it appears on the tax return.

tax filers, the calculation uses the parents' reported income earned from work. Total income can be a negative number.

The sum of the following allowances reduces the parents' total income:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table A1. This allowance is a percentage of parents' total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below \$15,000 or is \$15,000 or more. The state used is the parents' state of legal residence reported on the FAFSA. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table A1 for a blank or invalid state is used (2% for total income below \$15,000; 1% for total income of \$15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Parents' Social Security tax allowance.** The parents' Social Security taxes are calculated separately by applying the rates shown in Table A2 to both parents' income earned from work in 2016 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** Use Table A3. This allowance is for the basic living expenses of a family. It varies according to the number in the parents' household and the number in college in 2018–2019, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").
- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. For two working parents, the allowance is 35% of the lesser of the first or second parent's income earned from work (questions 88 and 89), but may not exceed \$4,000. For one-parent families, the allowance is 35% of the parent's income earned from work, also not to exceed \$4,000. If a student's parents are married and only one parent reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

▼ *Parents' contribution from assets.* The full formula uses the assets of parents of a dependent student and determines a "contribution from assets." This amount is combined with available income to give an accurate picture of the family's financial strength. In the simplified formula assets aren't counted.

First, the parents' **net worth** is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of these assets. Use Table A4 to calculate the amount to be used.

Second, the parents' **discretionary net worth** is calculated by subtracting the education savings and asset protection allowance (Table A5) from the parents' net worth. As with income, this is done to protect a portion of assets. The allowances for ages 40 through 65 approximate the present cost of an annuity that, when combined with Social Security benefits, would provide a moderate level of living for a retired couple or single person at age 65. As shown in Table A5, the allowance increases with the age of the older parent (as reported on the FAFSA) to indicate the cost of purchasing such an annuity at a given age. Discretionary net worth may be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to get the **parents' contribution from assets**, which represents the portion of parental assets considered available to help pay for the student's college education. If the contribution from assets is negative, it is set to zero.

▼ *Calculation of parents' contribution.* This is the final step in determining the parents' contribution. The parents' available income and contribution from assets are added together to determine the parents' adjusted available income, which can be a negative number. The total parents' contribution from adjusted available income is calculated from the amounts and rates in Table A6 and is the total amount parents are expected to contribute toward all of their family's postsecondary educational costs. The rates in Table A6 increase from 22% to 47% as the adjusted available income increases. This is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases and the portion available for discretionary purposes increases. Therefore, a progressively larger amount of income may be contributed toward postsecondary educational costs.

The parents' contribution for the individual student is calculated by dividing the total parents' contribution from adjusted available income by the number in college in 2018–2019, as reported on the FAFSA. Parents are not included in the number attending college.

### ***Student's contribution from income***

To determine the student's contribution from income, the student's available income (AI) is first calculated by subtracting total allowances from the student's total income. The AI is then assessed at a rate of 50% to obtain the student contribution from available income. If the student contribution from available income is less than zero, it's set to zero.

As with the parents' income information, the student's total income is calculated using information from his FAFSA. His total income is the sum of his taxable and untaxed income, minus amounts reported in the income but excluded from the formula (see *Chapter 2* for more on these exclusions). If the student is a tax filer, his AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If he is not a tax filer, the calculation uses his reported income earned from work. The total income may be a negative number.

The allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table A7. This allowance is a percentage of the student's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the parents' state of legal residence is used. If all three items are blank or invalid, the rate for a blank or invalid state in Table A7 is used (2%). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student's Social Security taxes are calculated by applying the rates shown in Table A2 to the student's income earned from work in 2016 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** The income protection allowance for a dependent student is \$6,570.
- **Parent's negative AAI.** To recognize that a student's income may be needed to help support the family, the EFC calculation allows a parent's negative adjusted available income (AAI) to reduce a dependent student's contribution from income. Because the student's contribution from income cannot be negative, this will not affect the student's contribution from assets.

### ***Student's contribution from assets***

The student's assets are treated the same way as the parents' assets with three differences: there is no adjustment to the net worth of a business or farm, there is no education savings and asset protection allowance, and net worth is assessed at the rate of 20%. Remember that under the simplified formula there is no student contribution from assets.

The student's net worth is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). The net worth is multiplied by 20% to obtain the student's contribution from assets, which is the portion of assets considered available to help pay for his postsecondary education.

### ***Alternate EFCs for other than nine-month enrollment***

The standard parents' contribution is for a nine-month enrollment period. For a shorter period, the parents' contribution is prorated according to the number of months of enrollment. The student's contribution from available income is also prorated and then added to the student asset contribution, which is not prorated. For an enrollment of more than nine months, the parents' contribution is calculated by adjusting the standard nine-month formula on page 3 of Worksheet A of the EFC worksheets, and the student's contribution remains at the nine-month amount.

## FORMULA B—INDEPENDENT STUDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student without dependents other than a spouse is calculated using FAFSA data for the student and spouse. The CPS calculates a contribution from available income and a contribution from assets. The sum of these two is divided by the number in college in 2018–2019, as reported on the FAFSA. The result is the EFC for the 2018–2019 award year. Under the simplified formula, the contribution from assets isn't used.

### ***Contribution from available income***

The student's available income, which can be a negative number, is calculated by subtracting the total allowances from the total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided to meet those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income is then assessed at a rate of 50% to obtain the student's contribution from available income.

▼ **Total income.** The total income is the sum of the student's and her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see *Chapter 2* for more on these exclusions). If the student and spouse are tax filers, their AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If they are not tax filers, the calculation uses reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. The total income can be a negative number.

▼ **Allowances against income.** Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table B1. This allowance is a percentage of the student and spouse's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2%). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table B2 to the student's income earned from work in 2016 and the spouse's income earned from work in 2016 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** The income protection allowance is \$10,220 for single students and for married students whose spouse is enrolled at least half time. The allowance is \$16,380 for married students whose spouse isn't enrolled at least half time.
- **Employment expense allowance.** Families with two working spouses have extra expenses that must be considered, such as house-keeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. If the student isn't married, the employment expense allowance is zero. If the student is married but only one person is working (either the student or the student's spouse), the allowance is zero. If both the student and his spouse are working, the allowance is 35% of the lesser of the student's income earned from work (Question 39) or the spouse's income earned from work (Question 40), but it may not exceed \$4,000.

### ***Contribution from assets***

For students who qualify for the simplified formula, there is no contribution from assets. In the full formula, the assets of an independent student with no dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs.

First, the **net worth** of the student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table B3 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table B4) from the net worth. The allowance increases with the age of the student as of December 31, 2018, which may be determined from the student's date of birth as reported on the FAFSA. This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 20% to obtain the student and spouse's contribution from assets, which represents the portion of the value of the assets that is considered available to help pay for the student's college education. If the contribution from assets is less than zero, it's set to zero.

### ***Alternate EFCs for other than nine-month enrollment***

The standard EFC is for a nine-month enrollment period. If the student will be enrolled for less than nine months, the EFC is simply prorated by dividing it by nine and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than nine months, however, the EFC remains at the nine-month amount.

## FORMULA C—INDEPENDENT STUDENT WITH DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student with dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA. The formula is almost the same as the formula for the parents of a dependent student. There are three basic steps. First, the student's available income is determined. Then, the student's contribution from assets is calculated. Finally, the EFC is calculated using the available income, the contribution from assets, and the number in college.

### *Available income*

Available income is calculated by subtracting allowances from the student's total income. These allowances account for certain nondiscretionary costs, such as taxes and basic living expenses, and represent a minimum level of support. The formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

▼ *Student's total income.* The student's total income is the sum of the student's and his spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see *Chapter 2* for more information on these exclusions). If the student and spouse are tax filers, AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If they are not tax filers, the calculation uses reported income earned from work. The total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table C1. This allowance is a percentage of the total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the total income is below \$15,000 or is \$15,000 or more. The state to be used is the student's state of legal residence reported on the FAFSA. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2% for total income below \$15,000; 1% for total income of \$15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table C2 to the student's income earned from work and the spouse's income earned from work in 2016 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table C3. This allowance provides for the basic living expenses of a family. It varies according to the number in the student’s household and the number in college in 2018–2019, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as “IPA”).
- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35% of the lesser of the student’s income earned from work (Question 39) or the spouse’s income earned from work (Question 40), but may not exceed \$4,000. If the student isn’t married, the allowance is 35% of the student’s income earned from work, or \$4,000, whichever is less. If a student is married and only the student *or* the spouse (but not both) reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

### ***Contribution from assets***

In the full formula, the assets of an independent student with dependents other than a spouse are considered in order to fully measure the family’s ability to contribute toward postsecondary educational costs. The formula determines a “contribution from assets,” an amount that is combined with available income to give an accurate picture of the family’s financial strength. In the simplified formula, the assets aren’t counted at all.

First, the **net worth** of a student and spouse’s assets is calculated by adding assets reported on the FAFSA. The net worth of a business or farm is adjusted to protect a portion of these assets. Use Table C4 to calculate the amount to be used.

Second, the student and spouse’s **discretionary net worth** is calculated by subtracting the asset protection allowance (Table C5) from the net worth. The allowance increases with the age of the student as of December 31, 2018, which may be determined from the student’s date of birth as reported on the FAFSA. This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by 7% to obtain the **contribution from assets**, which is the portion of the value of the student’s and spouse’s assets considered to be available to help pay for the student’s postsecondary education. If the contribution from assets is less than zero, it is set to zero.

***Calculation of student's EFC***

This is the final step in determining the EFC for the independent student with dependents other than a spouse. The available income and the contribution from assets are added together to obtain the adjusted available income. The adjusted available income can be a negative number. The total contribution from adjusted available income is calculated from using Table C6. This is the total amount the student's family is expected to contribute toward family postsecondary educational costs. The rates in Table C6 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. The larger the income, the easier it is for a family to contribute toward postsecondary educational costs with less effect on the maintenance of the family.

The EFC is calculated by dividing the total student's contribution from adjusted available income by the number in college in 2018–2019 as reported on the FAFSA. The result is the EFC for the 2018–2019 award period.

***Alternate EFCs for other than nine-month enrollment***

The standard EFC is for a nine-month enrollment period. If the student will be enrolled for less than nine months, the EFC is simply prorated by dividing it by nine and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than nine months, however, the EFC remains at the nine-month amount.



# 2018–2019 EFC FORMULA **A**: DEPENDENT STUDENT

PARENTS' INCOME IN 2016	
1. Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.	
2. a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88)	
2. b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) +	
Total parents' income earned from work =	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Total untaxed income and benefits: (Total of FAFSA/SAR #94a. through 94i.) +	
5. Taxable and untaxed income (Sum of line 3 and line 4.) =	
6. Total additional financial information (Total of FAFSA/SAR #93a. through 93f.) -	
<b>7. TOTAL INCOME</b> (Line 5 minus line 6.) May be a negative number. =	

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero. +	
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2) +	
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2) +	
12. Income protection allowance (Table A3) +	
13. Employment expense allowance: <ul style="list-style-type: none"> <li>Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>Two-parent families, one working parent: enter zero</li> </ul>	
<b>14. TOTAL ALLOWANCES</b> =	

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less **and**

- The parents are eligible to file a 2016 IRS Form 1040A or 1040EZ (they are not required to file a 2016 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2016 or 2017 from any of the designated means-tested federal benefit programs **or**
- Either of the parents is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME	
Total income (from line 7)	
Total allowances (from line 14) -	
<b>15. AVAILABLE INCOME (AI)</b> May be a negative number. =	

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #90)	
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero. +	
18. Net worth of business and/or investment farm (FAFSA/SAR #92) + If negative, enter zero.	
19. Adjusted net worth of business/farm (Calculate using Table A4.) +	
<b>20. Net worth</b> (Sum of lines 16, 17, and 19.) =	
21. Education savings and asset protection allowance (Table A5) -	
22. Discretionary net worth (Line 20 minus line 21.) =	
23. Asset conversion rate ×	.12
<b>24. CONTRIBUTION FROM ASSETS</b> If negative, enter zero. =	

PARENTS' CONTRIBUTION	
<b>AVAILABLE INCOME (AI)</b> (from line 15)	
<b>CONTRIBUTION FROM ASSETS</b> (from line 24) +	
<b>25. Adjusted Available Income (AAI)</b> May be a negative number. =	
<b>26. Total parents' contribution from AAI</b> (Calculate using Table A6.) If negative, enter zero.	
<b>27. Number in college in 2018–2019</b> (Exclude parents) (FAFSA/SAR #74) ÷	
<b>28. PARENTS' CONTRIBUTION</b> (standard contribution for nine-month enrollment)*** If negative, enter zero. =	

\*\*Do not include the family's home.

\*\*\*To calculate the parents' contribution for other than nine-month enrollment, see page 11.

*continued on the next page*

**STUDENT'S INCOME IN 2016**

<b>29.</b>	Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
<b>30.</b>	Income earned from work (FAFSA/SAR #39)		
<b>31.</b>	Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)		
<b>32.</b>	Total untaxed income and benefits (Total of FAFSA/SAR #45a. through 45j.)	+	
<b>33.</b>	Taxable and untaxed income (Sum of line 31 and line 32.)	=	
<b>34.</b>	Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	-	
<b>35.</b>	<b>TOTAL INCOME</b> (Line 33 minus line 34.) May be a negative number.	=	

**ALLOWANCES AGAINST STUDENT INCOME**

<b>36.</b>	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
<b>37.</b>	State and other tax allowance (Table A7) If negative, enter zero.	+	
<b>38.</b>	Social Security tax allowance (Table A2)	+	
<b>39.</b>	Income protection allowance	+	<b>6,570</b>
<b>40.</b>	Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
<b>41.</b>	<b>TOTAL ALLOWANCES</b>	=	

**STUDENT'S CONTRIBUTION FROM INCOME**

	<b>Total income</b> (from line 35)		
	<b>Total allowances</b> (from line 41)	-	
<b>42.</b>	<b>Available income (AI)</b>	=	
<b>43.</b>	<b>Assessment of AI</b>	×	<b>.50</b>
<b>44.</b>	<b>STUDENT'S CONTRIBUTION FROM AI</b> If negative, enter zero.	=	

**STUDENT'S CONTRIBUTION FROM ASSETS**

<b>45.</b>	Cash, savings & checking (FAFSA/SAR #41)		
<b>46.</b>	Net worth of investments* (FAFSA/SAR #42) If negative, enter zero	+	
<b>47.</b>	Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
<b>48.</b>	<b>Net worth</b> (Sum of lines 45 through 47.)	=	
<b>49.</b>	Assessment rate	×	<b>.20</b>
<b>50.</b>	<b>STUDENT'S CONTRIBUTION FROM ASSETS</b>	=	

**EXPECTED FAMILY CONTRIBUTION**

	<b>PARENTS' CONTRIBUTION</b> (from line 28)		
	<b>STUDENT'S CONTRIBUTION FROM AI</b> (from line 44)	+	
	<b>STUDENT'S CONTRIBUTION FROM ASSETS</b> (from line 50)	+	
<b>51.</b>	<b>EXPECTED FAMILY CONTRIBUTION</b> (standard contribution for nine-month enrollment)** If negative, enter zero.	=	

\*Do not include the student's home.

\*\*To calculate the EFC for other than nine-month enrollment, see the next page.

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

Calculation of Parents' Contribution for a Student Enrolled LESS than Nine Months		
A1. Parents' contribution (standard contribution for nine-month enrollment, from line 28)		
A2. Divide by 9	÷	9
A3. Parents' contribution per month	=	
A4. Multiply by number of months of enrollment	×	
<b>A5. Parents' contribution for LESS than nine-month enrollment</b>	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	5,070
B3. Alternate parents' AAI for more than nine-month enrollment (Line B1 + line B2.)	=	
B4. Total parents' contribution from alternate AAI (calculate using Table A6)		
B5. Number in college (FAFSA/SAR #74)	÷	
B6. Alternate parents' contribution for student (Line B4 divided by line B5.)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	-	
B8. Difference (Line B6 minus line B7.)	=	
B9. Divide line B8 by 12 months	÷	12
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceeds 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (Multiply line B10 by line B11.)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
<b>B14. Parents' contribution for MORE than nine-month enrollment</b>	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS than Nine Months*		
C1. Student's contribution from AI (standard contribution for nine-month enrollment, from line 44)		
C2. Divide by 9	÷	9
C3. Student's contribution from AI per month	=	
C4. Multiply by number of months of enrollment	×	
<b>C5. Student's contribution from AI for LESS than nine-month enrollment</b>	=	

\*For students enrolled more than nine months, the standard contribution from AI is used (the amount from line 44).

**Use next page to calculate total EFC for enrollment periods other than nine months.**

**Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months**

<p><b>Parents' Contribution—use ONE appropriate amount from previous page:</b></p> <ul style="list-style-type: none"> <li>• Enter amount from line A5 for enrollment periods less than nine months <b>OR</b></li> <li>• Enter amount from line B14 for enrollment periods greater than nine months</li> </ul>	
<p><b>Student's Contribution from Available Income—use ONE appropriate amount from previous page:</b></p> <ul style="list-style-type: none"> <li>• Enter amount from line C5 for enrollment periods less than nine months <b>OR</b></li> <li>• Enter amount from line 44 for enrollment periods greater than nine months</li> </ul>	+
<p><b>Student's Contribution from Assets</b></p> <ul style="list-style-type: none"> <li>• Enter amount from line 50</li> </ul>	+
<p><b>Expected Family Contribution for periods of enrollment other than nine months</b></p>	=

# 2018–2019 EFC FORMULA **A**: DEPENDENT STUDENT

SIMPLIFIED  
WORKSHEET  
Page 1

# A

PARENTS' INCOME IN 2016	
1. Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.	
2. a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88) _____	
2. b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) + _____	
Total parents' income earned from work =	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Total untaxed income and benefits: (Total of FAFSA/SAR #94a. through 94i.) +	
5. Taxable and untaxed income (Sum of line 3 and line 4.) =	
6. Total additional financial information (Total of FAFSA/SAR #93a. through 93f.) -	
<b>7. TOTAL INCOME</b> (Line 5 minus line 6.) May be a negative number. =	

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero. +	
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2) +	
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2) +	
12. Income protection allowance (Table A3) +	
13. Employment expense allowance: <ul style="list-style-type: none"> <li>• Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>• One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>• Two-parent families, one working parent: enter zero</li> </ul>	
<b>14. TOTAL ALLOWANCES</b> =	

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less **and**

- The parents are eligible to file a 2016 IRS Form 1040A or 1040EZ (they are not required to file a 2016 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2016 or 2017 from any of the designated means-tested federal benefit programs **or**
- Either of the parents is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

FSA HB December 2017

AVAILABLE INCOME	
Total income (from line 7)	
Total allowances (from line 14) -	
<b>15. AVAILABLE INCOME (AI)</b> May be a negative number. =	

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #90)	
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero. +	
18. Net worth of business and/or investment farm (FAFSA/SAR #92) +  If negative, enter zero.	
19. Adjusted net worth of business/farm (Calculate using Table A4.) +	
20. Net worth (Sum of lines 16, 17, and 19.) =	
21. Education savings and asset protection allowance (Table A5) -	
22. Discretionary net worth (Line 20 minus line 21.) =	
23. Asset conversion rate ×	
<b>24. CONTRIBUTION FROM ASSETS</b> If negative, enter zero. =	

PARENTS' CONTRIBUTION	
AVAILABLE INCOME (AI) (from line 15)	
CONTRIBUTION FROM ASSETS (from line 24) +	
25. Adjusted Available Income (AAI) May be a negative number. =	
26. Total parents' contribution from AAI (Calculate using Table A6.) If negative, enter zero.	
27. Number in college in 2018–2019 (Exclude parents) (FAFSA/SAR #74) ÷	
<b>28. PARENTS' CONTRIBUTION</b> (standard contribution for nine-month enrollment)*** If negative, enter zero. =	

\*\*Do *not* include the family's home.

\*\*\*To calculate the parents' contribution for other than nine-month enrollment, see page 15.

**Note: Do *not* complete the shaded areas; asset information is not required in the simplified formula.**

*continued on the next page*

**STUDENT'S INCOME IN 2016**

29. Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #39)		
31. Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)		
32. Total untaxed income and benefits (Total of FAFSA/SAR #45a. through 45j.)	+	
33. Taxable and untaxed income (Sum of line 31 and line 32.)	=	
34. Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	-	
35. <b>TOTAL INCOME</b> (Line 33 minus line 34.) May be a negative number.	=	

**ALLOWANCES AGAINST STUDENT INCOME**

36. 2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
37. State and other tax allowance (Table A7) If negative, enter zero.	+	
38. Social Security tax allowance (Table A2)	+	
39. Income protection allowance	+	6,570
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. <b>TOTAL ALLOWANCES</b>	=	

**STUDENT'S CONTRIBUTION FROM INCOME**

Total income (from line 35)		
Total allowances (from line 41)	-	
42. Available income (AI)	=	
43. Assessment of AI	×	.50
44. <b>STUDENT'S CONTRIBUTION FROM AI</b> If negative, enter zero.	=	

**STUDENT'S CONTRIBUTION FROM ASSETS**

45. Cash, savings & checking (FAFSA/SAR #41)		
46. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero	+	
47. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
48. <b>Net worth</b> (Sum of lines 45 through 47.)	=	
49. Assessment rate	×	
50. <b>STUDENT'S CONTRIBUTION FROM ASSETS</b>	=	

**EXPECTED FAMILY CONTRIBUTION**

PARENTS' CONTRIBUTION (from line 28)		
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+	
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+	
51. <b>EXPECTED FAMILY CONTRIBUTION</b> (standard contribution for nine-month enrollment)** If negative, enter zero.	=	

\*Do not include the student's home.

\*\*To calculate the EFC for other than nine-month enrollment, see the next page.

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

Calculation of Parents' Contribution for a Student Enrolled LESS than Nine Months		
A1. Parents' contribution (standard contribution for nine-month enrollment, from line 28)		
A2. Divide by 9	÷	9
A3. Parents' contribution per month	=	
A4. Multiply by number of months of enrollment	×	
<b>A5. Parents' contribution for LESS than nine-month enrollment</b>	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	5,070
B3. Alternate parents' AAI for more than nine-month enrollment (Line B1 + line B2.)	=	
B4. Total parents' contribution from alternate AAI (calculate using Table A6)		
B5. Number in college (FAFSA/SAR #74)	÷	
B6. Alternate parents' contribution for student (Line B4 divided by line B5.)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	-	
B8. Difference (Line B6 minus line B7.)	=	
B9. Divide line B8 by 12 months	÷	12
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
<b>B14. Parents' contribution for MORE than nine-month enrollment</b>	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS than Nine Months*		
C1. Student's contribution from AI (standard contribution for nine-month enrollment, from line 44)		
C2. Divide by 9	÷	9
C3. Student's contribution from AI per month	=	
C4. Multiply by number of months of enrollment	×	
<b>C5. Student's contribution from AI for LESS than nine-month enrollment</b>	=	

\*For students enrolled more than nine months, the standard contribution from AI is used (the amount from line 44).

**Use next page to calculate total EFC for enrollment periods other than nine months.**

**Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months**

<p><b>Parents' Contribution—use ONE appropriate amount from previous page:</b></p> <ul style="list-style-type: none"> <li>• Enter amount from line A5 for enrollment periods less than nine months <b>OR</b></li> <li>• Enter amount from line B14 for enrollment periods greater than nine months</li> </ul>	
<p><b>Student's Contribution from Available Income—use ONE appropriate amount from previous page:</b></p> <ul style="list-style-type: none"> <li>• Enter amount from line C5 for enrollment periods less than nine months <b>OR</b></li> <li>• Enter amount from line 44 for enrollment periods greater than nine months</li> </ul>	+
<p><b>Expected Family Contribution for periods of enrollment other than nine months</b></p>	=

**Table A1: State and Other Tax Allowance  
for EFC Formula A Worksheet (parents only)**

State	Percent of Total Income		State	Percent of Total Income	
	\$0-\$14,999	\$15,000 or more		\$0-\$14,999	\$15,000 or more
Alabama	3%	2%	Montana	4%	3%
Alaska	2%	1%	Nebraska	5%	4%
American Samoa	2%	1%	Nevada	2%	1%
Arizona	3%	2%	New Hampshire	4%	3%
Arkansas	4%	3%	New Jersey	9%	8%
California	8%	7%	New Mexico	3%	2%
Canada and Canadian Provinces	2%	1%	New York	9%	8%
Colorado	4%	3%	North Carolina	5%	4%
Connecticut	8%	7%	North Dakota	2%	1%
Delaware	4%	3%	Northern Mariana Islands	2%	1%
District of Columbia	7%	6%	Ohio	5%	4%
Federated States of Micronesia	2%	1%	Oklahoma	3%	2%
Florida	3%	2%	Oregon	7%	6%
Georgia	5%	4%	Palau	2%	1%
Guam	2%	1%	Pennsylvania	5%	4%
Hawaii	5%	4%	Puerto Rico	2%	1%
Idaho	4%	3%	Rhode Island	6%	5%
Illinois	6%	5%	South Carolina	4%	3%
Indiana	4%	3%	South Dakota	2%	1%
Iowa	5%	4%	Tennessee	2%	1%
Kansas	4%	3%	Texas	3%	2%
Kentucky	5%	4%	Utah	5%	4%
Louisiana	3%	2%	Vermont	6%	5%
Maine	6%	5%	Virgin Islands	2%	1%
Marshall Islands	2%	1%	Virginia	6%	5%
Maryland	8%	7%	Washington	3%	2%
Massachusetts	6%	5%	West Virginia	3%	2%
Mexico	2%	1%	Wisconsin	6%	5%
Michigan	4%	3%	Wyoming	2%	1%
Minnesota	6%	5%	Blank or Invalid State	2%	1%
Mississippi	3%	2%	Other	2%	1%
Missouri	4%	3%			

To calculate the state and other tax allowance, multiply the Parents' Total Income (EFC Formula A Worksheet, line 7) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula A Worksheet, line 9). Use the parents' State of Legal Residence (FAFSA/SAR #70). If this item is blank or invalid, use the student's State of Legal Residence (FAFSA/SAR #18). If both items are blank or invalid, use the State in the Student's Mailing Address (FAFSA/SAR #6). If all three items are blank or invalid, use the rate for a blank or invalid state above.

**Table A2: Social Security Tax**

Income Earned from Work*	Social Security Tax
\$0–\$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500

**Calculate separately the Social Security tax of parent 1, parent 2, and the student.**

\*Parent 1 (father/mother/stepparent) 2016 income earned from work is FAFSA/SAR #88  
 Parent 2 (father/mother/stepparent) 2016 income earned from work is FAFSA/SAR #89  
 Student’s 2016 income earned from work is FAFSA/SAR#39  
 Social Security Tax will never be less than zero.

**Table A3: Income Protection Allowance**

Number in parents’ household, including student (FAFSA/SAR #73)	Number of college students in the household (FAFSA/SAR #74)				
	1	2	3	4	5
2	\$18,320	\$15,180	not applicable	not applicable	not applicable
3	\$22,810	\$19,690	\$16,560	not applicable	not applicable
4	\$28,170	\$25,040	\$21,920	\$18,790	not applicable
5	\$33,240	\$30,100	\$26,990	\$23,850	\$20,740
6	\$38,880	\$35,740	\$32,630	\$29,490	\$26,380

Note: For each additional family member, add \$4,390.  
 For each additional college student (except parents), subtract \$3,120.

**Table A4: Business/Farm Net Worth Adjustment  
 for EFC Formula A Worksheet (parents only)**

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than \$1	\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$390,000	\$52,000 + 50% of net worth over \$130,000
\$390,001 to \$655,000	\$182,000 + 60% of net worth over \$390,000
\$655,001 or more	\$341,000 + 100% of net worth over \$655,000

## Table A5: Parents' Education Savings and Asset Protection Allowance

for EFC Formula A Worksheet (parents only)

<i>Age of older parent as of 12/31/2018*</i>	<i>Allowance if there are two parents**</i>	<i>Allowance if there is only one parent</i>	<i>Age of older parent as of 12/31/2018*</i>	<i>Allowance if there are two parents**</i>	<i>Allowance if there is only one parent</i>
25 or less	\$0	\$0	46	\$20,300	\$12,300
26	1,200	700	47	20,700	12,600
27	2,400	1,400	48	21,300	12,900
28	3,500	2,200	49	21,800	13,200
29	4,700	2,900	50	22,300	13,500
30	5,900	3,600	51	22,900	13,800
31	7,100	4,300	52	23,500	14,100
32	8,300	5,000	53	24,100	14,400
33	9,400	5,800	54	24,800	14,800
34	10,600	6,500	55	25,400	15,200
35	11,800	7,200	56	26,100	15,500
36	13,000	7,900	57	26,800	15,900
37	14,200	8,600	58	27,600	16,300
38	15,300	9,400	59	28,300	16,700
39	16,500	10,100	60	29,100	17,100
40	17,700	10,800	61	30,000	17,600
41	18,100	11,000	62	30,800	18,000
42	18,500	11,300	63	31,700	18,500
43	18,900	11,500	64	32,600	19,000
44	19,300	11,800	65 or older	33,600	19,500
45	19,800	12,000			

\* Determine the age of the older parent listed in FAFSA/SAR #64 and #68 as of 12/31/2018. If no parent date of birth is provided, use age 45.

\*\* Use the two parent allowance when the Parents' Marital Status listed in FAFSA/SAR #59 is "married or remarried" or "unmarried and both parents are living together."

## Table A6: Parents' Contribution from AAI

<b>If the parents' AAI—</b>	<b>Then the parents' contribution from AAI is—</b>
Less than -\$3,409	-\$750
-\$3,409 to \$16,400	22% of AAI
\$16,401 to \$20,500	\$3,608 + 25% of AAI over \$16,400
\$20,501 to \$24,700	\$4,633 + 29% of AAI over \$20,500
\$24,701 to \$28,900	\$5,851 + 34% of AAI over \$24,700
\$28,901 to \$33,100	\$7,279 + 40% of AAI over \$28,900
\$33,101 or more	\$8,959+ 47% of AAI over \$33,100

**Table A7: State and Other Tax Allowance  
for EFC Formula A Worksheet (student only)**

State	Percent	State	Percent
Alabama	2%	Montana	3%
Alaska	0%	Nebraska	3%
American Samoa	1%	Nevada	1%
Arizona	2%	New Hampshire	1%
Arkansas	3%	New Jersey	4%
California	6%	New Mexico	2%
Canada and Canadian Provinces	1%	New York	6%
Colorado	3%	North Carolina	3%
Connecticut	5%	North Dakota	1%
Delaware	3%	Northern Mariana Islands	1%
District of Columbia	6%	Ohio	3%
Federated States of Micronesia	1%	Oklahoma	2%
Florida	1%	Oregon	5%
Georgia	3%	Palau	1%
Guam	1%	Pennsylvania	3%
Hawaii	4%	Puerto Rico	1%
Idaho	3%	Rhode Island	3%
Illinois	3%	South Carolina	3%
Indiana	3%	South Dakota	1%
Iowa	3%	Tennessee	1%
Kansas	2%	Texas	1%
Kentucky	3%	Utah	3%
Louisiana	2%	Vermont	3%
Maine	3%	Virgin Islands	1%
Marshall Islands	1%	Virginia	4%
Maryland	5%	Washington	1%
Massachusetts	4%	West Virginia	2%
Mexico	1%	Wisconsin	4%
Michigan	2%	Wyoming	1%
Minnesota	4%	Blank or Invalid State	1%
Mississippi	2%	Other	1%
Missouri	3%		

To calculate the state and other tax allowance, multiply the Student's Total Income (EFC Formula A Worksheet, line 35) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula A Worksheet, line 37). Use the Student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the Parents's State of Legal Residence (FAFSA/SAR #70). If all three items are blank or invalid, use the rate for a blank or invalid state above.

# 2018–2019 EFC FORMULA **B**: INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

REGULAR  
WORKSHEET  
Page 1

# B

STUDENT/SPOUSE INCOME IN 2016	
1.	Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.
2.	a. Student's income earned from work (FAFSA/SAR #39) _____
2.	b. Spouse's income earned from work (FAFSA/SAR #40) + _____
	Total student/spouse income earned from work = _____
3.	Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)
4.	Total untaxed income and benefits (Sum total of FAFSA/SAR #45a. through 45j.) + _____
5.	Taxable and untaxed income (Sum of line 3 and line 4.) = _____
6.	Total additional financial information (Sum total of FAFSA/SAR #44a. through 44f.) - _____
7.	<b>TOTAL INCOME</b> (Line 5 minus line 6.) May be a negative number. = _____

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.
9.	State and other tax allowance (Table B1) If negative, enter zero. + _____
10.	Student's Social Security tax (Table B2) + _____
11.	Spouse's Social Security tax (Table B2) + _____
12.	Income protection allowance: <ul style="list-style-type: none"> <li>• \$10,220 for single, separated or divorced/widowed student;</li> <li>• \$10,220 for married student if spouse is enrolled at least 1/2 time;</li> <li>• \$16,380 for married student if spouse is not enrolled at least 1/2 time.</li> </ul> + _____
13.	Employment expense allowance: <ul style="list-style-type: none"> <li>• If student is not married or is separated, the allowance is zero.</li> <li>• If student is married but only one person is working (the student or spouse), the allowance is zero.</li> <li>• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or \$4,000, whichever is less.</li> </ul> + _____
14.	<b>TOTAL ALLOWANCES</b> = _____

CONTRIBUTION FROM AVAILABLE INCOME	
TOTAL INCOME	(from line 7)
TOTAL ALLOWANCES	(from line 14) -
15.	<b>AVAILABLE INCOME (AI)</b> =
16.	Assessment rate × <b>.50</b>
17.	<b>CONTRIBUTION FROM AI</b> = May be a negative number.

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
18.	Cash, savings & checking (FAFSA/SAR #41)
19.	Net worth of investments* (FAFSA/SAR #42) If negative, enter zero. + _____
20.	Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero. + _____
21.	Adjusted net worth of business/farm (Calculate using Table B3.) + _____
22.	<b>Net worth</b> (Sum of lines 18, 19, and 21.) = _____
23.	Asset protection allowance (Table B4) - _____
24.	Discretionary net worth (Line 22 minus line 23.) = _____
25.	Asset conversion rate × <b>.20</b>
26.	<b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. = _____

EXPECTED FAMILY CONTRIBUTION	
CONTRIBUTION FROM AI	(from line 17) May be a negative number.
CONTRIBUTION FROM ASSETS	(from line 26) +
27.	<b>Contribution from AI and assets</b> =
28.	<b>Number in college in 2018–2019</b> (FAFSA/SAR #96) ÷
29.	<b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.** =

\*Do *not* include the student's home.

\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 29 above).

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

<b>Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months</b>		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula B Worksheet, line 29).

# 2018–2019 EFC FORMULA **B**: INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

SIMPLIFIED  
WORKSHEET  
Page 1

# B

STUDENT/SPOUSE INCOME IN 2016	
1.	Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.
2.	a. Student's income earned from work (FAFSA/SAR #39) _____
2.	b. Spouse's income earned from work (FAFSA/SAR #40) + _____
	Total student/spouse income earned from work = _____
3.	Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)
4.	Total untaxed income and benefits (Sum total of FAFSA/SAR #45a. through 45j.) + _____
5.	Taxable and untaxed income (Sum of line 3 and line 4.) = _____
6.	Total additional financial information (Sum total of FAFSA/SAR #44a. through 44f.) - _____
7.	<b>TOTAL INCOME</b> (Line 5 minus line 6.) May be a negative number. = _____

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.
9.	State and other tax allowance (Table B1) If negative, enter zero. + _____
10.	Student's Social Security tax (Table B2) + _____
11.	Spouse's Social Security tax (Table B2) + _____
12.	Income protection allowance: <ul style="list-style-type: none"> <li>• \$10,220 for single, separated or divorced/widowed student;</li> <li>• \$10,220 for married student if spouse is enrolled at least 1/2 time;</li> <li>• \$16,380 for married student if spouse is not enrolled at least 1/2 time. + _____</li> </ul>
13.	Employment expense allowance: <ul style="list-style-type: none"> <li>• If student is not married or is separated, the allowance is zero.</li> <li>• If student is married but only one person is working (the student or spouse), the allowance is zero.</li> <li>• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or \$4,000, whichever is less. + _____</li> </ul>
14.	<b>TOTAL ALLOWANCES</b> = _____

CONTRIBUTION FROM AVAILABLE INCOME	
TOTAL INCOME	(from line 7)
TOTAL ALLOWANCES	(from line 14) -
15.	<b>AVAILABLE INCOME (AI)</b> =
16.	Assessment rate × .50
17.	<b>CONTRIBUTION FROM AI</b> May be a negative number. =

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
18.	Cash, savings & checking (FAFSA/SAR #41)
19.	Net worth of investments* (FAFSA/SAR #42) + If negative, enter zero.
20.	Net worth of business and/or investment farm (FAFSA/SAR #43) + If negative, enter zero.
21.	Adjusted net worth of business/farm (Calculate using Table B3.) +
22.	<b>Net worth</b> (Sum of lines 18, 19, and 21.) =
23.	Asset protection allowance (Table B4) -
24.	Discretionary net worth (Line 22 minus line 23.) =
25.	Asset conversion rate ×
26.	<b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. =

EXPECTED FAMILY CONTRIBUTION	
CONTRIBUTION FROM AI	(from line 17) May be a negative number.
CONTRIBUTION FROM ASSETS	(from line 26) +
27.	<b>Contribution from AI and assets</b> =
28.	<b>Number in college in 2018–2019</b> (FAFSA/SAR #96) ÷
29.	<b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.** =

\*Do not include the student's home.

\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 29 above).

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

**Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months**

Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula B Worksheet, line 29.)

**Table B1: State and Other Tax Allowance**

State	Percent	State	Percent
Alabama	2%	Montana	3%
Alaska	0%	Nebraska	3%
American Samoa	1%	Nevada	1%
Arizona	2%	New Hampshire	1%
Arkansas	3%	New Jersey	4%
California	6%	New Mexico	2%
Canada and Canadian Provinces	1%	New York	6%
Colorado	3%	North Carolina	3%
Connecticut	5%	North Dakota	1%
Delaware	3%	Northern Mariana Islands	1%
District of Columbia	6%	Ohio	3%
Federated States of Micronesia	1%	Oklahoma	2%
Florida	1%	Oregon	5%
Georgia	3%	Palau	1%
Guam	1%	Pennsylvania	3%
Hawaii	4%	Puerto Rico	1%
Idaho	3%	Rhode Island	3%
Illinois	3%	South Carolina	3%
Indiana	3%	South Dakota	1%
Iowa	3%	Tennessee	1%
Kansas	2%	Texas	1%
Kentucky	3%	Utah	3%
Louisiana	2%	Vermont	3%
Maine	3%	Virgin Islands	1%
Marshall Islands	1%	Virginia	4%
Maryland	5%	Washington	1%
Massachusetts	4%	West Virginia	2%
Mexico	1%	Wisconsin	4%
Michigan	2%	Wyoming	1%
Minnesota	4%	Blank or Invalid State	1%
Mississippi	2%	Other	1%
Missouri	3%		

To calculate the state and other tax allowance, multiply the total income of the student and spouse (EFC Formula B Worksheet, line 7) by the appropriate rate from the table above to determine the "State and Other Tax Allowance" (EFC Formula B Worksheet, line 9). Use the Student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for a blank or invalid state above.

**Table B2: Social Security Tax**

Income Earned from Work*	Social Security Tax
\$0–\$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500
<p><b>Calculate separately the Social Security tax of the student and spouse.</b></p> <p>*Student’s 2016 income earned from work is FAFSA/SAR #39            Spouse’s 2016 income earned from work is FAFSA/SAR #40            Social Security Tax will never be less than zero.</p>	

**Table B3: Business/Farm Net Worth Adjustment**

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than \$1	\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$390,000	\$52,000 + 50% of net worth over \$130,000
\$390,001 to \$655,000	\$182,000 + 60% of net worth over \$390,000
\$655,001 or more	\$341,000 + 100% of net worth over \$655,000

**Table B4: Asset Protection Allowance**

<i>Age of Student as of 12/31/2018*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>	<i>Age of Student as of 12/31/2018*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>
25 or less	\$0	\$0	46	\$20,300	\$12,300
26	1,200	700	47	20,700	12,600
27	2,400	1,400	48	21,300	12,900
28	3,500	2,200	49	21,800	13,200
29	4,700	2,900	50	22,300	13,500
30	5,900	3,600	51	22,900	13,800
31	7,100	4,300	52	23,500	14,100
32	8,300	5,000	53	24,100	14,400
33	9,400	5,800	54	24,800	14,800
34	10,600	6,500	55	25,400	15,200
35	11,800	7,200	56	26,100	15,500
36	13,000	7,900	57	26,800	15,900
37	14,200	8,600	58	27,600	16,300
38	15,300	9,400	59	28,300	16,700
39	16,500	10,100	60	29,100	17,100
40	17,700	10,800	61	30,000	17,600
41	18,100	11,000	62	30,800	18,000
42	18,500	11,300	63	31,700	18,500
43	18,900	11,500	64	32,600	19,000
44	19,300	11,800	65 or older	33,600	19,500
45	19,800	12,000			

\* Determine the student's age as of 12/31/2018 from the student's date of birth (FAFSA/SAR #9).



# 2018–2019 EFC FORMULA **C**: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

REGULAR  
WORKSHEET  
Page 1



STUDENT/SPOUSE INCOME IN 2016	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2. a. Student's income earned from work (FAFSA/SAR #39) _____	
2. b. Spouse's income earned from work (FAFSA/SAR #40) + _____	
Total student/spouse income earned from work =	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Total untaxed income and benefits (Sum total of FAFSA/SAR #45a. through 45j.) +	
5. Taxable and untaxed income (Sum of line 3 and line 4.) =	
6. Total additional financial information (Sum total of FAFSA/SAR #44a. through 44f.) -	
<b>7. TOTAL INCOME</b> (Line 5 minus line 6.) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table C1) If negative, enter zero. +	
10. Student's Social Security tax (Table C2) +	
11. Spouse's Social Security tax (Table C2) +	
12. Income protection allowance (Table C3) +	
13. Employment expense allowance: <ul style="list-style-type: none"> <li>• Student and spouse both working: 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>• One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>• Student or spouse working (not both): zero +</li> </ul>	
<b>14. TOTAL ALLOWANCES</b> =	

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2016 IRS Form 1040A or 1040EZ (they are not required to file a 2016 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the student's household size (as defined on the FAFSA) received benefits during 2016 or 2017 from any of the designated means-tested federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME	
TOTAL INCOME (from line 7)	
TOTAL ALLOWANCES (from line 14) -	
<b>15. AVAILABLE INCOME (AI)</b> (May be a negative number.) =	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #41)	
17. Net worth of investments** (FAFSA/SAR #42) + If negative, enter zero.	
18. Net worth of business and/or investment farm (FAFSA/SAR #43) + If negative, enter zero.	
19. Adjusted net worth of business/farm (Calculate using Table C4.) +	
<b>20. Net worth</b> (Sum of lines 16, 17, and 19.) =	
21. Asset protection allowance (Table C5) -	
22. Discretionary net worth (Line 20 minus line 21.) =	
23. Asset conversion rate ×	.07
<b>24. CONTRIBUTION FROM ASSETS</b> (If negative, enter zero.) =	

EXPECTED FAMILY CONTRIBUTION	
AVAILABLE INCOME (AI) (from line 15)	
CONTRIBUTION FROM ASSETS (from line 24) +	
<b>25. Adjusted Available Income (AAI)</b> (May be a negative number.) =	
<b>26. Total contribution from AAI</b> (Calculate using Table C6.) If negative, enter zero.	
<b>27. Number in college in 2018–2019</b> (FAFSA/SAR #96) ÷	
<b>28. EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.*** =	

\*\*Do not include the student's home.

\*\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 28 above).

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

**Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months**

Expected Family Contribution (standard contribution for nine-month enrollment, from line 28)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\* Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula C Worksheet, line 28).

# 2018–2019 EFC FORMULA **C**: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

SIMPLIFIED  
WORKSHEET  
Page 1



STUDENT/SPOUSE INCOME IN 2016		
1.	Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2.	a. Student's income earned from work (FAFSA/SAR #39) _____	
2.	b. Spouse's income earned from work (FAFSA/SAR #40) + _____	
	Total student/spouse income earned from work =	
3.	Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4.	Total untaxed income and benefits (Sum total of FAFSA/SAR #45a. through 45j.) +	
5.	Taxable and untaxed income (Sum of line 3 and line 4.) =	
6.	Total additional financial information (Sum total of FAFSA/SAR #44a. through 44f.) -	
7.	<b>TOTAL INCOME</b> (Line 5 minus line 6.) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9.	State and other tax allowance (Table C1) If negative, enter zero. +	
10.	Student's Social Security tax (Table C2) +	
11.	Spouse's Social Security tax (Table C2) +	
12.	Income protection allowance (Table C3) +	
13.	Employment expense allowance: <ul style="list-style-type: none"> <li>• Student and spouse both working: 35% of the lesser of the earned incomes, or \$4,000, whichever is less</li> <li>• One-parent families: 35% of earned income, or \$4,000, whichever is less</li> <li>• Student or spouse working (not both): zero +</li> </ul>	
14.	<b>TOTAL ALLOWANCES</b> =	

\*STOP HERE if the following are true:

Line 3 is \$25,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2016 IRS Form 1040A or 1040EZ (they are not required to file a 2016 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the student's household size (as defined on the FAFSA) received benefits during 2016 or 2017 from any of the designated means-tested federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker.

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME		
TOTAL INCOME	(from line 7)	
TOTAL ALLOWANCES	(from line 14) -	
15.	<b>AVAILABLE INCOME (AI)</b> May be a negative number. =	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
16.	Cash, savings & checking (FAFSA/SAR #41)	
17.	Net worth of investments** (FAFSA/SAR #42) If negative, enter zero. +	
18.	Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero. +	
19.	Adjusted net worth of business/farm (Calculate using Table C4.) +	
20.	<b>Net worth</b> (Sum of lines 16, 17, and 19.) =	
21.	Asset protection allowance (Table C5) -	
22.	Discretionary net worth (Line 20 minus line 21.) =	
23.	Asset conversion rate ×	
24.	<b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero. =	

EXPECTED FAMILY CONTRIBUTION		
AVAILABLE INCOME (AI)	(from line 15)	
CONTRIBUTION FROM ASSETS	(from line 24) +	
25.	<b>Adjusted Available Income (AAI)</b> May be a negative number. =	
26.	<b>Total contribution from AAI</b> (Calculate using Table C6.) If negative, enter zero.	
27.	<b>Number in college in 2018–2019</b> (FAFSA/SAR #96) ÷	
28.	<b>EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero.*** =	

\*\*Do not include the student's home.

\*\*\*To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 28 above).

**Note: Do not complete the shaded areas; asset information is not required in the simplified formula.**

**Note:** Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 28)		
Divide by 9	÷	<b>9</b>
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
<b>Expected Family Contribution for less than nine-month enrollment*</b>	=	

\*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula C Worksheet, line 28).

## Table C1: State and Other Tax Allowance

State	Percent of Total Income		State	Percent of Total Income	
	\$0 - \$14,999	\$15,000 or more		\$0 - \$14,999	\$15,000 or more
Alabama	3%	2%	Montana	4%	3%
Alaska	2%	1%	Nebraska	5%	4%
American Samoa	2%	1%	Nevada	2%	1%
Arizona	3%	2%	New Hampshire	4%	3%
Arkansas	4%	3%	New Jersey	9%	8%
California	8%	7%	New Mexico	3%	2%
Canada and Canadian Provinces	2%	1%	New York	9%	8%
Colorado	4%	3%	North Carolina	5%	4%
Connecticut	8%	7%	North Dakota	2%	1%
Delaware	4%	3%	Northern Mariana Islands	2%	1%
District of Columbia	7%	6%	Ohio	5%	4%
Federated States of Micronesia	2%	1%	Oklahoma	3%	2%
Florida	3%	2%	Oregon	7%	6%
Georgia	5%	4%	Palau	2%	1%
Guam	2%	1%	Pennsylvania	5%	4%
Hawaii	5%	4%	Puerto Rico	2%	1%
Idaho	4%	3%	Rhode Island	6%	5%
Illinois	6%	5%	South Carolina	4%	3%
Indiana	4%	3%	South Dakota	2%	1%
Iowa	5%	4%	Tennessee	2%	1%
Kansas	4%	3%	Texas	3%	2%
Kentucky	5%	4%	Utah	5%	4%
Louisiana	3%	2%	Vermont	6%	5%
Maine	6%	5%	Virgin Islands	2%	1%
Marshall Islands	2%	1%	Virginia	6%	5%
Maryland	8%	7%	Washington	3%	2%
Massachusetts	6%	5%	West Virginia	3%	2%
Mexico	2%	1%	Wisconsin	6%	5%
Michigan	4%	3%	Wyoming	2%	1%
Minnesota	6%	5%	Blank or Invalid State	2%	1%
Mississippi	3%	2%	Other	2%	1%
Missouri	4%	3%			

To calculate the state and other tax allowance, multiply the total income of the student and spouse (EFC Formula C Worksheet, line 7) by the appropriate rate from the table above to get the “State and Other Tax Allowance” (EFC Formula C Worksheet, line 9). Use the student’s State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the State in the Student’s Mailing Address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for a blank or invalid state above.

**Table C2: Social Security Tax**

Income Earned from Work*	Social Security Tax
\$0–\$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500

**Calculate separately the Social Security tax of the student and spouse.**

\*Student’s 2016 income earned from work is FAFSA/SAR #39  
 Spouse’s 2016 income earned from work is FAFSA/SAR #40  
 Social Security Tax will never be less than zero.

**Table C3: Income Protection Allowance**

Number in student’s household, including student (FAFSA/SAR #95)	Number of college students in the household (FAFSA/SAR #96)				
	1	2	3	4	5
2	\$25,870	\$21,450	not applicable	not applicable	not applicable
3	\$32,210	\$27,810	\$23,390	not applicable	not applicable
4	\$39,780	\$35,370	\$30,960	\$26,530	not applicable
5	\$46,940	\$42,500	\$38,100	\$33,690	\$29,290
6	\$54,890	\$50,480	\$46,080	\$41,640	\$37,250

Note: For each additional family member, add \$6,200.  
 For each additional college student, subtract \$4,400.

**Table C4: Business/Farm Net Worth Adjustment**

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than \$1	\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$390,000	\$52,000 + 50% of net worth over \$130,000
\$390,001 to \$655,000	\$182,000 + 60% of net worth over \$390,000
\$655,001 or more	\$341,000 + 100% of net worth over \$655,000

**Table C5: Asset Protection Allowance**

<i>Age of Student as of 12/31/2018*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>	<i>Age of Student as of 12/31/2018*</i>	<i>Allowance for Married Student</i>	<i>Allowance for Unmarried Student</i>
25 or less	\$0	\$0	46	\$20,300	\$12,300
26	1,200	700	47	20,700	12,600
27	2,400	1,400	48	21,300	12,900
28	3,500	2,200	49	21,800	13,200
29	4,700	2,900	50	22,300	13,500
30	5,900	3,600	51	22,900	13,800
31	7,100	4,300	52	23,500	14,100
32	8,300	5,000	53	24,100	14,400
33	9,400	5,800	54	24,800	14,800
34	10,600	6,500	55	25,400	15,200
35	11,800	7,200	56	26,100	15,500
36	13,000	7,900	57	26,800	15,900
37	14,200	8,600	58	27,600	16,300
38	15,300	9,400	59	28,300	16,700
39	16,500	10,100	60	29,100	17,100
40	17,700	10,800	61	30,000	17,600
41	18,100	11,000	62	30,800	18,000
42	18,500	11,300	63	31,700	18,500
43	18,900	11,500	64	32,600	19,000
44	19,300	11,800	65 or older	33,600	19,500
45	19,800	12,000			

\* Determine the student's age as of 12/31/2018 from the student's date of birth (FAFSA/SAR #9)

**Table C6: Student's Contribution from AAI**

<b>If the student's AAI—</b>	<b>Then the student's contribution from AAI is—</b>
Less than -\$3,409	-\$750
\$-3,409 to \$16,400	22% of AAI
\$16,401 to \$20,500	\$3,608 + 25% of AAI over \$16,400
\$20,501 to \$24,700	\$4,633 + 29% of AAI over \$20,500
\$24,701 to \$28,900	\$5,851 + 34% of AAI over \$24,700
\$28,901 to \$33,100	\$7,279 + 40% of AAI over \$28,900
\$33,101 or more	\$8,959 + 47% of AAI over \$33,100



# Verification, Updates, and Corrections



*Because students sometimes make errors on their application, there is a process for verifying applications and making corrections. The Central Processing System (CPS) selects which applications are to be verified, but you also have the authority to verify additional students.*

You must verify applications selected by the CPS of students who will receive or have received subsidized student financial assistance, as defined in the margin. Verification is not required for students who are only eligible for unsubsidized student financial assistance (however, see *Verification exclusions* later in this chapter for an important caveat). While graduate students are ineligible for most types of subsidized Title IV aid, they are eligible for Federal Work Study and would need to complete verification if they are selected and receive that aid. Students who are eligible for both subsidized and unsubsidized Title IV aid may not avoid verification by accepting only unsubsidized aid; they must complete verification to receive any Title IV aid. However, see the relevant margin note on page 93.

## REQUIRED POLICIES AND PROCEDURES

Your school must have written policies about

- the time period in which students must submit verification documentation,
- the consequences for failing to submit those documents in time,
- the method you will use to notify students if their EFC and Title IV aid amounts change,
- the procedures you or students will follow to correct FAFSA data,
- the procedure you will follow to refer a student to the Office of Inspector General (OIG) (see *Chapter 5*).

Your school must provide, in a timely manner, students selected for verification a clear explanation of their role, including what documents they must submit, the deadlines they must meet, and the consequences of failing to meet them.

You must complete verification for a selected student before you exercise professional judgment to adjust any values that are used to calculate the EFC. But making a professional judgment (PJ) adjustment does not require you to verify an application that isn't selected.

## Verification regulations

34 CFR 668.51–61

## Definitions

34 CFR 668.52

**Subsidized student financial assistance programs**—Title IV programs for which eligibility is determined by the EFC. These include the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work Study (FWS), Perkins Loan, and Direct Subsidized Loan programs.

**Unsubsidized student financial assistance programs**—Title IV programs for which eligibility is not based on the EFC. These include the Teacher Education Assistance for College and Higher Education (TEACH) Grant, Direct Unsubsidized Loan, and Direct PLUS Loan programs.

The Iraq and Afghanistan Service Grant is a non-need-based grant and is not subject to verification.

## Policies and procedures

34 CFR 668.53

## Verification items for 2018–2019

34 CFR 668.56

The verification items for 2018–2019 are the same as last year's:

- Adjusted gross income (AGI)
- U.S. income tax paid
- Education credits
- Untaxed IRA distributions
- Untaxed pensions
- IRA deductions and payments
- Tax-exempt interest
- Income earned from work
- Household size
- Number in college
- High school completion status
- Identity/statement of educational purpose

See the May 5, 2017, *Federal Register*.

## Changing tracking groups

A student may move from Verification Tracking Group V1 or V4 to group V5 based on corrections made to her CPS record or on other information available to the Department. If verification was already completed for the previous group, the student is only required to verify the V5 information that was not already verified. If verification was not completed for the previous group, the student only needs to verify the V5 information.

No disbursements of Title IV aid may be made until the V5 verification is satisfactorily completed. If the applicant doesn't complete verification, the school is not liable for any Title IV aid it disbursed prior to receiving the group V5 ISIR. The applicant is liable for the full amount because without verification there is no evidence she was eligible for that aid. See the [electronic announcement of October 31, 2016](#), for more information about disbursements and potential return of funds when students are selected for verification.

## APPLICATIONS AND INFORMATION TO BE VERIFIED

The Department's long-term goal is for a customized approach to verification. A menu of potential verification items for each award year will be published in the *Federal Register*, and the items to verify for a given application will be selected from that menu and indicated on the student's output documents. Output documents will continue to include only one verification flag to show students who were selected, and they will need to verify all the FAFSA items shown in the margin that apply to them.

The verification flag will have a value of "Y," and next to the EFC will be an asterisk referring to a comment in the student section of the SAR that tells applicants they will be asked by their schools to provide documentation. A verification tracking flag will be set on the applicant's Institutional Student Information Record (ISIR) to indicate placement in one of the 2018–2019 verification tracking groups.

In some cases you, not the CPS, will select a student for verification. You must verify any information you have reason to believe is incorrect on an application. Also, you may at your discretion require a student to verify any FAFSA information and provide reasonable documentation according to consistently applied school policies. In either case you may, but are not required to, include any of the CPS verification items not already included. Whether you do that or not, students with these applications are considered selected for verification and, as with CPS-selected applications, all other verification requirements, such as deadlines, allowable tolerances, and interim disbursement rules, apply.

## Verification tracking groups

Students who are selected for verification will be placed in one of the following groups to determine which FAFSA information must be verified.

**V1—Standard Verification Group.** Students in this group must verify the following if they are tax filers:

- Adjusted gross income
- U.S. income tax paid
- Untaxed portions of IRA distributions
- Untaxed portions of pensions
- IRA deductions and payments
- Tax-exempt interest income
- Education credits
- Household size
- Number in college

Students who are not tax filers must verify the following:

- Income earned from work
- Household size
- Number in college

V2—Reserved for future use by the Department.

V3—Reserved for future use by the Department.

V4—**Custom Verification Group.** Students must verify high school completion status and identity/statement of educational purpose.

V5—**Aggregate Verification Group.** Students must verify high school completion status and identity/statement of educational purpose (SEP) in addition to the items in the Standard Verification Group.

V6—Reserved for future use by the Department.

### **Reporting results for groups V4 and V5**

You must report the verification results of identity and high school (HS) completion status for any student for whom you receive an ISIR with tracking flag V4 or V5—as selected by the CPS, not your school—and request verification documentation. You report this information on the FAA Access to CPS Online website: select the Identity Verification Results option from the main menu, enter your school identifiers, the year, and the student identifiers. You will then enter one of the following numeric codes that most applies:

- 1—Verification completed in person, no issues found
- 2—Verification completed using notary, no issues found
- 3—Verification attempted, issues found with identity. (You received acceptable documentation of high school completion, but you did not receive the SEP or documentation of identity or the latter was unacceptable.)
- 4—Verification attempted, issues found with HS completion. (You received the SEP and acceptable documentation of identity, but you didn't get HS completion documentation or it was unacceptable.)
- 5—No response from applicant or unable to locate
- 6—Verification attempted, issues found with both identity and HS completion

You should report results no more than 60 days following your first request to the student for documentation of identity and high school completion. Inaccurate and untimely reporting may subject your school to findings as a result of your annual compliance audit or a program review. You should not wait until the award year ends before reporting these results. If there is a change in a result you have already submitted, you can submit the new code using the above process, and you should make that change within 30 days.

Because the FAA Access website does not store a list of these verification results for you to retrieve, we recommend you print and keep the confirmation page for your records. Instead of using this individual method, you can submit verification results by uploading a flat file with the data for up to 2,000 students.

### **Online verification assessment module**

<https://ifap.ed.gov/qahome/qaassessments/fsaverification.html>

### **Verification questions/answers**

The Department has a list of questions and answers about verification online. See [www2.ed.gov/policy/highered/reg/hearulemaking/2009/verification.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/verification.html).

### **Verification following disasters**

Dear Colleague Letter [GEN-17-08](#) gives general guidance for when federally-declared disasters affect the awarding of aid. The DCL states that the Secretary will not enforce the verification requirements during the award year for applicants whose records were lost or destroyed because of a disaster as long as the school has tried to preserve and reconstruct any records. The school must document when it does not perform verification for this reason and use status code "S" when reporting the disbursement of Pell Grants to affected students. Also, the requirement for dependent students to submit a statement signed by a parent regarding household size and number in college is waived if the parents cannot provide the signature due to the disaster. The school must note why no parent was able to provide the statement.

Note that the relief described in the DCL and its attachment applies specifically to disasters and is separate from relief provided under the Higher Education Relief Opportunities for Students (HEROES) Act, which is cited in the margin on the next page.

### **Verification exclusions**

34 CFR 668.54(b)

### HEROES Act modifications

The HEROES Act allows the Secretary to modify or waive some statutory and regulatory requirements for those who

- are serving on active duty or performing qualifying National Guard duty during a war, other military operation, or national emergency;
- reside or are employed in an area declared a disaster by a federal, state, or local official in connection with a national emergency; or
- suffered economic hardship as a direct result of a war, other military operation, or national emergency, as determined by the Secretary.

Read the [electronic announcement](#), and read the [Federal Register notice](#) for the waivers and modifications, which are due to expire on September 30, 2022.

### Verification exclusions

There are times when you don't need to verify a student's application. **Except in the case of the student's death, however—or post-enrollment situations where the student also does not intend to reenroll—none of the exemptions excuse you from the requirement to resolve conflicting information (see Chapter 5).** You should document the basis for an exclusion. Other information not excluded must still be verified according to all other requirements. You don't have to verify FAFSA information of a student in the following situations:

- Death of the student. You don't have to continue verification if you made an interim disbursement and the student died before verification was completed. You cannot make any additional disbursements, except for FWS funds already earned, to any of the student's beneficiaries. You cannot originate or disburse his Direct Subsidized Loan or consider any interim disbursement you made of Pell, Perkins, or FSEOG funds or provisional FWS employment to be an overpayment. See *Chapter 2 of Volume 5*.
- Not an aid recipient. The student won't receive Title IV aid for reasons other than a failure to complete verification. This includes being ineligible for that aid and withdrawing without receiving it.
- The applicant is eligible to receive only unsubsidized student financial assistance. However, students selected for V4 or V5 verification should complete it in accord with the answer to DOC-Q18 on the [verification Q and A page](#).
- Applicant verified by another school. The student completed verification for the current award year at another school before transferring. Her FAFSA data must be the same as it was at the previous school, and you must get a letter from that school stating that it verified her application and providing the transaction number of the pertinent valid ISIR.
- Post enrollment. The student was selected for verification **after** ceasing to be enrolled at your school, she does not intend to reenroll for the award year, and no further (including late) disbursements will be made.

Unless you have reason to believe it is inaccurate, you don't have to verify the reported FAFSA information of the parents of a dependent student if any of the following apply (including in cases where there is only one parent):

- Both of the parents are mentally incapacitated.
- Both parents or the custodial parent has died.
- They are residing in a country other than the United States and can't be contacted by normal means.
- They can't be located because the student does not have and cannot get their contact information.

Unless you have reason to believe it is inaccurate, you don't have to verify the reported FAFSA information of the spouse of an independent student if any of the following apply:

### Spouse unavailable example

Ursula is attending Lem Community College, and her application is selected for verification. She provided her husband's information on the application but now explains that her husband has recently moved out, and she can't locate him. Ursula also gives Lem some documents to show that she's tried to locate her husband. Lem determines that Ursula doesn't need to provide verification of her husband's tax and income information, but she still needs to verify her own information.

- The spouse has died.
- He is mentally incapacitated.
- He is residing in a country other than the United States and can't be contacted by normal means.
- He can't be located because the student does not have and cannot get his contact information.

## DOCUMENTATION

The documentation you will need for verification varies according to the item verified, as explained in this section. The Department encourages students and parents to use the IRS Data Retrieval Tool (DRT) to import data from their tax return and not change it. It is the fastest, easiest, and most secure method of meeting verification requirements. Also, this chapter includes suggested text developed by the Department, which you can use to create an institutional verification document if you choose and to verify non-tax items, such as household size and number in college. The text is also available on the IFAP website at <https://ifap.ed.gov>.

If you use a verification document, be sure that it is signed, that all required sections are completed, and that any relevant tax or alternative documents are attached. Copies are acceptable, and unless specifically noted in this chapter, a signature on a copy is as valid as an original signature (i.e., a handwritten or “wet” signature). In the limited circumstances when a tax return copy is acceptable, if it is unsigned the filer (or at least one of the filers of a joint return) must sign it or the tax preparer must provide his name and SSN, EIN, or PTIN.

The chart below shows the tax form line numbers for the most commonly reported items. This chart is a reference only; it is not a list of all the items the school must check on a tax return.

### AGI, taxes paid, and other tax data

As already noted, the importation of IRS tax data via the DRT is the best way to document that information. Students and parents do this either when initially filling out the FAFSA on the Web (FOTW or [fafsa.gov](http://fafsa.gov)) application

### Acceptable documentation

The documentation required for verifying 2018–2019 application data is given in the *Federal Register* published on May 5, 2017. See also [DCL GEN-17-05](#) for guidance about verifiable information for 2018–2019.

### AGI and income tax documentation

34 CFR 668.57(a)

### Tax transcript matrix

See the [June 6, 2018, announcement](#) for a chart of the FAFSA and ISIR tax items used for verification and their corresponding line items from the various IRS tax returns and the tax transcript.

### DRT items

The following items are imported from IRS forms 1040, 1040A, and 1040EZ to a student's FAFSA via the DRT:

- Type of tax return filed
- Filing status
- Adjusted gross income
- Taxes paid
- Income earned from work
- Exemptions

In addition, the following are also imported from the 1040 and 1040A forms but not the 1040EZ:

- Education credits
- IRA deductions
- Tax-exempt interest income
- Untaxed IRA distributions
- Untaxed pensions

Line items from the 2016 tax return			
	1040	1040A	1040EZ
<b>AGI</b>	37	21	4
<b>Income Tax Paid</b>	56 minus 46	28 minus 36	10
<b>Deductible IRA/SEP</b>	28 plus 32	17	
<b>Tax-exempt Interest Income</b>	8b	8b	
<b>Untaxed Portions of IRAs and Pensions (excluding rollovers)</b>	15a minus 15b and 16a minus 16b	11a minus 11b and 12a minus 12b	

## Requesting a tax transcript

There are a few ways to request a tax return transcript: online at [www.irs.gov](http://www.irs.gov), by calling 1-800-908-9946, or by mailing or faxing the paper Form 4506T-EZ, which can be printed out from the IRS website. To order a fiscal year tax transcript for verification, Form 4506-T must be used rather than Form 4506T-EZ. Phone requests are via an automated process instead of an IRS representative. With online requests, tax filers can get an electronic transcript (see below) or they can have the IRS mail them a paper transcript, which is how non-online requests are handled. Only filers who submit a paper 4506-T or 4506T-EZ can choose to have the transcript mailed to a third party. Schools can accept and copy transcripts originally obtained from the IRS.

The Get Transcript Online feature allows users to get the transcript in real time as a portable document format (PDF) file, which they can submit electronically to a school or print and submit as a hard copy. To use the Get Transcript Online tool, users must have (1) access to a valid email address, (2) a text-enabled mobile phone in their name, and (3) specific financial account numbers, such as a credit card number or an account number for a home mortgage or auto loan. The process will not cause charges to the card or the account. See the [July 26, 2016, announcement](#).

## Using third parties to get transcripts

The IRS has developed a special Income Verification Express Service (IVES) that allows a third party to receive a tax filer's transcript. The IVES participant submits a 4506-T or 4506T-EZ form, signed by the tax filer, and receives the transcript from the IRS, which charges a small fee for this service. Schools may use a transcript from an IVES participant (which is not considered a third-party servicer in this instance) for verification as long as they have no reason to question its authenticity. Schools may not, however, pass on the charge for using this service to the student. See [GEN-14-05](#) for more information.

or later as a correction. For the retrieved data to be acceptable documentation of tax data, it is necessary that neither students nor parents change the data after it is transferred from the IRS—if the data was changed or if you have reason to believe the data transferred is incorrect, the student will need to provide a return transcript as explained below. The IRS request field(s) on the ISIR will have a value of “02” when the data is unchanged.

If students cannot or will not use IRS Data Retrieval, either at initial FAFSA filing or through the [fafsa.gov](http://fafsa.gov) correction process, they must document AGI, taxes paid, and untaxed income by providing an IRS tax return transcript for the student and spouse or parents, as applicable. Under the following conditions, the IRS DRT is **not** available on [fafsa.gov](http://fafsa.gov) (all apply to both students and parents unless otherwise noted):

- The person did not indicate on the FAFSA that the tax return has been completed.
- The marriage date is January 2017 or later.
- The first three digits of the SSN are 666.
- The person filed a non-U.S. tax return.
- The person is married and filed the tax return either as head of household or married but filing a separate return.
- Neither married parent entered a valid SSN.
- An unmarried parent or both married parents entered all zeroes for the SSN.

Tax transcripts submitted to your school for verification do not need to be signed by the tax filer (but it is encouraged) unless you have reason to doubt their authenticity.

## Special situations

■ **Filing extensions.** With the change to prior-year tax data, even individuals who have an automatic six-month extension by the IRS should have completed their tax return by the time of verification. Therefore, they must verify income and tax information either by using the IRS Data Retrieval Tool or by submitting to the institution an IRS Tax Return Transcript. Only students and parents granted an extension beyond six months may submit the following for verification:

- a copy of IRS Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*;
- a copy of the IRS's approval of an extension beyond the automatic six-month extension for tax year 2016;
- confirmation of non-filing from the IRS dated on or after October 1, 2017;
- copies of all their W-2 forms (or equivalent); and
- if self-employed, a signed statement with the amounts of their AGI and U.S. income taxes paid.

You may require those with a filing extension to use the DRT or submit to your school a tax transcript after the return has been filed. If you do that, you must reverify the income information. If the student fails to use the DRT or submit a tax transcript, see the guidance on page 94 on failing to complete verification. See DOC-Q16 on the [Q and A page](#).

- **Filers of joint returns who are no longer married.** When dependent students' parents filed a joint return and have separated, divorced, married someone else, or been widowed, the students must submit an IRS tax transcript and a copy of each W-2 form for the parent whose tax information is on the FAFSA. Similarly, an independent student must submit a tax transcript and a copy of each of her W-2 forms if she filed a joint return and is separated, divorced, or a widow.
- **For non-tax filers** you must receive a W-2 form for each source of employment income. You must also get a signed statement giving the sources and amounts of the person's income earned from work not on W-2s and certifying that the person has not filed and is not required to file a tax return. Students may sign on a nonfiling spouse's behalf. For residents of the Freely Associated States (the Republic of the Marshall Islands, the Republic of Palau, or the Federated States of Micronesia), a copy of the wage and tax statement from each employer and a signed statement identifying all of the person's income for the year is acceptable. Persons from a U.S. territory or commonwealth or a foreign country who are not required to file a tax return can provide the signed statement certifying their income.

You must also require the person (except dependent students) to submit a "Verification of Nonfiling Letter" from the IRS dated on or after October 1, 2017, attesting that she did not file a 2016 IRS tax return. She can get this by sending IRS Form 4506-T and checking box 7. Persons subject to foreign tax codes would submit a comparable document; see DOC-Q30 on the [verification Q and A webpage](#). Note that verification of nonfiling is not an indication that the person is not required to file a return, just that she did not file one. See *Chapter 5* if a person whose financial information was on the FAFSA did not file a tax return when it appears she was required to, and see DOC-Q29 on the above webpage about non-tax filers who lack any identifying number (e.g., SSN) needed to get a confirmation of nonfiling from the IRS.

- **For filers of non-IRS tax returns,** you may accept a transcript obtained from a government of a U.S. territory or commonwealth or a foreign nation that includes all of the tax filer's income and tax information required to be verified for tax year 2016. If a free transcript is not available, you may accept instead a copy of the tax return, which must be signed by the filer or one of the filers of a joint return. See DOC-Q28 on the [Q and A page](#) for more information. Use the income and tax information that most closely corresponds to the information on the IRS tax return, and convert monetary amounts into U.S. dollars as appropriate. If you question the accuracy of the information on the signed copy of the return, the filer must provide you with a copy of the tax account information issued by the tax authority.

### **If a W-2 is not available**

If an individual who is required to submit an IRS Form W-2 did not save a copy, she should request a replacement W-2 from the employer who issued the original. A W-2 transcript from the IRS is also acceptable though it generally is not available until the year after the W-2 information is filed with the IRS (e.g., 2018 for 2016 information filed in 2017).

If she is unable to obtain one in a timely manner, you may permit her to provide a signed statement that includes the amount of income earned from work, the source of that income, and the reason why the W-2 is not available in a timely manner.

### **IRS documentation requests**

See the [electronic announcement of February 23, 2017](#), for information about the documents obtained from the IRS that are used for verification: the tax return transcript, record of account, tax account transcript, and the wage and income transcript. The announcement also explains Form 13873, which students or parents might receive when requesting documents from the IRS.

### **Rollovers and verification**

Qualified rollovers from one retirement account to another are not taxable, and they should not be counted as untaxed income (as indicated in *Chapter 2*). Since neither the DRT nor a tax transcript identifies rollovers, you must get documentation from the tax filer. This could be a signed statement with the rollover amount or a notation by the filer on the tax transcript that includes the word "rollover" beside any applicable item, similar to the instruction the IRS gives for Forms 1040 and 1040A. The annotation must be signed and dated by the filer. For those who used the DRT, a signed confirmation that the IRA or pension distribution included a rollover would suffice; a tax transcript would only be needed if other IRS tax information was changed. See VI-Q4 on the [verification Q and A page](#) for more information.

**“Per computer” amounts**

The tax return transcript may show a per computer amount for some tax data that is different from what the filer reported to the IRS. The per computer amount should be used because it corrects mathematic errors and is more accurate than what appears on the original return or was transferred via the DRT. This guidance still holds, but because the DRT reports per computer values for AGI, income tax paid, and education tax credits, there should not be many discrepancies between DRT data and the transcript. Also, if a transcript indicates “recomputed <tax return item> per computer,” that amount may be ignored for verification.

**Other IRS transcripts**

Schools may accept for verification any IRS tax transcript that includes all of the necessary information: adjusted gross income, U.S. income tax paid, untaxed IRA distributions, untaxed pensions, education credits, IRA deductions and tax-exempt interest. Because the record of account transcript and the Return Transcript for Taxpayer (RTFTP) include all of the above information, either may be used for verification. The Information Returns Processing Transcript Request—Wages (IRPTR-W) only provides wage information and therefore can only be used in lieu of a W-2 form.

**Verification selection and PJ**

Once the Department selects a FAFSA for verification, every subsequent transaction for that award year, even one resulting from PJ, will indicate that the student is selected for verification.

If a FAFSA that is not selected for verification is later corrected, that can result in the application being selected. However, when PJ is used (and coded correctly) to adjust an application that is not selected for verification, the CPS prevents the subsequent transaction from being selected for verification.

- **Filers of amended returns.** Students or parents who file an amended return (IRS Form 1040X) can, beginning with the 2018–2019 year, use the IRS DRT, though the ISIR will show an IRS Request Flag value of 07 (see page 15). Because the tax return transcript does not reflect changes to the original return by the filer or the IRS, it is by itself not sufficient. So when you know that an amended return was filed, you must submit any changes to a nondollar item and any changes to a single monetary item of \$25 or more. To complete verification you will need a signed copy of the 1040X form that was filed as well as either
  - IRS DRT information on an ISIR record with all the information from the original tax return or
  - an IRS tax return transcript (which does not have to be signed) or any other IRS transcript that includes all the income and tax information required to be verified.

Note that there may be rare cases when a student, spouse, or parent did not file a 1040X with the IRS but whose tax and income information was amended by the IRS. In such a case a school may accept one of the items mentioned above plus documentation showing the IRS’s change(s).

- **Victims of identity theft** who cannot get a return transcript or use the DRT submit a Tax Return DataBase View (TRDBV) transcript as well as a signed and dated statement indicating that they were victims of tax-related identity theft and that the IRS is aware of it. They do this by calling the IRS’s Identity Protection Specialized Unit (IPSU) at 800-908-4490. After the IPSU authenticates the tax filer’s identity, she can ask the IRS to mail her the TRDBV transcript, which is an alternate paper transcript that will look different than a regular transcript but that is official and can be used for verification. Unless you doubt its authenticity, you don’t need to get an IRS signature or stamp or any other validation. See [DCL GEN-14-05](#) for a sample TRDBV transcript. Those who cannot obtain a TRDBV transcript may instead submit another official IRS transcript or equivalent IRS document if it includes all of the income and tax information required to be verified.
- **Students eligible for an automatic zero EFC.** A dependent student in this category who is placed in Verification Tracking Group V1 or V5 must verify his parents’ AGI if they were tax filers and their income earned from work if they were non-tax filers. He must also verify high school completion status and identity and sign a statement of educational purpose if in group V5. An independent student must verify
  1. his and, if applicable, his spouse’s AGI if they were tax filers;
  2. their income earned from work if they were non-tax filers;
  3. his high school completion status and identity and sign a statement of educational purpose if in group V5; and
  4. the number of household members to determine if the student has any dependents other than a spouse.

All students eligible for an auto zero EFC who are placed in Verification Tracking Group V4 must verify high school completion status and identity and sign a statement of educational purpose.

## Using a joint return to figure individual AGI and taxes paid

If the filer of a joint return has become widowed, divorced, or separated since filing the return, it may be necessary to determine the individual's income and taxes paid using the joint return and W-2 forms. If a W-2 is not available (the filer is self-employed for example) or if a duplicate copy from the employer who issued the original W-2 is not available in a timely manner, the school may permit the filer to provide a signed statement that certifies the base year AGI and U.S. taxes paid. If he has divorced and married someone new (see the margin note on page 91 if this occurred after completion of the application), then the new spouse's income and assets would also need to be included.

Add the income amounts from the individual's W-2 forms to any other income that can be extracted from the joint return. Any interest or business income earned on joint accounts or investments should be assessed at 50%. The same procedure should be used to divide business or farm losses. Also, if the AGI listed on the joint return was adjusted, you should reduce the individual's AGI by the portion of the adjustment that applies solely to him or her. For example, if an adjustment was made for moving expenses, which applies to the couple jointly, only 50% of the adjustment amount can be applied against the individual's income. An AGI figure can be calculated for the individual filer. A signed statement from the filer certifying that the data from the joint return were accurately assessed is sufficient documentation for this method.

Use one of the following methods to figure the individual's taxes paid:

- **Tax table (preferred method).** Using the IRS Tax Table or Tax Rate Schedule for the appropriate year, calculate the amount of tax that would have been paid if a separate return had been filed. Use the deduction and number of exemptions the individual could have claimed if he or she had filed a separate return. (If itemized deductions were taken, count only the portion of those deductions that could have been claimed on a separate tax return.)
- **Proportional distribution.** Determine what percentage of the joint AGI was attributable to the individual, and then assess the joint taxes paid by that same percentage.

### Example 1: Calculating individual AGI from joint return example

Eddy's application is selected for verification. He and his wife filed a joint return for 2016 and have since separated. The AGI on Eddy's FAFSA matches the AGI of \$53,700 on the 2016 tax return, which means it's wrong because it includes his wife's income.

Eddy's W-2 shows that his income for 2016 was \$23,900, and the tax return shows \$400 in interest. Because it was interest on a joint savings account, the aid administrator adds \$200 of it to Eddy's income and submits \$24,100 as the corrected income via FAA Access.

### Example 2: Calculating individual taxes paid from a joint return

The aid administrator determines that Eddy's part of the \$53,700 AGI he and his wife reported is \$24,100. Eddy and his wife claimed four exemptions on their tax return (themselves, one child, and Eddy's nephew). Eddy's wife has custody of the child and will claim him as her dependent when she files her tax return for 2016. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling \$8,100. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is \$9,300 (instead of the \$12,600 for married filers). Eddy's income of \$24,100 minus the \$8,100 for exemptions and the \$9,300 standard deduction results in \$6,700 in taxable income.

The aid administrator uses the tax table to determine how much tax Eddy would have paid on this amount, taking into account any applicable credits reported on the original return. With a taxable income of \$6,700, the amount of tax paid from the tax schedule would be \$673.

To use the proportional distribution method instead, the aid administrator figures out what percentage of the joint AGI Eddy's income represents. The percentage is 45% ( $24,100 \div 53,700$  is .4488). The aid administrator then multiplies the income tax paid as reported on the tax return (\$2811 for this example) by this percentage. Therefore, Eddy's income tax paid would be \$1,265 ( $.45 \times \$2811$ ).

## Immigrants and tax filing

Immigrants are not exempt from tax filing. The IRS is more concerned whether a person is a resident or nonresident—rather than legal or illegal—alien. An alien is anyone who is not a U.S. citizen or national. A resident alien is one who either is a permanent resident or has resided in the U.S. for a specific minimum amount of time (has met the substantial presence test). All others are nonresident aliens. Resident aliens' income is generally subject to tax in the same manner as U.S. citizens', and they file Forms 1040, 1040A, or 1040EZ. Nonresident aliens who are required to file a return submit Form 1040NR or 1040NR-EZ; both forms are acceptable documentation for verification.

Immigrants who do not have an SSN and are unable to get one can apply with the IRS for an individual taxpayer identification number (ITIN). The ITIN is only for tax purposes. It does not authorize a person to work, endorse his legal status, or entitle him to the earned income credit or Social Security benefits. It is not to be used as an identifier in place of the SSN on the FAFSA.

See the IRS's *Publication 519, U.S. Tax Guide for Aliens* at [www.irs.gov](http://www.irs.gov) for more information.

- **Using a tax return to complete verification.** When the DRT and return transcript are not available and you must use a tax return for verification, it will likely have been filed electronically with one of a variety of methods. These include do-it-yourself methods as well as completion by a tax preparer. Each method should permit printing of a paper copy of the return, though the e-file format might not contain every line item, showing instead only the data the tax filer provided. For example, if Item 8a, "Taxable interest income," does not appear on such a return, that means no taxable interest income was reported.

You can also accept an electronic copy of the return that has been electronically signed, provided your school's process for accepting such signatures complies with the Electronic Signatures in Global and National Commerce (ESIGN) Act. But a signature on Form 8879, the IRS e-file Signature Authorization, is not an acceptable substitute for a signature on the tax return.

For persons who have a tax professional prepare their return, instead of a copy of the return with the filer's signature, you may accept one that has the name and PTIN of the preparer or has his SSN or EIN and has been signed, stamped, typed, or printed with his name and address. Note that the IRS requires paid preparers to have a PTIN.

If a person did not retain a copy of her 2016 tax information and it cannot be located by the IRS or the relevant government agency, she must submit a signed statement indicating that she did not keep a copy of her tax information as well as documentation from the taxing authority indicating that that information cannot be located. Also, you must accept for an IRS filer either a copy of Form W-2 for each source of employment income received for 2016 or, if she is self-employed, a signed statement certifying the amount of AGI and taxes paid. For someone who filed an income tax return with a government of a U.S. territory or commonwealth or a foreign central government, accept a copy of a wage and tax statement or a signed statement certifying the amount of AGI and taxes paid for 2016.

## Household size documentation

34 CFR 668.57(b)

### Household size

To document the household size, the student needs to provide a statement signed by him and, if dependent, at least one parent that gives the name, age, and relationship to the student of each person in the household.

You don't have to verify household size in the following situations:

- For a dependent student, the household size reported is two with a single, divorced, separated, or widowed parent or is three with parents who are married or are unmarried and living together
- For an independent student, the number reported is two if he is married or one if he is single, divorced, separated, or widowed

Keep in mind that household size needs to align with the answers to the relevant dependency status questions, such as the one about having depen-

## Number in college documentation

34 CFR 668.57(c)

dents other than a spouse. If verification reveals that answers do not match, the FAFSA needs to be corrected so that they do.

### **Number in college**

You can document this item with a statement signed by the student (and, if she is dependent, at least one parent) that gives the name and age of each person in the household (excluding the parents of a dependent student) who is enrolled at least half time in a degree or certificate program at an eligible college. The statement must also give the name of each college, and it can be written to document household size as well. Completion of the Department's verification suggested text can satisfy both items.

If you have reason to doubt the enrollment information reported, you must obtain from each school a statement that the named person will attend there on at least a half-time basis. You don't have to get such a statement if the person has not yet registered, is attending less than half time, or will be attending your school.

If you have reason to doubt whether a reported school is Title IV eligible, you must insure it is, such as by checking to see if it has a federal school code.

You don't have to verify the number in college if the reported number enrolled is one (the student only).

### **High school completion**

Students must provide one of the following documents that indicate their high school completion status at the beginning of the 2018–2019 year:

- A copy of a high school diploma
- A copy of a final, official high school transcript that shows the date when the diploma was awarded
- A copy of the “secondary school leaving certificate” or similar document from the proper government agency for students who completed secondary school in a foreign country. If your college doesn't have the expertise to evaluate foreign secondary school credentials or chooses not to do so, there are evaluation services available.
- A copy of a General Educational Development (GED) certificate or GED transcript that indicates the student passed the exam
- Certification of a passing score on a test that the student's state authorizes and recognizes as the equivalent of a high school diploma. This includes tests similar to the GED, such as the High School Equivalency Test or the Test Assessing Secondary Completion. Test transcripts are acceptable documentation if they indicate that the final score is a passing score or that the student's state considers the test results to meet its high school equivalency requirements.
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree at any participating school. You do not have to collect proof of high school status for graduate students if admission into their program required the completion of at least two years of undergraduate coursework.

### **Refugees and HS completion**

In rare instances when a refugee, asylee, or victim of human trafficking cannot obtain documentation of high school completion from her home country, a school may accept self-certification in accordance with the guidance of Q & A FHD-Q2/A2 at [www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html).

### **ATB alternatives for high school completion**

Legislation in 2014 and 2015 provided ability-to-benefit (ATB) alternatives to a high school diploma for students enrolled in a career pathway program on or after July 1, 2014. See [DCL GEN-16-09](#) for more information, including a definition of career pathway program and a list of Q's and A's.

Students who were enrolled in a Title IV program prior to July 1, 2012, and were eligible for aid under the old ATB provisions retain their eligibility regardless of whether they are in a career pathway program. See GEN-12-09 regarding the grandfathered ATB provisions, and see the announcement of June 24, 2015, for a current list of approved ATB tests.

For students who establish Title IV eligibility under an ATB alternative, your school should have already obtained or be in the process of obtaining documentation necessary to support his eligibility. Therefore, no further high school completion documentation should be needed from the student.

### Timing of signature

Any required signatures, such as signatures on worksheets or on copies of tax returns, must be collected at the time of verification—they can't be collected after the verification deadline for that award year.

### Electronic signatures

For verification documentation, a school may collect an electronic signature for an applicant, parent, or spouse if the process includes an assurance of the identity of the person signing. This is often accomplished with a PIN or password that is assigned only after the identity of the person receiving the PIN or password has been authenticated.

- For a student who has not completed high school and is seeking enrollment in a program that leads to at least an associate degree or its equivalent, documentation from the high school that he excelled academically and from your school that he meets your written policy for admitting such students. This should be a rare occurrence.
- For homeschooled students, a copy of a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent) if state law requires homeschooled students to get that credential. If it is not required, a transcript or the equivalent signed by the parent or guardian that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting.
- For students in an “eligible career pathway program,” documentation that they passed an approved ATB test or completed at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by your school. See the margin note.

If your school has already received one of these documents as part of the admission process, you do not need to ask for another. If you successfully verified a student's high school completion in a prior year, you do not need to do it again. Some schools collect seventh semester high school transcripts prior to students receiving an actual diploma, or they collect high school transcripts for some but not all of their students because they may have special programs that admit students without a high school diploma. In both cases, schools must collect separate documentation that shows the date when the diploma was awarded.

When documentation of high school completion is unavailable—e.g., the school is closed and no information is available from another source such as the school district or state department of education, or the parent or guardian who homeschooled the student is deceased—you may accept alternative documentation, such as a military *DD Form 214 Certificate of Release or Discharge from Active Duty* that indicates that the student is a high school graduate or equivalent. However, a student's self-certification is not acceptable except in rare instances for refugees, asylees, and victims of human trafficking, as explained in the margin note on page 89.

### V4 and V5 reporting

As explained on page 81, schools are required to report through FAA Access the outcomes of verifying high school completion status and identity/state-ment of educational purpose for applications with tracking flags V4 and V5.

### Identity and statement of educational purpose

Students should appear in person at your school and present a valid, unexpired,\* government-issued photo identification (ID) such as a passport or a driver's license or other state-issued ID. You must maintain an annotated copy of that ID that includes the date it was received and the name of the person your school authorized to receive it.\*\* Note that an ID issued by a state university or college is not sufficient for this purpose.

\* The ID just needs to be unexpired at the time it is checked. For proving identity, it does not matter if the ID is due to expire during the award year.

\*\* The school may determine which of its staff are authorized to review an applicant's identity. We do recommend that the person(s) be full-time staff and that the school keep a record of who they are.

Students must also sign a statement of educational purpose that certifies who they are and that the federal student aid they may receive will only be used for educational purposes and for the cost of attending the school for the 2018–2019 year. Unlike the other text at the end of the chapter, the text for this statement is not suggested—you must use the exact language given (the student's identification number is optional though if collected elsewhere on the same page as the statement). After examining the statement, you may

convert it into an electronic record. You must keep that or the original for at least the required Title IV record retention period.

A student who is unable to appear at your school must go to a notary public and sign the statement of educational purpose. He must then submit to your office that statement, a certification from the notary that he appeared before her and presented a government-issued photo ID confirming his identity, and a copy of the same ID.

## UPDATING INFORMATION

Generally, a student cannot update information that was correct as of the date the application was signed because the FAFSA is considered to be a “snapshot” of the family’s financial situation as of that date. For example, if the student’s family sold some stock after she signed the FAFSA and spent the money on an unreported asset such as a car, she can’t update her information to show a change in assets. After the FAFSA is signed, only certain items can be updated under the following conditions:

1. **All applicants whose dependency status changes** must update that and the related FAFSA information throughout the award year except when the update is due to the student’s marital status changing.
2. **All applicants selected by the Department or a school for verification of household size or number in college** must update those numbers to be correct as of the date of verification unless the update is due to a change in the student’s marital status. Documenting household size or number in college is not required in a subsequent verification in the same year if the information has not changed.

At your discretion you may update under either 1 or 2 even when the update is due to a change in the student’s marital status if you deem it necessary to address an inequity or to reflect more accurately the applicant’s ability to pay. Such a decision must be on a case-by-case basis, and you must document your reasons for it. You must also update all other pertinent information, such as spousal income and taxes paid, to be consistent with the new marital status. If you change the status of an applicant to unmarried and that makes him dependent (because he was independent only due to marriage), his FAFSA must be updated with his parents’ information. Your school may have a policy of not considering such updates after a specific census date.

Note, however, that you cannot update the marital status of an already independent student whose dependency status has not changed because of her marriage or divorce and who was not selected for verification. In such a case you must select the student for verification if you want to exercise your discretion to update her marital status and all other associated information.

## CORRECTING ERRORS

As explained in the last section, you only make updates in specified situations, but for students who are not selected for verification, you or they must correct and submit for processing any errors reported on the original FAFSA that would change the EFC or that determine the students’ eligibility for aid.

## Updating information

34 CFR 668.55

## REAL ID Act of 2005

The REAL ID Act affects people entering certain restricted areas where identification is required: federal facilities, nuclear power plants, and federally regulated commercial airplanes. Because there are currently no restrictions under the act on agencies accepting an ID that is not compliant with the act (typically one marked “not for federal identification”) for other purposes, such an ID is acceptable for verification of identity/statement of educational purpose. It must be a government-issued ID that has not expired and includes the student’s photo and name.

## Online notary services

Currently the Department does not authorize the use of online notary services as an alternative to traditional, in-person notary services.

## Parent remarriage after applying

While the applicant does not typically update household size or number in college because of a change in his marital status, if he is a dependent student and his parent remarries between application and verification, he must update household size to include the new stepparent. However, the student would not count the new stepparent’s income and assets. A school can use professional judgment to include the stepparent’s income or to otherwise account for the change.

HEA Sec. 475(f)(3)

34 CFR 668.55(b)

**Interim disbursements**

34 CFR 668.58

For students who are selected for verification and receiving subsidized student aid, changes that result to any non-dollar item and to any dollar item of \$25 or more must be submitted for processing. See the section on changes in a selected applicant's FAFSA.

**Schools that can't make interim disbursements**

Schools on the Heightened Cash Monitoring 2 (HCM2) and Reimbursement payment methods (see *Volume 4*) must, as part of their request for Title IV funds from the Department, submit documentation showing that students were eligible to receive the funds disbursed to them (and for which the schools are seeking reimbursement). Because final determination of student eligibility includes completing verification, HCM2 and reimbursement schools are not able to make interim disbursements.

**Recovery of funds from interim disbursements**

34 CFR 668.61

**Delaying disbursements**

When schools choose to verify an item other than those the Department selects, they may delay disbursing Title IV aid until verification is completed if the school-selected item can affect the student's Title IV eligibility, such as an item about dependency status. But schools cannot delay disbursing when the item has no bearing on Title IV aid, for example, if the school is verifying home equity to determine student eligibility for its own or state aid.

**Changes to FAFSA information**

34 CFR 668.59

When there is an overaward from a regular disbursement, the following individual program regulations apply:

Pell Grants: 34 CFR 690.80

Perkins and FSEOG: 34 CFR 673.5(f)

Subsidized DL: 34 CFR 685.303(e)

**INTERIM DISBURSEMENTS**

Interim disbursements are allowed either prior to completing verification or after verification but before receiving the corrected SAR or ISIR. If you have no reason to question the accuracy of the information on the FAFSA, prior to completing verification you may at your discretion

1. make one disbursement of Pell, Perkins, and FSEOG funds for the applicant's first payment period;
2. permit FWS employment for the first 60 consecutive days after the student enrolls for the award year; or
3. originate but not disburse a Direct Subsidized Loan.

If verification results in changes to the FAFSA information that you determine will not alter award amounts, you may at your discretion take actions 1–3 as well as disburse a Direct Subsidized Loan prior to receiving the corrected valid SAR or ISIR.

**Overpayments from interim disbursements**

If prior to verification you make an interim disbursement of Pell, Perkins, or FSEOG funds, your school is liable for any overpayment that results. If you can't eliminate it by reducing subsequent disbursements or having the student return the money, your school must use its own funds to reimburse the appropriate program by the earlier of 60 days after the student's last day of attendance or the last day of the award year.

If prior to verification your school permits provisional FWS employment of students for up to 60 days, it is liable for any overpayment it can't recover by adjusting other aid, and it must reimburse the FWS account from its own funds. Students must be paid for all work performed out of your school's payroll account—they can't be required to repay FWS wages earned except when they are proven guilty of fraud.

If you make an interim disbursement after completing verification but prior to receiving a correct valid SAR or ISIR, and you fail to receive the SAR or ISIR within the deadlines discussed later in this chapter, your school must use its own funds to reimburse the appropriate program and ensure that the student is paid under its own payroll account for all work performed.

**CHANGES IN A SELECTED APPLICANT'S FAFSA**

To receive subsidized student aid, students or the school must submit for processing any changes resulting from verification to a non-dollar item or a single dollar item of \$25 or more. Also, if you are required to submit *any* change through CPS because of verification, you must submit *all* changes, including amounts that are below \$25.

### ***Campus-Based and DL changes***

When students receive subsidized student aid other than Pell Grants and there is a change, adjust the package on the basis of the EFC on the corrected valid SAR or ISIR. If there was an interim disbursement, comply with the relevant rules if the package must be reduced. If there was a regular disbursement and the package must be reduced, comply with Perkins or FSEOG overpayment rules or with the rules for dealing with excess loan proceeds for Direct Subsidized Loans.

### ***Pell changes***

When the data on the FAFSA change, recalculate the student's Pell Grant on the basis of the EFC on the corrected valid SAR or ISIR. You can only pay an increased Pell Grant if you have that output document and it supports an increased Pell award.

If the Pell Grant is reduced and the student received an interim disbursement, adjust following disbursements as necessary. Failing that, the student should reimburse the Pell Grant Program, or, if he does not return the overpayment, your school must reimburse the Pell program with its funds. If the student received Pell Grant money as a regular disbursement, he is responsible for repaying the overpayment. See *Volume 5, Chapter 1* of the Handbook for information on overpayments.

### ***Selection after disbursement***

A student's application might be selected for verification after corrections are submitted and the student has been paid based on the previous unselected CPS transaction. You must verify his application before making further disbursements. If verification does not justify aid already disbursed, then the student is responsible for repaying all aid for which he is not eligible, though he may keep any Direct Loan money he received and FWS wages he earned. See page 94 for what happens if he fails to complete verification.

### ***After documentation is complete***

When you've obtained all necessary verification documents from the student, you should compare them to the SAR or ISIR you are reviewing for payment. If all the student's information is correct and there are no outstanding issues or conflicting information, you may award and disburse aid for which the student is eligible.

## **HOW TO SUBMIT CORRECTIONS AND UPDATES**

Corrections and updates can be submitted by the student on the SAR or the web or by the school using FAA Access to CPS Online or the Electronic Data Exchange (EDE). In addition to the following information, see also "Corrections and Updates" in the 2018–2019 *ISIR Guide*.

### ***Using fafsa.gov***

Any student who has an FSA ID—regardless of how he originally applied—may correct any of his own data by using FAFSA on the Web at <https://fafsa.ed.gov>. If dependent students need to change parental data, a parent must either sign electronically with her own FSA ID or print out and sign a signature page.

### **Disbursing unsubsidized aid**

For students who are selected for Verification Group V1, a school may, on a case-by-case basis and with proper documentation, disburse Direct Unsubsidized and PLUS loans prior to completing verification when completion will be delayed and the student is eligible for both subsidized and unsubsidized aid. To avoid exceeding the student's financial need, the school must consider the subsidized aid she will receive and adjust the aid amounts after verification if necessary.

If the student never completes V1 verification, the Direct Unsubsidized and PLUS loan aid that was disbursed may be kept. If it's determined that the student was ineligible when she received aid, see the relevant guidance on returning aid in such situations in *Volume 4, Chapter 3*, of the Handbook.

### **Example: selection after disbursement**

Owen is attending Guerrero University. His application isn't selected for verification, and he receives aid in the fall. In December, Owen submits a correction on his SAR that causes the ensuing transaction to be selected for verification. The aid administrator at Guerrero tells Owen he needs to submit verification documents if he wants his aid for the spring and if he wants to keep the Pell funds he received for the fall, but Owen doesn't turn in the documents. Owen doesn't have to repay the Stafford loan he got in the fall, but he does have to return the Pell Grant, and Guerrero must cancel his aid package for the spring.

## Making corrections and updates

**FAFSA on the Web**  
<https://fafsa.ed.gov/>

**FAA Access to CPS Online or via EDE**  
<https://faaaccess.ed.gov/>  
 by the school aid office

**Student aid report**  
 paper corrections sent by mail

**By phone**  
 Change schools listed or student address (DRN required)  
 Federal Student Aid Information Center (FSAIC)  
 1-800-4-FED-AID (1-800-433-3243)

## Corrections by phone limited to processor errors

As we've discussed, a student with a DRN can change his address and school listings by calling the Federal Student Aid Information Center.

Most other corrections can't be made over the phone—they have to be done on the SAR or through [fafsa.gov](https://fafsa.gov) or FAA Access. There is only one exception, and that's when the information the student submitted on a paper FAFSA or SAR was not scanned or input correctly.

If a student contacts the FSAIC and an operator can verify by viewing the image file of the document that an answer to an item was not correctly recorded by the FAFSA processor, the operator can correct that error.

The correction will be transmitted to the CPS, a corrected ISIR will be available to the student's schools within 72 hours, and he will receive a corrected SAR in the mail within 10 days. The student doesn't have to sign for this correction because he has already signed the original paper document that has the correct information.

## Submitting changes via FAA Access to CPS Online or EDE

Your school can submit corrections and updates electronically through FAA Access to CPS Online or EDE even if the original application wasn't submitted with that method. If your school isn't listed on the transaction you want to correct, the student will have to give you the DRN printed on the SAR or SAR Acknowledgement so that you can add your school in the next available institution field and then get electronic access to the resulting corrected transaction. If all the fields are filled, the student will have to tell you which school to replace with yours.

If you send a correction or update for a student, you must first have signed documentation from the student and parent. This can be signatures on Part 2 of the SAR, a signed copy of the correction or update, or a signed verification document. Unlike those for the original application, these do not have to be wet signatures. See *Chapter 2* for more on signature requirements.

The CPS will process the change, send an ISIR to the school, and send the student a one-page SAR acknowledgement or, if the CPS has her email address, an email with a link to her SAR information on the web.

## Using the SAR to make corrections

Students who received a paper SAR may make corrections or updates on it, then sign and return it to the FAFSA processor at the address given at the end of the SAR (of course, students with FSA IDs can instead use [fafsa.gov](https://fafsa.gov)). One parent must also sign if the student is dependent and parent data was changed, unless the only corrections are to the institution or housing codes, the address, or telephone number.

If the student applied electronically through a school or received an email link to SAR information on the web but would like to make corrections with a paper SAR, she can have one mailed to her by calling the FSAIC at 1-800-433-3243 and providing her name, SSN, and date of birth.

## Adding schools and changing a student's address

As with other changes, a student can add schools or change her address, email address, or telephone number online or on a paper SAR. But she can also update these items over the phone by calling 1-800-4-FED-AID and providing her DRN. You can submit those changes for her through FAA Access, although, as noted before, if your school was not listed on the student's application, you will need her DRN to add your school.

The FAFSA has limited space for a student to list schools that will receive the application data: four schools can appear on the paper application, 10 with either FAFSA on the Web, FAA Access, or EDE. If the student wants information sent to more schools, he can use any of the methods listed previously to replace some or all of the original schools, though the replaced schools will not receive an ISIR. For example, if the student originally listed 10 schools on the application and then used [fafsa.gov](https://fafsa.gov) to replace two schools with two new ones, those that were replaced would not receive an ISIR from this correction or any subsequent correction on which they did not appear.

## DEADLINES AND FAILURE TO SUBMIT DOCUMENTATION

You must require students selected for verification—either by your school or the Department—to submit the documentation by the date specified by your school (for Campus-Based and DL) or the Department (for Pell).

### *Campus-Based and DL*

If a student doesn't provide verification documentation within a reasonable time period that your school has established, you cannot

- disburse more Perkins or FSEOG funds,
- employ or permit further FWS employment, or
- originate or disburse any additional Direct Loans (subsidized, unsubsidized, or PLUS).

The student must repay any Perkins or FSEOG funds she received that year.

If she fails to complete verification within the time period established by your school and if you received any Direct Subsidized Loan funds for the student that you did not disburse, you must return some or all of those funds under the excess cash tolerance regulation [see 34 CFR 668.166(b) and *Volume 4, Chapter 2*].

Notwithstanding this, if the student provides the documentation after your school's deadline, you may, at your discretion, still provide aid.

### *Pell Grants*

A student selected for verification may submit a valid SAR or a school can receive a valid ISIR after the Pell deadline but before the verification deadline published in the *Federal Register*. If a student does not provide the verification documentation or you do not receive the valid SAR or ISIR (if necessary) within this additional time, he forfeits his Pell Grant for the award year and must return any Pell money already received for that year.

### *Other considerations*

The Department may determine not to process the FAFSA of an applicant who has been requested to provide documentation until he does so or the Department decides there is no longer a need for it.

A Pell applicant selected for verification must complete the process by the deadline published in the *Federal Register*. The [notice for 2017–2018](#) was published on June 27, 2017, and the deadline for that year is September 22, 2018, or 120 days after the last day of the student's enrollment, whichever is earlier. When the notice for 2018–2019 is published, the corresponding deadline date is expected to be September 21, 2019. Campus-Based and Stafford Loan applicants must complete verification by the same deadline or by an earlier one established by your aid office.

Verification is complete when you have all the requested documentation and a valid ISIR or SAR (one on which all the information is accurate and complete). This includes any necessary corrections, which must be made by the *Federal Register* deadlines for submitting paper or electronic corrections.

### **Failure to submit documentation**

34 CFR Pell Grants 668.60(c)

34 CFR Campus-Based/DL 668.60(b)

### **Verification completed within additional time period for Pell**

34 CFR 668.60(c)(1)

### **Late disbursements**

34 CFR 668.164(g)

**Further verification?**

Sometimes schools ask if further verification is needed to resolve discrepancies between the ISIR and what the student provided for verification. The answer is no, unless you have reason to doubt the accuracy of the verification information. Acceptable documentation either confirms that an item was right on the ISIR, or it is used to correct that item. That is the purpose of verification; continued fact-finding is not necessary.

**Late disbursements**

Generally a student ceases to be eligible for aid once he has finished the term and is no longer enrolled. However, he may submit verification documentation and receive a late disbursement after that time if the Department processed a SAR or ISIR with an official EFC while he was still enrolled. For information on *post-withdrawal* disbursements, see *Volume 5*.

**Verification status codes**

When you disburse a Pell Grant, you must report the student's verification status through Common Origination and Disbursement (COD) even if he wasn't selected for verification.

V—You have verified the student. This includes students selected by the CPS and those your school chose to verify based on its own criteria.

W—The student was selected for verification by the CPS or your school, and you chose to pay a first disbursement of Pell without documentation. **This code must be updated once verification is complete, or COD will reduce the Pell Grant to zero.**

S—The CPS selected the student for verification, but you did not verify him because he satisfied one of the exclusions described earlier in the chapter (except the post-enrollment exclusion; see “Blank” next).

Blank—Report a blank if you have not performed verification because neither the CPS nor your school selected the student or because the student was selected by the CPS after ceasing to be enrolled at your school and all (including late) disbursements were made.

**SUGGESTED VERIFICATION TEXT**

We are providing suggested text for the 2018–2019 verification items that were identified in the May 5, 2017, *Federal Register* notice and in Dear Colleague Letter GEN-17-05. This suggested text fulfills verification requirements, but schools do not have to use it, except as noted below. Instead, they may develop and use their own (or someone else's) text, forms, documents, statements, and certifications that are specific to the items required to be verified for a particular student or group of students. However, schools must not put the seal of the Department of Education on any verification documents.

The one exception is that schools must use the exact language provided in the “Statement of Educational Purpose” for students who are placed in verification tracking groups V4 or V5. This does not include the accompanying notary's certificate of acknowledgment; for that the school may use some other form, such as the one its state uses.

For more information, including copies of the suggested text, see the [electronic announcement of August 16, 2017](#), on the IFAP website.

## 2018–2019 Suggested Verification Text

### Verification of 2016 Income Information for Student Tax Filers

**Important Note:** The instructions below apply to the student and spouse, if the student is married. Notify the financial aid office if the student or spouse filed separate IRS income tax returns for 2016 or had a change in marital status after December 31, 2016.

**Instructions:** Complete this section if the student and spouse filed or will file a 2016 IRS income tax return(s). *The best way to verify income is by using the IRS Data Retrieval Tool (IRS DRT) that is part of FAFSA on the Web at [FAFSA.gov](http://FAFSA.gov).* In most cases, no further documentation is needed to verify 2016 income information that was transferred into the student's FAFSA using the IRS DRT if that information was not changed by the FAFSA filer.

**Check the box that applies:**

- The student has used the IRS DRT in *FAFSA on the Web* to transfer 2016 IRS income tax return information into the student's FAFSA.
- The student has not yet used the IRS DRT in *FAFSA on the Web*, but will use the tool to transfer 2016 IRS income tax return information into the student's FAFSA.
- The student is unable or chooses not to use the IRS DRT in *FAFSA on the Web*, and instead will provide the school with a **2016 IRS Tax Return Transcript(s)**.

A **2016 IRS Tax Return Transcript** may be obtained through:

- Get Transcript by MAIL – Go to [www.irs.gov](http://www.irs.gov), under the Tools heading, click "Get a tax transcript." Click "Get Transcript by MAIL." Make sure to request the "IRS Tax Return Transcript" and **NOT** the "IRS Tax Account Transcript." The transcript is generally received within 10 business days from the IRS's receipt of the online request.
- Get Transcript ONLINE – Go to [www.irs.gov](http://www.irs.gov), under the Tools heading, click "Get a tax transcript." Click "Get Transcript ONLINE." Make sure to request the "IRS Tax Return Transcript" and **NOT** the "IRS Tax Account Transcript." To use the Get Transcript Online tool, the user must have (1) access to a valid email address, (2) a text-enabled mobile phone (pay-as-you-go plans cannot be used) in the user's name, and (3) specific financial account numbers (such as a credit card number or an account number for a home mortgage or auto loan). The transcript displays online upon successful completion of the IRS's two-step authentication.
- Automated Telephone Request – 1-800-908-9946. Transcript is generally received within 10 business days from the IRS's receipt of the telephone request.
- Paper Request Form – IRS Form 4506T-EZ or IRS Form 4506-T. The transcript is generally received within 10 business days from the IRS's receipt of the paper request form.

If the student and spouse filed separate 2016 IRS income tax returns, the IRS DRT cannot be used and the **2016 IRS Tax Return Transcript(s)** must be provided for each.

\_\_\_\_\_ Check here if a **2016 IRS Tax Return Transcript(s)** is provided.

\_\_\_\_\_ Check here if a **2016 IRS Tax Return Transcript(s)** will be provided later.

## 2018–2019 Suggested Verification Text

### Verification of 2016 Income Information for Parent Tax Filers

**Important Note:** The instructions below apply to each parent included in the household. Notify the financial aid office if the parents filed separate IRS income tax returns for 2016 or had a change in marital status after December 31, 2016.

**Instructions:** Complete this section if the parents filed or will file a 2016 IRS income tax return(s). *The best way to verify income is by using the IRS Data Retrieval Tool (IRS DRT) that is part of FAFSA on the Web at [FAFSA.gov](http://FAFSA.gov).* In most cases, no further documentation is needed to verify 2016 income information that was transferred into the student's FAFSA using the IRS DRT if that information was not changed by the FAFSA filer.

**Check the box that applies:**

- The parents have used the IRS DRT in *FAFSA on the Web* to transfer 2016 IRS income tax return information into the student's FAFSA.
- The parents have not yet used the IRS DRT in *FAFSA on the Web*, but will use the tool to transfer 2016 IRS income tax return information into the student's FAFSA.
- The parents are unable or choose not to use the IRS DRT in *FAFSA on the Web*, and instead will provide the school with a **2016 IRS Tax Return Transcript(s)**.

A **2016 IRS Tax Return Transcript** may be obtained through:

- Get Transcript by MAIL – Go to [www.irs.gov](http://www.irs.gov), under the Tools heading, click "Get a tax transcript." Click "Get Transcript by MAIL." Make sure to request the "IRS Tax Return Transcript" and **NOT** the "IRS Tax Account Transcript." The transcript is generally received within 10 business days from the IRS's receipt of the online request.
- Get Transcript ONLINE – Go to [www.irs.gov](http://www.irs.gov), under the Tools heading, click "Get a tax transcript." Click "Get Transcript ONLINE." Make sure to request the "IRS Tax Return Transcript" and **NOT** the "IRS Tax Account Transcript." To use the Get Transcript Online tool, the user must have (1) access to a valid email address, (2) a text-enabled mobile phone (pay-as-you-go plans cannot be used) in the user's name, and (3) specific financial account numbers (such as a credit card number or an account number for a home mortgage or auto loan). The transcript displays online upon successful completion of the IRS's two-step authentication.
- Automated Telephone Request – 1-800-908-9946. Transcript is generally received within 10 business days from the IRS's receipt of the telephone request.
- Paper Request Form – IRS Form 4506T-EZ or IRS Form 4506-T. The transcript is generally received within 10 business days from the IRS's receipt of the paper request form.

If the parents filed separate 2016 IRS income tax returns, the IRS DRT cannot be used and the **2016 IRS Tax Return Transcript(s)** must be provided for each.

\_\_\_\_\_ Check here if a **2016 IRS Tax Return Transcript(s)** is provided.

\_\_\_\_\_ Check here if a **2016 IRS Tax Return Transcript(s)** will be provided later.

## 2018–2019 Suggested Verification Text

### Verification of 2016 Income Information for Individuals with Unusual Circumstances Individuals Granted a Filing Extension by the IRS

An individual who is required to file a 2016 IRS income tax return and has been granted a filing extension by the IRS beyond the automatic six-month extension for tax year 2016, must provide:

- A copy of IRS Form 4868, “Application for Automatic Extension of Time to File U.S. Individual Income Tax Return,” that was filed with the IRS for tax year 2016;
- A copy of the IRS's approval of an extension beyond the automatic six-month extension for tax year 2016;
- Verification of Non-filing Letter (confirmation that the tax return has not yet been filed) from the IRS or other relevant tax authority dated on or after October 1, 2017;
- A copy of IRS Form W–2 for each source of employment income received or an equivalent document for tax year 2016 and,
- If self-employed, a signed statement certifying the amount of the individual's Adjusted Gross Income (AGI) and the U.S. income tax paid for tax year 2016.

### Individuals Who Filed an Amended IRS Income Tax Return

An individual who filed an amended IRS income tax return for tax year 2016 must provide:

- A **2016 IRS Tax Return Transcript** (that will only include information from the original tax return and does not have to be signed), or any other IRS tax transcript(s) that includes all of the income and tax information required to be verified; **and**
- A signed copy of the 2016 IRS Form 1040X, “Amended U.S. Individual Income Tax Return,” that was filed with the IRS.

### Individuals Who Were Victims of IRS Tax-Related Identity Theft

An individual who was the victim of IRS tax-related identity theft must provide:

- A Tax Return DataBase View (TRDBV) transcript obtained from the IRS, or any other IRS tax transcript(s) that includes all of the income and tax information required to be verified; **and**
- A statement signed and dated by the tax filer indicating that he or she was a victim of IRS tax-related identity theft and that the IRS is aware of the tax-related identity theft.

## **2018–2019 Suggested Verification Text**

### **Individuals Who Filed Non-IRS Income Tax Returns**

- A tax filer who filed an income tax return with Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico and the U.S. Virgin Islands may provide a signed copy of his or her income tax return that was filed with the relevant tax authority. However, if we question the accuracy of the information on the signed copy of the income tax return, the tax filer must provide us with a copy of the tax account information issued by the relevant tax authority before verification can be completed.
- A tax filer who filed an income tax return with the tax authority for American Samoa must provide a copy of his or her tax account information.
- A tax filer who filed an income tax return with tax authorities not mentioned above, i.e. a foreign tax authority, and who indicates that he or she is unable to obtain the tax account information free of charge, must provide documentation that the tax authority charges a fee to obtain that information, along with a signed copy of his or her income tax return that was filed with the relevant tax authority.

## 2018–2019 Suggested Verification Text

### Verification of 2016 Income Information for Student Nontax Filers

The instructions and certifications below apply to the student and spouse, if the student is married. Complete this section if the student and spouse will not file and are not required to file a 2016 income tax return with the IRS.

**Check the box that applies:**

- The student and spouse were not employed and had no income earned from work in 2016.
- The student and/or spouse were employed in 2016 and have listed below the names of all employers, the amount earned from each employer in 2016, and whether an IRS W-2 form or an equivalent document is provided. [Provide copies of all 2016 IRS W-2 forms issued to the student and spouse by their employers]. List every employer even if the employer did not issue an IRS W-2 form.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Employer's Name	IRS W-2 or an Equivalent Document Provided?	Annual Amount Earned in 2016
<i>(Example) ABC's Auto Body Shop</i>	Yes	\$4,500.00
Total Amount of Income Earned From Work		\$

Provide documentation from the IRS or other relevant tax authority dated on or after October 1, 2017 that indicates a 2016 IRS income tax return was not filed with the IRS or other relevant tax authority.

- \_\_\_\_\_ Check here if confirmation of nonfiling is provided.
- \_\_\_\_\_ Check here if confirmation of nonfiling will be provided later.

## 2018–2019 Suggested Verification Text

### Verification of 2016 Income Information for Parent Nontax Filers

The instructions and certifications below apply to each parent included in the household. Complete this section if the parents will not file and are not required to file a 2016 income tax return with the IRS.

**Check the box that applies:**

- Neither parent was employed, and neither had income earned from work in 2016.
- One or both parents were employed in 2016 and have listed below the names of all employers, the amount earned from each employer in 2016, and whether an IRS W-2 form or an equivalent document is provided. [Provide copies of all 2016 IRS W-2 forms issued to the parents by their employers]. List every employer even if the employer did not issue an IRS W-2 form.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Employer's Name	IRS W-2 or an Equivalent Document Provided?	Annual Amount Earned in 2016
<i>(Example) ABC's Auto Body Shop</i>	Yes	\$4,500.00
Total Amount of Income Earned From Work		\$

Provide documentation from the IRS or other relevant tax authority dated on or after October 1, 2017 that indicates a 2016 IRS income tax return was not filed with the IRS or other relevant tax authority.

- \_\_\_\_\_ Check here if confirmation of nonfiling is provided.
- \_\_\_\_\_ Check here if confirmation of nonfiling will be provided later.

## 2018–2019 Suggested Verification Text

### Number of Household Members and Number in College (Independent Student)

Number of Household Members: List below the people in the student's household. Include:

- The student.
- The student's spouse, if the student is married.
- The student's or spouse's children if the student or spouse will provide more than half of the children's support from July 1, 2018, through June 30, 2019, even if a child does not live with the student.
- Other people if they now live with the student and the student or spouse provides more than half of the other person's support, and will continue to provide more than half of that person's support through June 30, 2019.

Number in College: Include in the space below information about any household member who is, or will be, enrolled at least half time in a degree, diploma, or certificate program at an eligible postsecondary educational institution any time between July 1, 2018, and June 30, 2019, and include the name of the college.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Full Name	Age	Relationship	College	Will be Enrolled at Least Half Time (Yes or No)
		<i>Self</i>		

Note: We may require additional documentation if we have reason to believe that the information regarding the household members enrolled in eligible postsecondary educational institutions is inaccurate.

## 2018–2019 Suggested Verification Text

### Number of Household Members and Number in College (Dependent Student)

Number of Household Members: List below the people in the parents' household. Include:

- The student.
- The parents (including a stepparent) even if the student doesn't live with the parents.
- The parents' other children if the parents will provide more than half of the children's support from July 1, 2018, through June 30, 2019, or if the other children would be required to provide parental information if they were completing a FAFSA for 2018–2019. Include children who meet either of these standards, even if a child does not live with the parents.
- Other people if they now live with the parents and the parents provide more than half of the other person's support, and will continue to provide more than half of that person's support through June 30, 2019.

Number in College: Include in the space below information about any household member who is, or will be, enrolled at least half time in a degree, diploma, or certificate program at an eligible postsecondary educational institution any time between July 1, 2018, and June 30, 2019, and include the name of the college.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Full Name	Age	Relationship	College	Will be Enrolled at Least Half Time (Yes or No)
		<i>Self</i>		

Note: We may require additional documentation if we have reason to believe that the information regarding the household members enrolled in eligible postsecondary educational institutions is inaccurate.

## 2018–2019 Suggested Verification Text

### High School Completion Status

Provide one of the following documents to indicate the student's high school completion status when the student begins college in 2018–2019:

- A copy of the student's high school diploma.
- For students who completed secondary education in a foreign country, a copy of the "secondary school leaving certificate" or other similar document.
- A copy of the student's final official high school transcript that shows the date when the diploma was awarded.
- A State certificate or transcript received by a student after the student passed a State-authorized examination that the State recognizes as the equivalent of a high school diploma (GED test, HiSET, TASC, or other State-authorized examination).
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- For a student who was homeschooled in a State where State law requires the student to obtain a secondary school completion credential for homeschooling (other than a high school diploma or its recognized equivalent), a copy of that credential.
- For a student who was homeschooled in a State where State law does not require the student to obtain a secondary school completion credential for homeschooling (other than a high school diploma or its recognized equivalent), a transcript, or the equivalent, signed by the student's parent or guardian, that lists the secondary school courses the student completed and includes a statement that the student successfully completed a secondary school education in a homeschool setting.

A student who is unable to obtain the documentation listed above must contact the financial aid office.

**2018–2019 Required Verification Text**

**(Note: Institutions must use the exact language in the Statement of Educational Purpose as provided below)**

**Identity and Statement of Educational Purpose  
(To Be Signed at the Institution)**

The student must appear in person at \_\_\_\_\_ to  
(Name of Postsecondary Educational Institution)

verify his or her identity by presenting an unexpired valid government-issued photo identification (ID), such as, but not limited to, a driver's license, other state-issued ID, or passport. The institution will maintain a copy of the student's photo ID that is annotated by the institution with the date it was received and reviewed, and the name of the official at the institution authorized to receive and review the student's ID.

In addition, the student must sign, in the presence of the institutional official, the Statement of Educational Purpose provided below.

**Identity and Statement of Educational Purpose  
(To Be Signed in the Presence of a Notary)**

If the student is unable to appear in person at \_\_\_\_\_  
(Name of Postsecondary Educational Institution)

to verify his or her identity, the student must provide to the institution:

- (a) A copy of the unexpired valid government-issued photo identification (ID) that is acknowledged in the notary statement below, or that is presented to a notary, such as, but not limited to, a driver's license, other state-issued ID, or passport; and
- (b) The original Statement of Educational Purpose provided below, which must be notarized. If the notary statement appears on a separate page than the Statement of Educational Purpose, there must be a clear indication that the Statement of Educational Purpose was the document notarized.

**Statement of Educational Purpose**

I certify that I \_\_\_\_\_ am the individual signing  
(Print Student's Name)

this Statement of Educational Purpose and that the Federal student financial assistance I may receive will only be used for educational purposes and to pay the cost of attending \_\_\_\_\_ for 2018–2019.  
(Name of Postsecondary Educational Institution)

\_\_\_\_\_  
(Student's Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Student's ID Number)

**Texto de verificación requerida para 2018–2019**  
**(Nota: Las instituciones deben utilizar el lenguaje exacto en la Declaración de Propósito Educativo que se presenta a continuación)**

**Verificación de Identidad y Declaración de Propósito Educativo**  
**(Para ser firmadas en la institución)**

El estudiante debe comparecer en persona en \_\_\_\_\_ para  
(Nombre de la institución educativa postsecundaria)

verificar su identidad mediante la presentación de una identificación con fotografía (ID) válida emitida por el gobierno que no haya expirado, como una licencia de conducir, otro tipo de identificación emitida por el estado o pasaporte, entre otros. La institución conservará una copia de la identificación con fotografía del estudiante en la cual se anotará la fecha en la que se recibió y revisó, y el nombre del funcionario de la institución autorizado a recibir y revisar las identificaciones de los estudiantes.

Además, el estudiante debe firmar, en presencia del funcionario de la institución, la Declaración de Propósito Educativo proporcionada a continuación.

**Verificación de Identidad y Declaración de Propósito Educativo**  
**(Para ser firmadas en presencia de un notario)**

Si el estudiante no es capaz de comparecer en persona en \_\_\_\_\_  
(Nombre de la institución educativa postsecundaria)  
para verificar su identidad, el mismo debe proporcionar a la institución:

- (a) una copia de la de identificación con fotografía (ID) válida emitida por el gobierno que no haya expirado, que se reconoce en la declaración del notario que aparece a continuación, o que se presenta ante un notario, como una licencia de conducir, otro tipo de identificación emitida por el estado o pasaporte, entre otros; y
- (b) la Declaración de Propósito Educativo original proporcionada a continuación debe ser notarizada. Si la declaración del notario aparece en una página separada de la Declaración de Propósito Educativo, se debe indicar de manera clara que la Declaración de Propósito Educativo era el documento notarizado.

**Declaración de Propósito Educativo**

Certifico que yo, \_\_\_\_\_, soy el individuo que firma esta  
[Imprimir nombre del estudiante]

Declaración de Propósito Educativo, y que la ayuda financiera federal estudiantil que yo pueda recibir sólo será utilizada para fines educativos y para pagar el costo de asistir a \_\_\_\_\_ para 2018–2019.  
[Imprimir nombre de institución educativa postsecundaria]

\_\_\_\_\_  
[Firma del estudiante]

\_\_\_\_\_  
[Fecha]

\_\_\_\_\_  
[Número de identificación del estudiante]

**2018–2019 Suggested Verification Text**

**Sample of a Notary's Certificate of Acknowledgement**

*Notary's certification may vary by State*

State of \_\_\_\_\_

City/County of \_\_\_\_\_

On \_\_\_\_\_, before me, \_\_\_\_\_,  
(Date) (Notary's name)

personally appeared, \_\_\_\_\_, and proved to me  
(Printed name of signer)

on the basis of satisfactory evidence of identification \_\_\_\_\_  
(Type of unexpired government-issued photo  
ID provided)

to be the above-named person who signed the foregoing instrument.

**WITNESS my hand and official seal**

(seal)

\_\_\_\_\_  
(Notary signature)

My commission expires on \_\_\_\_\_  
(Date)

**2018–2019 Suggested Verification Text**

**Certification and Signature  
(Independent Student)**

**Certification and Signature**

Each person signing below certifies that all of the information reported is complete and correct.

**WARNING: If you purposely give false or misleading information, you may be fined, sent to prison, or both.**

\_\_\_\_\_  
Print Student's Name

\_\_\_\_\_  
Student's ID Number

\_\_\_\_\_  
Student's Signature (Required)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Spouse's Signature (Optional)

\_\_\_\_\_  
Date

## 2018–2019 Suggested Verification Text

### Certifications and Signatures (Dependent Student)

#### Certifications and Signatures

Each person signing below certifies that all of the information reported is complete and correct. The student and one parent whose information was reported on the FAFSA must sign and date.

**WARNING: If you purposely give false or misleading information, you may be fined, sent to prison, or both.**

\_\_\_\_\_  
Print Student's Name

\_\_\_\_\_  
Student's ID Number

\_\_\_\_\_  
Student's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Parent's Signature

\_\_\_\_\_  
Date

# Special Cases



## CHAPTER 5

*There are unusual situations where you will need to exercise your discretion as a financial aid administrator: when modifying data used to calculate the expected family contribution (EFC), performing dependency overrides, resolving conflicting information, reporting cases of fraud, and determining a student to be an unaccompanied homeless youth.*

While many questions you get as a financial aid administrator will have routine answers, some situations will require extra discretion on your part. To account for special circumstances of a student, you may choose to exercise professional judgment (PJ) to adjust her cost of attendance or the data that determine her EFC. You might decide that unusual circumstances warrant making a dependent student independent. If you receive conflicting information for a student, you will need to resolve that. In some cases you may discover that a student has been guilty of fraud and should be reported. And you may need to determine if a student should be classified as an unaccompanied homeless youth.

### PROFESSIONAL JUDGMENT

An aid administrator may use PJ on a case-by-case basis only to adjust the student's cost of attendance or the data used to calculate her EFC. This adjustment is valid only at the school making it. You submit a PJ change electronically, via FAA Access to CPS Online or third-party software, and you may do it without a signature from the student or parent. In FAA Access or EDE, you must select "EFC adjustment requested" for the professional judgment field. The next ISIR will indicate "Professional judgment processed."

The reason for the adjustment **must be documented** (by a third party if possible), and it must relate to the special circumstances that differentiate him—not to conditions that exist for a whole class of students. You must resolve any inconsistent or conflicting information shown on the output document **before** making any adjustments. An FAA's decision regarding adjustments is final and cannot be appealed to the Department.

The statute states that nothing within it shall be construed as limiting the authority of aid administrators to make data adjustments for some situations. However, the law gives some examples of special circumstances, such as elementary or secondary school tuition, medical or dental or nursing home expenses not covered by insurance, unusually high child care costs, being homeless or a dislocated worker, recent unemployment of a family member, or other changes in the family's income or assets. Use of PJ is neither limited to nor required for the situations mentioned.

**Online review of PJ practices**  
<https://ifap.ed.gov/qadocs/FSAVeriModule/activity2verif.doc>

### Prior-prior year data and PJ

Because prior-prior year data is older than prior year data, schools may see more cases that justify the use of PJ to adjust for more current circumstances of a family, for example, if the income has changed significantly, either upward or downward. The Department is aware of this and expects that there will be some increased use of PJ. Schools should continue to follow the guidelines presented here and be aware that while they may identify a category of students with similar circumstances to consider for a possible professional judgment adjustment (e.g., students who quit jobs to start school), they may not, however, automatically provide identical treatment to all students in that category. Each PJ case must be determined and documented individually. See DCL [GEN-16-03](#).

### PJ and unemployment benefits

The Department has issued special guidance concerning the use of professional judgment for persons who are receiving unemployment benefits during economic hardship. This continues to be in effect; see DCL [GEN-11-04](#) for more information.

## Professional judgment

HEA Sec. 479A(a) IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

Another situation where you might want to use professional judgment involves Roth IRAs. When someone converts a regular IRA into a Roth IRA by transferring funds, the amount converted has to be reported as taxable income on the tax return. So the income reported on the FAFSA will be higher than without the Roth conversion, even though the family doesn't actually have additional income or assets available. You can use professional judgment to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion if you think the adjustment is warranted for a student. As with the specific special circumstances listed in the law, you're not required to make an adjustment in this situation.

The law doesn't allow you to modify either the formula or the tables used in the EFC calculation; you can only change the cost of attendance or the values of specific data elements used in the EFC calculation. In addition, you can't adjust data elements or the cost of attendance solely because you believe the tables and formula are not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member is ill, you might modify the AGI to allow for lower earnings in the coming year or might adjust assets to indicate that family savings will be spent on medical expenses.

You can't use PJ to waive general student eligibility requirements or to circumvent the intent of the law or regulations. For instance, you cannot use PJ to change FSEOG selection criteria. Nor can you include post-enrollment activity expenses in the student's COA. For example, professional licensing costs to be incurred after the enrollment period would not be includable (though one-time licensing costs incurred during the enrollment period may be—see *Cost of Attendance* in *Volume 3*).

Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. These "unreasonable" judgments have included, for example, the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, children's allowances, and the like). Aid administrators must make "reasonable" decisions that support the intent of the provision. Your school is held accountable for all professional judgment decisions and for fully documenting each decision.

An FAA should keep in mind that an income protection allowance (IPA) is included in the EFC calculation to account for modest living expenses. Before adjusting for an unusual expense, consider whether it is already covered by the IPA. It is reasonable to assume that approximately 30% of the IPA is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance is one of the intermediate values in the FAA Information section of the output document (labeled as "IPA"). See *Chapter 3* for the IPA values.

If you use professional judgment to adjust a data element, you must use the resulting EFC consistently for all FSA funds awarded to that student. For example, if for awarding the student's Pell Grant you adjust a data element that affects the EFC, that new EFC must also be used to determine the student's eligibility for aid from the Campus-Based and Stafford Loan programs.

**If you make a PJ adjustment, you must set the FAA Adjustment flag in FAA Access or via the Electronic Data Exchange (EDE).**

Finally, if you use PJ for a student who was selected for verification (by you or the Department), you must complete verification before exercising professional judgment. However, you do not have to verify information that you will entirely remove due to PJ. For example, if a dependent student's parents have separated after completion of the FAFSA and one parent is no longer in the household size and you decide to use PJ to remove that parent's income from the FAFSA, you do not have to first verify his or her income. Also, using PJ does not require you to verify a student's application if he was not already selected for verification by the Department or your school.

### ***Students without parent support***

Students whose parents refuse to support them are not eligible for a dependency override, but they may be able to receive unsubsidized Stafford loans only. For a student to be eligible for this provision (the text of which is in the "Professional judgment" margin note on page 112), you must get documentation (1) that his parents refuse to complete his FAFSA and (2) that they do not and will not provide any financial support to him. Include the date support ended. If the parents refuse to sign and date a statement to this effect, you must get documentation from a third party (the student himself is not sufficient), such as a teacher, counselor, cleric, or court.

As noted in the next section, this situation does not justify a dependency override. But as with overrides, resolving the situation is at your discretion. If you decide that a student falls into this category, you must document your decision and ensure that the student submits a FAFSA and passes all the eligibility matches. The result will be a rejected application with no EFC. You can then award the student unsubsidized Stafford loans up to the maximum the student would normally be eligible for depending on his grade level (but not the amount a student can get when his parent is unable to get a PLUS loan). See DCL GEN-08-12 for more information.

## **DEPENDENCY OVERRIDES**

An FAA may do dependency overrides on a **case-by-case** basis for students with unusual circumstances. If the FAA determines that an override is appropriate, she must write out the determination and retain it and the supporting documentation. **However, none of the conditions listed below, singly or in combination, qualify as unusual circumstances meriting a dependency override:**

1. Parents refuse to contribute to the student's education.
2. Parents are unwilling to provide information on the FAFSA or for verification.
3. Parents do not claim the student as a dependent for income tax purposes.
4. Student demonstrates total self-sufficiency.

### **Adjustment example**

Kitty's mother had income earned from work of \$25,000 in 2016 but is no longer employed. After receiving documentation confirming this, the FAA at Krieger College decides to adjust the AGI reported for Kitty's parents to take into account their reduced income. The FAA also reduces the income earned from work for Kitty's mother to zero.

### **IPA percentage example**

In 2016 Alan had \$3,550 in medical expenses that were out-of-pocket costs. He is married, has two children, and is the only member of his household in college, so his IPA is \$39,780. Because his expenses were less than the amount for medical expenses already provided for in the IPA (11% of \$39,780 is \$4,376), the aid administrator at Sarven Technical Institute does not adjust Alan's FAFSA information.

### **Dependency overrides**

HEA Sec. 480(d)(1)(I) and (d)(2). Also see Dear Colleague Letters GEN-03-07 and GEN-11-15.

### **Dependency override example**

Said is a refugee from Iraq who qualifies for federal student aid as an eligible noncitizen. But his FAFSA was rejected because he is a dependent student and did not provide data for his parents. When the aid administrator asks him for his parents' information, he says they are in Iraq and have been displaced due to the upheaval there, and he doesn't know how to contact them. The FAA asks him for documentation of this, and Said says that he has an uncle living in the U.S. who can attest to his situation. The FAA asks for Said's uncle to either appear in person and sign a statement confirming Said's account or to send the aid office a notarized statement. Said's uncle, who works not far from the school, comes to the aid office, signs the statement, and the FAA grants Said a dependency override.

## Overrides and professional judgment

The phrase “professional judgment” is loosely used for the discretion that FAAs apply to dependency overrides and to data adjustments in the application. The provisions for these two types of changes are in separate places in the HEA. The citation for dependency overrides is in Sec. 480(d)(7); the citation for data adjustments is in Sec. 479A and is copied *in toto* in the margin on page 112.

## Refusing or reducing a loan

Remember that the discretion of FAAs extends to refusing or reducing Direct Loan funds as long as the reason is documented and given in written form to the student and is not due to discrimination against the student on the basis of race, national origin, religion, sex, marital status, age, or disability. HEA Sec. 479A(c)

## Unable to provide parent data

FAFSA on the Web allows students to indicate that they believe they have special circumstances that prevent them from providing parent information. A student who indicates this is thoroughly informed about what warrants a dependency override and what the results will be for his application. If he persists through those screens and does not include parent data, he will get a rejected ISIR that will have the special circumstances flag set. You will have to review the student’s situation and determine if he: is an unaccompanied homeless individual, merits a dependency override, must instead provide parent data, or should be permitted to borrow only unsubsidized Stafford loans because he can document that his parents have refused to support him and to provide their information on his FAFSA. In the last case he does not receive a dependency override.

**Unusual circumstances do include** (and may cause any of the aforementioned conditions) abandonment by parents, an abusive family environment that threatens the student’s health or safety, or the student being unable to locate his parents. In such cases an override might be warranted.

These conditions would not disqualify a student from being a homeless unaccompanied youth or self-supporting and at risk of homelessness.

An aid administrator may override only from dependent to independent (though as suggested earlier, if an independent student receives substantial support from others, a school may use PJ to adjust the COA or FAFSA data items such as untaxed income).

Documentation is critical to the dependency override process. The documentation must support, and include the reason for, the decision and should in almost all cases originate from a third party with knowledge of the unusual circumstances of the student.

An FAA may, without gathering documentation, use an override that another school granted in the same award year. However, overrides do not carry over from one year to the next; the FAA must reaffirm each year that the unusual circumstances persist and an override is still justified.

A third party that knows the student’s situation—e.g., a teacher, counselor, medical authority, member of the clergy, prison administrator, government agency, or court—should establish the unusual circumstances. Evidence can be a signed letter or an official document, such as a court order. If third party documentation is not available, the school may (it is not required to) accept a signed and dated statement from the student or a family member detailing the unusual circumstances. Such a statement should be a last resort.

To override the student’s dependent status on an initial application through FAA Access, the FAA should use the Dependency Override code of “1” (see the *EDE Technical Reference* for more information).

To authorize a dependency override on a paper FAFSA, the FAA marks the bubble for an override, labeled “D/O,” in the “College Use Only” area, fills in the school’s federal code, and signs. A separate letter attached to the application in lieu of making the override is **not** acceptable.

## Overrides on the paper FAFSA

COLLEGE USE ONLY

D/O  1

Homeless Youth Determination  4

FEDERAL SCHOOL CODE

--	--	--	--	--	--

FAA Signature

1
---

If the student has already applied, you can use FAA Access to authorize or cancel an override; overrides cannot be done on the SAR. If she had an override done at another school in the current year, that will be noted with the school's federal code on FAA Access. Only the school performing the override will receive that transaction. If the student adds your school to the transaction or if she gives you her data release number (DRN), you can access the record.

## CONFLICTING INFORMATION

In addition to reviewing application and data match information from the CPS, a school must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for verification—that would affect a student's eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school must resolve all such conflicting information, except when the student dies during the award year or when she is no longer enrolled and will not re-enroll; if the student later enrolls, you are again obligated to resolve the conflicting information.

If your school has conflicting information concerning a student's eligibility or you have any reason to believe his application information is incorrect, you must resolve the discrepancies before disbursing FSA funds and, as with verification, before making any PJ adjustment. If you discover discrepancies *after* disbursing FSA funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

### Subsequent ISIRs

You are generally required to review all subsequent transactions for a student for the entire processing year even if you verified an earlier transaction. First determine if the EFC or the "C" flag has changed or if there are new comments or NSLDS information that impacts eligibility for aid. Also, check any updates or corrections or whether the verification tracking group has changed. If the EFC has not changed and there are no changes in the "C" flag, tracking group, or NSLDS information, no action is generally required. If the EFC does change but it either doesn't affect the amount and type of aid received or the data elements that changed were already verified, no action is required. But if the EFC changes and the pertinent data elements were not verified, then you must investigate. Of course, any time the "C" flag changes or NSLDS data have been modified, you must resolve any conflicts.

### Discrepant tax data

Financial aid administrators do not need to be tax experts, yet there are some issues that even a layperson with basic tax law information can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. You are obligated to know: (1) whether a person was required to file a tax return, (2) what the correct filing status for a person should be, and (3) that an individual cannot be claimed as an exemption by more than one person.

## Requirement to identify and resolve discrepant information

34 CFR 668.16(f)

## Requirement to verify questionable data

34 CFR 668.54(a)(2)

"If an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information."

## Marital and tax filing status

The ISIR/SAR comments with codes 361–368 indicate a possible error when the filing status and marital status do not match. This is not considered to be conflicting information subject to the resolution requirements of 34 CFR 668.16(f), but we do encourage schools to review the application for mistakes when these comments appear. See the electronic announcement from May 15, 2014.

## IRS Publication 17

The IRS's Publication 17 is a large document, but so that you won't be daunted by its size, we have included the page numbers you might need to refer to.

### Online review of conflicting information policies

<https://ifap.ed.gov/qadocs/FSAVeriModule/activity1verif.doc>

### The end of 399 codes

The [August 10, 2017, announcement](#) informed schools that 399 codes would continue through much of 2018 because they could indicate mistakes in the 2017–2018 application. Schools must, through September 15, 2018, correct such mistakes. See the announcement for more information.

### OIG referrals

34 CFR 668.16(g)

### FSA Feedback System

At <https://feedback.studentaid.ed.gov> students, parents, and others can submit to the Department the following feedback:

- compliments about a positive experience they have had with the Department, a school, or a federal loan servicer;
- allegations of suspicious activity by a school or person that might have violated federal laws regarding federal student aid; or
- complaints about: applying for and receiving federal loans, grants, and work study; experiences with federal loan servicers, collections agencies, or the Department; and schools—their administration of the FSA programs, their marketing and recruitment practices, or their misrepresentations of facts.

[Read the announcement.](#)

Publication 17 of the IRS, *Your Federal Income Tax*, is a useful resource that you can view on the web at [www.irs.gov](http://www.irs.gov). It addresses pertinent tax issues on these pages: the filing requirements—i.e., who is required to file a return—are on pages 4–6; the instructions on which form a person should file are on pages 6–8; and the filing status requirements are on pages 20–25.

For example, an FAA who notices that a dependent student’s married parents have each filed as “head of household” (which offers a greater tax deduction than filing as single or married) must question whether that is the correct filing status. Publication 17 explains on pages 22–25 the criteria a person must meet to file as head of household. Resolution of the conflict may be a reasonable explanation of why there appears to be a conflict but is none, or the parents may refile and submit a copy of the amended return.

### Resolution of conflicting information

You may not disburse aid until you have resolved conflicting information, which you must do for any student as long as he is at your school. Even if the conflict concerns a previous award year, you must still investigate it. You have resolved the matter when you have determined which data are correct; this might simply be confirming that an earlier determination was the right one. Of course, you must document your findings and include an explanation that justifies your decision.

### REFERRAL OF FRAUD CASES

If you suspect that a student, employee, or other individual has misrepresented information or altered documentation to fraudulently obtain federal funds, you should report your suspicions and provide any evidence to the Office of Inspector General. See also *Volume 2*.

#### OIG Address and Phone Numbers

Regional Offices	Telephone No.	National Hotline
Boston, MA	617-289-0174	Inspector General’s Hotline Office of Inspector General U.S. Department of Education 400 Maryland Avenue, SW Washington, DC 20202-1500  1-800-MIS-USED (1-800-647-8733) Hours: M, W 9–11 a.m. T, Th 1–3 p.m.  To submit a complaint online at any time, go to <a href="https://www2.ed.gov/about/offices/list/oig/hotline.html">https://www2.ed.gov/about/offices/list/oig/hotline.html</a> and click on the appropriate link.
New York, NY	646-428-3861	
Philadelphia, PA	215-656-6900	
Pittsburgh, PA	412-931-9292	
Atlanta, GA	404-974-9430	
Pembroke Pines, FL	954-450-7346	
Chicago, IL	312-730-1630	
Dallas, TX	214-661-9530	
Ann Arbor, MI	312-730-1630	
Denver, CO	303-844-0058	
Kansas City, MO	816-268-0530	
Long Beach, CA	562-980-4141	
Phoenix, AZ	562-980-4141	
San Juan, PR	787-773-2740	
Washington, DC	202-245-6911	

## UNACCOMPANIED HOMELESS YOUTH

If a student does not have and cannot get documentation from any of the authorities given on page 27, you (the FAA) must determine if she is an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless. Any student who is not yet 24 may qualify for a homeless youth determination. It is important to make homeless youth determinations on a case-by-case basis.

As defined in the margin note, a student is considered homeless if he lacks fixed, regular, and adequate housing. This is broader than just living “on the street.” It includes temporarily living with other people because he had nowhere else to go; living in substandard housing (if it doesn’t meet local building codes or the utilities are turned off, it is generally not adequate); living in emergency or transitional shelters, for example, trailers provided by the Federal Emergency Management Agency after disasters; or living in motels, camping grounds, cars, parks, abandoned buildings, bus or train stations, or any public or private place not designed for humans to live in. It also includes living in the school dormitory if the student would otherwise be homeless. A student living in any of these situations and fleeing an abusive parent may be considered homeless even if the parent would provide support and a place to live.

The documentation for an FAA’s evaluation of the living arrangements of a student must demonstrate that she meets the definition of this category of independent student. The determination may be based on a documented interview with the student if there is no written documentation available.

When you are making a determination of homelessness:

- Ask for help with determining eligibility from local school district homeless liaisons, state homeless education coordinators, the National Center for Homeless Education (<https://nche.ed.gov/>), or the National Association for the Education of Homeless Children and Youth ([www.naehcy.org](http://www.naehcy.org)).
- School district homeless liaisons and shelter providers can help you develop and implement procedures for verification.
- Relevant information can come from recognized third-parties such as private or publicly funded homeless shelters and service providers, financial aid administrators from another college, college access programs such as TRIO and GEAR UP, college or high school counselors, other mental health professionals, social workers, mentors, doctors, and clergy.
- Use discretion when gathering information, and respect the student’s privacy. Some information, such as that protected by doctor-patient privilege, is confidential. Also, documents such as police or Child Protective Services reports are not necessary. Do not focus on why the student is homeless or unaccompanied but on whether the evidence shows that he is an unaccompanied homeless youth as defined in section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a); see the margin note.

## Homeless youth determinations

DCL GEN-15-16

### Homeless youth definitions

**At risk of being homeless**—when a student’s housing may cease to be fixed, regular, and adequate, for example, a student who is being evicted and has been unable to find fixed, regular, and adequate housing

**Homeless**—lacking fixed, regular, and adequate housing

**Self-supporting**—when a student pays for his own living expenses, including fixed, regular, and adequate housing

**Unaccompanied**—when a student is not living in the physical custody of a parent or guardian

### Housing

**Fixed**—stationary, permanent, and not subject to change

**Regular**—used on a predictable, routine, or consistent basis

**Adequate**—sufficient for meeting both the physical and psychological needs typically met in the home

**Confirmation not required**

You are not required to confirm the answers to the homeless youth questions unless you have conflicting information. A documented phone call with, or a written statement from, one of the relevant authorities is sufficient verification when needed.

In most cases the officials authorized to make an unaccompanied homeless youth determination (see page 27) will only provide documentation of that status for persons they are directly providing services to. However, there may be a few case-by-case instances where such an official will provide documentation for a person who is no longer officially receiving services. Also, local liaisons may write subsequent year letters of verification for unaccompanied homeless youth through age 23 for whom they have the necessary information to write such letters. This documentation is acceptable for verifying unaccompanied homelessness.

It is not conflicting information if you disagree with an authority's determination that a student is homeless. If you believe the authority is incorrect or abusing the process, accept his determination but contact the following oversight party, as relevant, to evaluate the authority's determinations:

- School district homeless liaison: contact the coordinator of education for homeless children and youth programs of the state's educational agency. A list of state coordinators can be found at [https://nche.ed.gov/states/state\\_resources.php](https://nche.ed.gov/states/state_resources.php).
- Director of an emergency shelter or transitional housing program: you should contact the local Continuum of Care (CoC) administering the HUD homeless assistance program. Go to <https://www.hudexchange.info/programs/coc/> and click on "Contact a CoC" on the right side of the page.
- Director of a runaway or homeless youth basic center or transitional living program: contact the National Clearinghouse on Families and Youth by phone at 301-608-8098 or by email at [nfcy@acf.hhs.gov](mailto:nfcy@acf.hhs.gov).

- Determine eligibility based on the legal definitions provided.
- Unaccompanied homeless youth may use the address of your school as their own on the FAFSA.

For students you determine to be unaccompanied homeless youths or unaccompanied, self-supporting youths at risk of being homeless, select the homeless youth determination option (#4) in the dependency override field in FAA Access to CPS Online or EDE. On the paper FAFSA, fill in the relevant bubble in the "College Use Only" box (see the graphic on page 114), include your school code, and sign. For students who have already filed their FAFSA, submit a FAFSA correction using the Homeless Youth Determination flag on the "dependency determination" page (Special Circumstances flag on the ISIR). To cancel a homeless youth determination, you use the same method as when canceling a dependency override: change the dependency override value to "2—FAA override canceled" in FAA Access or EDE.

You may rely on a determination by another school that a student was in this category on or after July 1, 2017. Also, a new determination must be made each year for an applicant who is homeless or at risk of being homeless.

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# Introduction



*This volume of the Federal Student Aid (FSA) Handbook discusses the eligibility requirements for students and parent borrowers and your responsibilities to ensure that recipients qualify for their aid awards.*

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## SOURCES OF INFORMATION

There are many factors you must consider when reviewing an application for aid from the FSA programs, such as whether the student is a U.S. citizen or permanent resident, whether the applicant is making satisfactory academic progress, and whether he or she has a defaulted FSA loan. To answer these questions you receive information about the student from different sources, including the Department of Education's Central Processing System (CPS) for financial aid applications and the National Student Loan Data System (NSLDS).

Throughout the year, the Department of Education (The Department) provides updates to schools in the form of Dear Colleague Letters (DCLs). These and other releases, such as *Federal Register* notices and announcements containing system updates and technical guidance, are available on the Information for Financial Aid Professionals (IFAP) website ([ifap.ed.gov](http://ifap.ed.gov)).

The FSA Handbook doesn't cover the operation of software. For schools using software from the Department, there are technical references on the FSA Download website (see the margin) that explain how the software operates. Schools using third-party software should consult the vendor's reference materials for technical guidance.

## RECENT CHANGES HIGHLIGHTS

Here are some of the significant changes to *Volume 1*:

### Chapter 1:

- Added HEA citations to Teacher certification coursework sidebar.
- Added new sidebar on the definition of Graduate/professional students.
- Updated DCL citation in Recognized equivalent of a high school diploma sidebar.
- Added regulatory citation to ATB options & Eligible Career Pathway

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## Program and systems information online

### [fsadownload.ed.gov](http://fsadownload.ed.gov)

Software:

- Direct Loan Tools
- EDconnect
- EDEExpress for Windows
- SSCR for Windows

Technical References and User Guides for:

- CPS (ISIR, Summary of Changes, etc.)
- COD
- Electronic Data Exchange
- EDEExpress Packaging

### [ifap.ed.gov](http://ifap.ed.gov)

- Federal Registers
- Electronic Announcements
- Dear Partner/Colleague Letters
- FSA Assessment modules:
  - Student Eligibility—  
[ifap.ed.gov/qahome/qaassessments/studentelig.html](http://ifap.ed.gov/qahome/qaassessments/studentelig.html)

Satisfactory Academic Progress—  
[ifap.ed.gov/qahome/qaassessments/sap.html](http://ifap.ed.gov/qahome/qaassessments/sap.html)

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### Questions about FSA policies

E-Announcement Nov. 15, 2013

For questions about Federal Student Aid policies and programs, call the new “Reach FSA,” phone line at 1-855-FSA-4-FAA (1-855-372-4322). *Reach FSA* will help you determine the appropriate call center for your question, and then transfer you to that call center.

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### FSA Coach

ANN-13-21

FSA Coach, a self-paced, comprehensive online guide to the Title IV programs, has been updated for domestic schools.

For more information, see:

<https://ifap.ed.gov/ifap/fsacoach.jsp>

COACH for foreign schools will be updated in the future; monitor IFAP for forthcoming training announcements.

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### Questions or comments?

If you have any comments regarding the FSA Handbook, please contact Research and Publications via email at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov).

Programs sidebar.

- New sidebar added: SAP pace, attendance and published length of program.
- Conflicting information guidance updated to describe treatment of 400 & 400 SAR codes.
- Sidebar on Resolving 400 & 401 SAR codes added.

### Chapter 2:

- New sidebar added: Mandatory name changes.
- Guidance on “Paper secondary confirmation” updated to “Third-step verification.”
- New guidance added on preparing for third-step verification.
- Guidance on third step verification and submitting verification data through the SAVE system added.
- SAVE Guide to Immigration Documents description and link added.
- New sidebar added: 15 business days timeframe, with regulatory citation.
- New sidebar on requesting a new DHS verification number added.
- New sidebar on DHS-SAVE eligible noncitizen information page added, with link to third step verification IFAP page.

### Chapter 4

- New sidebar added: Name change on the SSA website.
- E-Announcement citation added to COD and SSN changes sidebar.
- E-Announcement citation added to Pseudo-SSNs for Pacific Islanders and the FAFSA sidebar.

### Chapter 6

- Updated guidance on restoring Pell eligibility for student affected by closed schools.
- Added sidebar on Pell Grant Restoration for students who attended

closed schools.

- Preparatory coursework guidance clarified re: eligible programs vs. standalone courses.
- Added regulatory citation to Preparatory coursework sidebar.
- Added new example sidebar: When preparatory coursework is not Title IV eligible.
- Updated DCL citation in Remaining Perkins Loan authority sidebar.



# School-Determined Requirements

## CHAPTER 1

*In this chapter, we discuss student eligibility requirements that don't require information from the Department's systems. The school determines on its own whether the student meets these eligibility requirements. In some cases, the financial aid office will need to get information from other school offices, such as the admissions office or the registrar, or from other organizations, such as high schools or testing agencies.*

### REGULAR STUDENT IN AN ELIGIBLE PROGRAM

A person must be enrolled as a *regular student* in an eligible program to receive Federal Student Aid (FSA) funds (exceptions are discussed later in this chapter). A regular student is someone who is enrolled or accepted for enrollment in an eligible institution for the purpose of obtaining a degree or certificate offered by the school. The requirement for an eligible program is discussed in *Volume 2, Chapter 2*.

A school must document a student's enrollment in an eligible program at the time of admission, and it must have a system to notify the financial aid office if the student leaves the program. It must also document that an aid recipient is a regular student.

▼ *Conditional acceptance.* Some schools admit students provisionally, for example, until they provide further documentation, such as academic transcripts or test scores, or demonstrate an ability to succeed in the program by receiving acceptable grades in program coursework. Typically, the school will limit these students' enrollment in terms of number of courses or enrollment status until they meet the necessary conditions.

Students admitted as conditional are regular students only if the school officially accepts them into the eligible degree or certificate program. The Department does not define official acceptance or admission. If the student is merely allowed to take some courses before being officially admitted to the program, she is not considered a regular student and is not eligible for FSA funds until she is officially admitted.

Schools may offer a trial or conditional period during which a student attends a program without incurring program charges or receiving FSA funds. If the student continues beyond the trial period and enrolls as a regular student, the school can pay him FSA grants for the entire payment period and loans for the period of enrollment.

▼ *Continuing education.* Regular students may receive aid for classes they take in a school's continuing education department as long as the classes apply to their degree or certificate program.

### Student eligibility

34 CFR 668.32

See *Volume 2, Chapter 2* for eligible program requirements.

### Regular student example

HEA Sec. 484(a)(1), (b)(3), (4);

34 CFR 668.32(a)(1)

34 CFR 668.24(c)(iii)

Northside Community College (NSCC) allows anyone with a high school diploma or the equivalent to enroll in any course. Many of NSCC's students do not intend to receive a degree or certificate; they are not regular students. NSCC requires those who want to receive a degree or certificate to complete a form stating which degree or certificate they are studying for and to meet periodically with an academic advisor. NSCC considers them to be regular students.

### Trial periods of enrollment

DCL GEN-11-12

You may offer trial periods of enrollment to allow a student to "try out" a program, without incurring charges or receiving Title IV (TIV) aid, before deciding to continue the program as a regular student and applying for Title IV aid.

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### Conditional acceptance examples

1. Waveland University allows students to take graduate courses before they have taken the GRE, but it limits them to no more than three courses and does not admit them into its graduate programs until they have submitted acceptable GRE scores. They aren't regular students, and since the school hasn't admitted them, they aren't eligible for FSA funds.
2. When Wrigley University accepts students into its graduate programs, it requires that the students receive no grade lower than a "B" in the first three courses. During this time, the school considers students to be admitted into the program, so they are eligible for FSA. If, however, students receive a grade lower than a B in any of the first three classes, their admittance will be withdrawn and they then will be ineligible for further FSA funds.

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### Continuing education examples

1. Sheffield University has a continuing education department that offers many online (telecommunications) courses that students in other departments of the school may take and that apply to the degree or certificate program in which the students are enrolled. These are regular students who are eligible for FSA funds.
2. Windy City University has a continuing education department that offers many courses. Some students enroll in these courses without being admitted to the university. They are not regular students and are not eligible for FSA funds.

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### Remedial coursework

34 CFR 668.20

### *Remedial coursework*

Remedial coursework prepares a student for study at the postsecondary level (as opposed to preparatory coursework, which prepares a student for a given program). A student enrolled solely in a remedial program is not considered to be in an eligible program. If acceptance into an eligible program is contingent on completing remedial work, a student cannot be considered enrolled in that program until she completes the remedial work.

However, if the student is admitted into an eligible program and takes remedial coursework within that program, he can be considered a regular student, even if he is taking all remedial courses before taking any regular courses. You may count up to one academic year's worth of these courses in his enrollment status for federal aid. For the purpose of this limit, that is 30 semester or trimester hours, 45 quarter hours, or 900 clock hours. If the remedial classes are non-credit or reduced-credit, you must determine how many credit hours they are worth to count toward the student's enrollment status (see "Enrollment status" section in this chapter).

A remedial course cannot be below the educational level needed for a student to successfully pursue her program after one year in that course. Also, remedial courses must be at least at the high school level, as determined by the state legal authority, your school's accrediting agency, or the state agency recognized for approving public postsecondary vocational education. If that agency determines that a remedial class is at the elementary level, the school must abide by that determination, and the class cannot be included for FSA purposes. Nor can FSA funds be used for a remedial course that uses direct assessment of student learning instead of credit or clock hours.

You can't use non-credit remedial hours to determine a student's enrollment status if the course is part of a program that leads to a high school diploma or its recognized equivalent. A student is never permitted to receive funds for training or for coursework prior to the completion of high school, even if the high school equivalency training is offered at postsecondary schools or is required for the postsecondary program.

Similar to other remedial coursework, a student may receive FSA funds for English as a second language (ESL) courses that are part of a larger eligible program. There are differences though: ESL courses don't count against the one-year limitation on remedial coursework, and they need not be at the secondary school level.

If your school permits a student to enroll in ESL or other remedial courses that don't apply to his degree or certificate, be aware that awarding FSA loans or Pell Grants over a series of semesters for such work can exhaust his eligibility for Pell Grants and/or FSA loans before he completes his program.

**Preparatory coursework**

A student not enrolled in a degree or certificate program is eligible for Direct Subsidized/Unsubsidized Loans (and a parent may receive Direct PLUS Loans on behalf of a dependent student) for up to one year if she is taking coursework necessary for enrollment in an eligible program. See the discussion under Direct Loans in *Chapter 6* of this volume.

**Teacher certification coursework**

A student may receive Federal Work-Study (FWS), as well as Direct Subsidized/Unsubsidized Loans, and Perkins Loans (and a parent may receive Direct PLUS Loans on behalf of a dependent student) if he or she is enrolled at least half time in required teacher certification coursework, even if it does not lead to a degree or certificate awarded by the school. For more details on Direct Loan and Perkins Loan eligibility criteria, see *Chapter 6* of this volume.

To qualify, the coursework must be required for elementary or secondary teacher certification or recertification in the state where the student plans to teach and must be offered in credit or clock hours. Courses using direct assessment in lieu of credit or clock hours are not eligible. An otherwise eligible student may also receive a TEACH Grant. Optional courses that the student elects to take for professional recognition or advancement, and courses recommended by your school but not required for certification, do not qualify. You should document that the courses are required by the state for teacher certification.

A student with a bachelor's degree who is enrolled in a postbaccalaureate teacher certification program can receive a Pell Grant in limited situations. See *Chapter 6* of this volume.

**Students with intellectual disabilities**

Students with an intellectual disability (see margin note) can receive funds from the Pell Grant, FSEOG, and FWS programs. They must be enrolled or accepted for enrollment in a comprehensive transition and postsecondary program (as defined in 34 CFR 668.231) for students with intellectual disabilities and must maintain satisfactory academic progress as determined by the school for this program. These students:

- do not have to be enrolled for the purpose of obtaining a degree or certificate, and
- are not required to have a high school diploma or its recognized equivalent.

Except for the statutes governing need analysis, the Secretary has the authority to waive any Pell Grant, FSEOG, FWS, or institutional eligibility provisions necessary to ensure that programs enrolling students with intellectual disabilities are eligible for these three types of federal student aid and that eligible students receive those funds.

**Teacher certification coursework**

34 CFR 668.32(a)(1)(iii)  
DCL GEN-16-10  
HEA Sec. 484(b)(4)  
HEA Sec. 401(c)(4)(B)

**Students with intellectual disabilities**

HEA Sec. 484(s)  
34 CFR 668.230–233  
20 U.S.C. 1091, 1140  
Students who:  
1) have mental retardation or a cognitive impairment characterized by significant limitations in intellectual and cognitive functioning and adaptive behavior as expressed in conceptual, social, and practical adaptive skills; and  
(2) are currently or were formerly eligible for special education and related services under the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. 1401), including students who were determined eligible for special education or related services under the IDEA but were homeschooled or attended private school.  
See 668.233(c) for documentation requirements.

**Elementary/secondary enrollment**

HEA Sec. 484(a)(1)  
34 CFR 668.32(b)

**Secondary school enrollment examples**

Marie is a junior in high school and enrolls in an electronics technician program at Lakeshore Community College (she is above the age of compulsory school attendance for her state and therefore can be admitted as a regular student at LCC). The coursework is offered evenings and weekends, so she can still attend her high school classes. The electronics technician program is an eligible postsecondary program, and Marie will receive a certificate from Lakeshore when she completes the program. However, she is not eligible for aid because she is still enrolled in high school.

Joe, a regular student at Waveland University, decides to take a driver's education course at the local high school during the summer. This does not mean he is enrolled in secondary school.

**Academic qualifications**

HEA Sec. 484(d)  
34 CFR 668.32(e)  
COD Technical Reference

**Graduate or professional student definition**

34 CFR 668.2(b)

For Title IV student eligibility purposes, a graduate or professional student is defined as a student who is enrolled in a program or course above the baccalaureate level or in a professional program and has completed the equivalent of 3 academic years of full-time study, either prior to entering the program or as part of the program itself. Also, a student who is receiving Title IV aid as an undergraduate student can't be considered a graduate/professional student for that same period of enrollment.

**ELEMENTARY OR SECONDARY ENROLLMENT**

A student enrolled in elementary or secondary school is not eligible for aid from the FSA programs, even if she is simultaneously enrolled in an eligible college program. A student is considered to be enrolled in secondary school if she is pursuing a high school diploma or if she has completed the requirements for a diploma, has not yet received it, and either she is taking college coursework for which her high school gives credit or her high school still considers her to be enrolled there.

An adult pursuing a high school equivalency certificate (not a high school diploma) is not considered to be enrolled in secondary school. However, as stated earlier, a student can't get aid for high school equivalency training. An adult can take a course offered by a high school, such as a driver's education course, without being considered enrolled there.

**ACADEMIC QUALIFICATIONS**

To receive FSA funds, a student must be qualified to study at the postsecondary level. A student qualifies if she:

- has a high school diploma (this can be from a foreign school if it is equivalent to a U.S. high school diploma);
- has the recognized equivalent of a high school diploma, such as a general educational development (GED) certificate or other state-sanctioned test or diploma-equivalency certificate;
- has completed homeschooling at the secondary level as defined by state law;
- has completed secondary school education in a homeschool setting which qualifies for an exemption from compulsory attendance requirements under state law, if state law does not require a home-schooled student to receive a credential for their education; or
- has completed one of the ability-to-benefit (ATB) alternatives and is either currently enrolled in an eligible career pathway program or first enrolled in an eligible postsecondary program prior to July 1, 2012.

A student may self-certify on the FAFSA that he has received a high school diploma or high school equivalency certificate or that he has completed secondary school through homeschooling as defined by state law. If a student indicates that he has a diploma or high school equivalency certificate, your school isn't required to ask for a copy (except as noted below), but if your school requires a diploma for admission, then you must rely on that copy of the diploma or high school equivalency certificate and not on the student's certification alone.

Awards submitted to the COD system for all students require a Student Eligibility Code (previously Ability to Benefit Code) to report how the student (including graduate and professional students) is qualified to study at the postsecondary level (e.g. by obtaining a high school diploma or its recognized equivalent). For more detail on submitting the appropriate Student Eligibility Code, see the COD Technical Reference on IFAP.

### **Checking the validity of a high school diploma**

If your school or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education, you must evaluate the validity of the student's high school completion. Students who indicate on their FAFSA that they graduated high school must give the name, city, and state of the high school. FAFSA on the Web will not allow students to skip these items, and it will have a drop-down list of both public and private high schools populated by the National Center for Education Statistics (NCES). Inclusion on the list does not mean that a diploma from the school is valid, nor does exclusion from the list mean that the diploma is invalid. Acceptable documentation for checking the validity of a student's high school completion can include the diploma and a final transcript that shows all the courses the student took.

Diplomas from unaccredited high schools can be valid and qualify students to receive FSA funds, as well as to meet college admission standards. One resource that a school may consider to determine if a high school diploma is valid is the department of education in the state in which the high school is located, if that department has jurisdiction over the high school. Colleges are also free to consult with each other as they develop their procedures for checking the validity of high school diplomas. For students who completed their secondary schooling outside the United States, comparable documents can help, as can the services of companies that determine the validity of foreign secondary school credentials.

A student's self-certification is not sufficient to validate a high school diploma that is in question. If there is conflicting information between the student's certification on the FAFSA and other documentation or information obtained from the student, the institution must resolve this conflict. It should be remembered that for a college to be an eligible institution, it must admit as regular students only those with a high school diploma or the recognized equivalent or who are beyond the age of compulsory school attendance. As in other areas of FSA administration, schools have final authority in meeting this requirement. The Department does not plan to have an appeal process or to intervene in reasonable judgments of school administrators, such as a decision to move a high school from a college's acceptable to unacceptable list or a case where one school has different lists than another.

### **College diploma mill definition**

An entity that:

1. Charges someone a fee and requires him to complete little or no education or coursework to obtain a degree, diploma, or certificate that may be used to represent to the general public that he has completed a program of postsecondary education or training; and
2. Lacks accreditation by an agency or association that is recognized as an accrediting body for institutions of higher education by the Secretary (pursuant to Part H, Subpart 2 of Title IV) or a federal agency, state government, or other organization that recognizes accrediting agencies or associations.

### **When a student incorrectly states diploma status**

When a student incorrectly states an eligible diploma status, for example, stating one year that they had a high school diploma, and in a subsequent year either notifying you that the previous submission was a mistake, or simply answering "no" to the high school diploma question, then the student was ineligible for all TIV aid in the prior award year, and is ineligible for all TIV aid going forward.

In this case, the student is responsible for the overpayment they previously received when ineligible, including aid received for completed award years. You (the school) **MUST** report the overpayment to NSLDS (see Volume 5, Chapter 2) and *may* refer the case to the Department for collection if you cannot recover the money from the student (see sample format document in Volume 4, Chapter 3).

## Foreign diplomas

[www2.ed.gov/policy/highered/reg/heard/2009/hsdiploma.html](http://www2.ed.gov/policy/highered/reg/heard/2009/hsdiploma.html) (see the FHD section)

### ***Foreign high school diplomas***

High school diplomas/transcripts from other countries are acceptable toward the student eligibility general requirement, as long as the diploma is equivalent to a U.S. high school diploma.

A school that is qualified to evaluate the credential may do so. A school that is not qualified or chooses not to evaluate the credential can instead require students to have their credential evaluated by a company that offers such a service. The school may pay for the evaluation, but if it does so, it can only have students reimburse it for the cost if it requires the evaluation as part of its admission process for all students who have a foreign credential.

You may not require only students who are applying for federal student aid to pay the school to have their credential evaluated because that would amount to the school charging a fee to complete the FAFSA, which is prohibited under HEA 483(a)(6). In such cases, because the cost of evaluating a foreign credential is incurred as a charge of admission prior to enrollment in an eligible program, it cannot be included in students' cost of attendance (COA).

If the student is selected for verification tracking groups V4 or V5, in which the student must provide proof of high school completion, when it is impossible for a refugee, asylee or victim of human trafficking to obtain documentation of his or her completion of a secondary school education in a foreign country, you may accept self-certification that they have completed a high school (or equivalent) education from these applicants, along with their entry status documentation that demonstrates the applicant's current or prior status as a refugee, asylee, or victim of human trafficking who entered the U.S. after the age of 15 (see item FHD-Q2/A2 at [www2.ed.gov/policy/highered/reg/heard/2009/hsdiploma.html](http://www2.ed.gov/policy/highered/reg/heard/2009/hsdiploma.html)).

### ***Recognized equivalents of a high school diploma***

The Department recognizes several equivalents to a high school diploma:

- a GED certificate;
- a certificate or other official completion documentation demonstrating that the student has passed a state-authorized examination (such as the Test Assessing Secondary Completion (TASC) the High School Equivalency Test (HiSET), or, in California, the California High School Proficiency Exam) that the state recognizes as the equivalent of a high school diploma (certificates of attendance and/or completion are not included in this qualifying category);
- an associate's degree;
- successful completion of at least 60 semester or trimester credit hours or 72 quarter credit hours that does not result in the awarding of an associate's degree, but that is acceptable for full credit toward a bachelor's degree at any institution; or
- enrollment in a bachelor's degree program where at least 60 semester or trimester credit hours or 72 quarter credit hours have been successfully completed, including credit hours transferred into the bachelor's degree program.

- for a student who enrolls without completing high school, a transcript indicating the student has excelled in high school. The student must no longer be enrolled in high school, must satisfy your school's written policy for admitting such students, and must be starting a program that leads at least to an associate's degree or its equivalent.

Note that merely possessing a certificate of attendance and/or high-school completion is **not** sufficient for a student to be Title IV aid eligible. Such a certificate may be issued without a student having completed all of the academic graduation requirements, including passing any required examinations. A state must consider a certificate or high-school-completion-equivalency test as equivalent to a high school diploma in that state in order for it to be considered equivalent to a high school diploma for Title IV aid eligibility purposes.

### Homeschooling

Though homeschooled students are not considered to have a high school diploma or equivalent, they are eligible to receive FSA funds if their secondary school education was in a homeschool that state law treats as a home or private school. Some states issue a secondary school completion credential to homeschoolers. If this is the case in the state where the student was homeschooled, she must obtain this credential to be eligible for FSA funds if the state requires it. She can include in her homeschooling self-certification that she received this state credential. An eligible *institution* is defined in part as one that admits as regular students only those who have a high school diploma or equivalent, are beyond the compulsory age of attendance for the school's state, or are dually enrolled at the college and a secondary school.

For students who finish homeschooling at a younger age, the Department considers them to be beyond the age of compulsory attendance if your school's state would not require them to obtain a secondary completion credential as provided under state law, or if not required by state law, has completed a secondary school education in a homeschool setting that qualifies as an exemption from compulsory attendance under state law. See also *Volume 2, Chapter 1*.

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### Recognized equivalent of a high school diploma

34 CFR 600.2

DCL GEN 16-09

[www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html)

Example: Kris enrolls in the bachelor's degree program at Maddon College.

Kris completes his high school requirements early, but the high school does not formally issue the high school diploma until a later time. Maddon can award Kris TIV funds if Maddon obtains a statement signed by an official from Kris's high school attesting that Kris has completed all of the required coursework and has successfully passed any required proficiency examinations for the high school diploma. The statement must include the date when the actual high school diploma will be issued.

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### Homeschooled students

HEA Sec. 484(d)(3),

34 CFR 668.32(e)(4)

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### Homeschooled students and institutional eligibility

HEA Sec. 102(a)(b)(c)

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### State regulations (for homeschooling & other purposes)

[www2.ed.gov/admins/comm/choice/regprivschl/index.html](http://www2.ed.gov/admins/comm/choice/regprivschl/index.html)

## ATB options & Eligible Career Pathway Programs



34 CFR 668.32(e)(2,3,5)

Consolidated Appropriations Act of 2016 (Public Law 114-113)

DCL GEN-12-09

DCL GEN-16-09

HEA Sec. 484(d)

Workforce Innovation and Opportunity Act (29 U.S.C. 3102(7))

## Ability-To-Benefit (ATB) Alternatives & Eligible Career Pathway programs

Students may become eligible for Title IV aid through the ATB alternatives in one of two ways. If a student first enrolled in an eligible postsecondary program prior to July 1, 2012, the student may enroll in any eligible program and can become eligible through one of the ATB alternatives. However, if a student first enrolled in an eligible postsecondary program on or after July 1, 2012, the student may only become eligible through one of the ATB alternatives if the student is enrolled in an “eligible career pathway program.” See below for more details about eligible career pathway programs. An ATB student need not be enrolled concurrently in both the eligible postsecondary program and the component for attaining a high school diploma or its recognized equivalent.

### ATB tests

34 CFR Part 668 Subpart J  
(Sections 141–156)

E-Announcement June 24, 2015

Revised ATB regulations were published in the *Federal Register* on Oct. 29, 2010.

Guidance on implementation of requirements for tests in languages other than English was given in GEN-11-08.

The ATB alternatives include:

- Passing an independently administered Department of Education approved ATB test (see chart at the end of this section).
- Completing at least 6 credit hours or 225 clock hours that are applicable toward a Title IV-eligible degree or certificate offered by the postsecondary institution (neither remedial nor developmental coursework count toward this requirement. The coursework must demonstrate that the student has the ability to benefit from the postsecondary program in which the student is enrolled or intends to enroll, but need not be applicable to the specific degree or program in which the student is enrolled).
- Completing a State process approved by the Secretary of Education. Note: To date, no State process has been submitted for the Secretary’s approval.

### Ceasing to be an ATB student

A student who gained TIV eligibility under one of the ATB alternatives ceases to be an ATB student when they obtain a high school diploma or its recognized equivalent. At that point, the student is no longer subject to the restrictions on ATB students, including that the student be enrolled in an eligible career pathway program in order to be (potentially) TIV-eligible.

▼ *Eligible Career Pathway Programs.* An “eligible career pathway program” means a program that combines rigorous and high-quality education, training, and other services that:

1. Align with the skill needs of industries in the economy of the State or regional economy involved;
2. Prepares an individual to be successful in any of a full range of secondary or postsecondary education options, including apprenticeships registered under the Act of August 16, 1937 (commonly known as the “National Apprenticeship Act”; 50 Stat. 664, chapter 663; 29 U.S.C. 50 et seq.);
3. Includes counseling to support an individual in achieving the individual’s education and career goals;
4. Includes, as appropriate, education offered concurrently with and in the same context as workforce preparation activities and training for a specific occupation or occupational cluster;
5. Organizes education, training, and other services to meet the particular needs of an individual in a manner that accelerates the educational and career advancement of the individual to the extent practicable;

6. Enables an individual to attain a high school diploma or its recognized equivalent, and at least one recognized postsecondary credential; and
7. Helps an individual enter or advance within a specific occupation or occupational cluster.

You must make a determination on whether a program meets these criteria, and you are responsible for documenting that your career pathway program(s) meet each of the requirements described above. The Department does not require that you receive approvals or endorsements from a State or local workforce agency to fulfill these requirements, although that may be one way that you document your compliance.

You must maintain documentation that each eligible career pathway program that you use as a basis for determining a student's eligibility under the ATB alternatives meets the above requirements. This must include documentation that the program(s) in question include workforce preparation activities and training for a specific occupation or occupational cluster, and that the program is aligned with the skill needs of the U.S. state or regional economy in which your school is located.

Additional information regarding the requirements for eligible career pathway programs can be found in Dear Colleague Letter GEN-16-09 on IFAP.

▼ *Eligibility of Other Students Without a High School Diploma (Grandfathered Students)*. As discussed in Dear Colleague Letter GEN-12-09, students who were enrolled in an eligible program of study prior to July 1, 2012 may continue to establish Title IV eligibility in any eligible program under one of the ATB alternatives by using the following grandfathering test:

**Question 1:** Did the student attend an eligible program at any Title IV institution prior to July 1, 2012? If yes, the student may use any of the ATB alternatives (as described above) to become eligible for Title IV, HEA student assistance. If no, continue to Question 2.

**Question 2:** Did the student, prior to July 1, 2012, officially register at a Title IV institution, and is the student scheduled to attend an eligible program? If yes, the student may use any of the ATB alternatives (as described above) to become eligible for Title IV, HEA student assistance. If no, the student may not use the ATB alternatives to become eligible for Title IV, HEA student assistance, unless the student is enrolled in an eligible career pathway program.

For a student who qualifies to use one of the ATB alternatives through enrollment in an eligible program prior to July 1, 2012, you must document that the student successfully completed one of the approved ATB alternatives described above. You must also document that the student was enrolled in both the TIV-eligible program component and the component that enables an individual to attain a high school diploma or its recognized equivalent. Such documentation could include documentation from NSLDS that shows a student's prior receipt of Title IV funds, or a transcript or other receipt that demonstrates enrollment in an eligible program.

## Approved ATB Tests

ATB Tests Still Approved	Publishers & Passing Scores
Wonderlic Basic Skills Test (WBST) Verbal Forms VS-1 and VS-2, Quantitative Forms QS-1 and QS-2. This is a paper and pencil test.	Wonderlic, Inc., 400 Lakeview Parkway, Suite 200, Vernon Hills, IL 60061 Contact: Chris Young, 847-247-2544 Passing Scores: Verbal 200, Quantitative 210
Wonderlic Basic Skills Test (WBST) Verbal Forms VS-1 and VS-2, Quantitative Forms QS-1 and QS-2. This is an online version of the tests.	Wonderlic, Inc., 400 Lakeview Parkway, Suite 200, Vernon Hills, IL 60061 Contact: Chris Young, 847-247-2544 Passing Scores: Verbal 200, Quantitative 210
Spanish Wonderlic Basic Skills Test (Spanish WBST) Verbal Forms VS-1 and VS-2, Quantitative Forms QS-1 and QS-2. This is a paper and pencil test.	Wonderlic, Inc., 400 Lakeview Parkway, Suite 200, Vernon Hills, IL 60061 Contact: Chris Young, 847-247-2544 Passing Scores: Verbal 200, Quantitative 200
Spanish Wonderlic Basic Skills Test (Spanish WBST) Verbal Forms VS-1 and VS-2, Quantitative Forms QS-1 and QS-2. This is an online version of the tests.	Wonderlic, Inc., 400 Lakeview Parkway, Suite 200, Vernon Hills, IL 60061 Contact: Chris Young, 847-247-2544 Passing Scores: Verbal 200, Quantitative 200
Combined English Language Skills Assessment (CELSA), Forms 1 and 2.	Association of Classroom Teacher Testers (ACTT), 1187 Coast Village Road, Suite 1, #378, Montecito, CA 93108 Contact: Pablo Beuckelew, 805-965-5704 Passing Scores: CELSA Form 1: 97; Form 2: 97.
ACCUPLACER (Reading Comprehension, Sentence Skills, and Arithmetic)	The College Board, 250 Vesey Street, New York, NY 10281 Contact: The ACCUPLACER Program, 800-607-5223 Passing Scores: Reading Comprehension 55; Sentence Skills 60; and Arithmetic 34.

**To refer to ATB tests which were approved in the past, see the June 24, 2015 E-Announcement on IFAP**

### Satisfactory Academic Progress

HEA Sec. 484(c),

34 CFR 668.16(e)

34 CFR 668.32(f)

34 CFR 668.34

Q&A: [www2.ed.gov/policy/highered/reg/hearulemaking/2009/sap.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/sap.html)

### SATISFACTORY ACADEMIC PROGRESS (SAP)

To be eligible for FSA funds, a student must make satisfactory academic progress, and your school must have a reasonable policy for monitoring that progress. The Department considers a satisfactory academic progress policy to be reasonable if it meets both the qualitative and quantitative criteria explained in this section.

Your SAP policy must be at least as strict (in terms of the qualitative and quantitative standards discussed below, not the frequency with which these are checked) as your SAP policy for students enrolled in the same program of study who are not receiving FSA funds at your school, and it must apply to all students within categories, e.g., full-time, part-time, undergraduate, and graduate students. Different SAP policies may apply to different academic programs, however the SAP policy must apply equally to all TIV programs; i.e, a student is either making SAP or is not; you may not say a student is making SAP for Pell but not for Direct Loans. All relevant SAP policy must be applied.

Your policy(s) must require an academic progress evaluation at the end of each payment period for students in programs lasting one year or less. For

all other programs, the policy must require annual reviews and must correspond with the end of a payment period. For programs greater than one year, your policy may also call for progress reviews after each payment period. If you review at each payment period, you must review SAP after a summer term if the student attends the summer term. You may have reasonable rules for students who initially enroll in specific courses but modify that enrollment within a limited time.

### Grades and pace of completion

Your school's policy must specify that both the quantitative (time-based) and qualitative (grade-based) standards are reviewed at each evaluation point. Each *may* include a payment period-based standard but are *required* to include a cumulative standard. You may review SAP more frequently, (for example, monthly), but the more frequent reviews would not replace the review that is required to be conducted at the end of the payment period.

Your policy must specify the *qualitative* standard (grade point average or GPA) that a student must have at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable measure against a norm. In addition, the HEA requires a specific qualitative review at the end of the student's second academic year. Students enrolled in a program of more than two academic years must have a GPA of at least a "C" or its equivalent or must have an academic standing consistent with your school's graduation requirements.

Having a standing consistent with the requirement for graduation means you could use an escalating GPA instead of a fixed one. For example, if your school uses a 4-point scale, it could require students to have a 2.0 average by graduation but allow their average to be lower earlier in their program. If your policy permits such a progression and a student falls below a C average, you must be able to document that her average is consistent with the academic standard required for graduation. Remedial coursework **must** be included in the qualitative assessment of SAP. The courses need not be included in the student's GPA; however, your school must have some means of assessing a student's academic progress in remedial coursework.

Your policy must also specify the *quantitative* standard (pace) at which students must progress through their program to ensure that they will graduate within the **maximum timeframe**, and each academic progress check must measure this. You calculate the pace at which a student is progressing by dividing the total number of hours the student has successfully completed by the total number he has attempted. You **may** include, but aren't required to include, remedial courses when making the assessment of the quantitative component of SAP.

Checking a student's pace of completion allows for variations of enrollment status since you look at the percentage of classes successfully completed rather than the number. Also, you can use a graduated completion percentage for each year of a program. For instance, your policy can permit students to complete a lower percentage of their classes in the first academic year but require them to complete an increasing percentage in subsequent years so that they finish their program in time. A student is ineligible (via the maximum timeframe element) when it becomes mathematically impossible for him to complete his program within 150% of its length if it is an undergradu-

### Satisfactory progress definitions

**Appeal**—A process by which a student who is not meeting SAP standards petitions the school for reconsideration of his eligibility for FSA funds.

**Financial aid probation**—A status a school assigns to a student who is failing to make satisfactory academic progress and who successfully appeals. Eligibility for aid may be reinstated for one payment period.

**Financial aid warning**—A status a school assigns to a student who is failing to make satisfactory academic progress. The school reinstates eligibility for aid for one payment period and may do so without a student appeal. This status may only be used by schools that check SAP at the end of each payment period and only for students who were making SAP in the prior payment period for which they were enrolled or who were in the first payment period of their program.

### Maximum timeframe

- For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program.
- For an undergraduate program measured in clock hours, a period no longer than 150 percent of the published length of the program as measured by the cumulative number of clock hours the student is required to complete and expressed in calendar time. (Note that a student in a clock hour program cannot receive aid for hours beyond those in the program; the maximum timeframe applies to the amount of calendar time the student takes to complete those hours.)
- For a graduate program, a period the school defines that is based on the length of the program.

### SAP pace, attendance & published length of program

While a school's attendance policy may be more strict than the quantitative (pace) standard for SAP, if, in a program to which these standards apply, a substantial majority of students graduate after the published length of the program (while retaining Title IV eligibility & incurring overtime charges), ED will likely require the school to revise the published length of the program.

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### **Grades and SAP: Academic amnesty/renewal**

Some schools have academic amnesty/renewal procedures through which a student can apply to have credits attempted and grades earned in previous semesters excluded from the calculation of the student's grade point average. The FSA program regulations make no provision for the concept of academic amnesty or academic renewal. Therefore, a school must always include courses applicable to a student's major (whenever taken) in evaluating a student's satisfactory academic progress (both quantitative and qualitative components). However, a student may be able to appeal loss of eligibility due to special circumstances.

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### **Completed program, no degree**

A student who completes the academic requirements for a program but does not yet have the degree or certificate is not eligible for further additional FSA funds for that program.

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### **Retaking a program**

Your school may permit a student to receive FSA funds for retaking a program that she has completed before. For more details, see "Eligibility and enrollment status for retaking coursework" sidebar later in this chapter.

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### **SAP for test-based credits**

Some schools have developed tests in accord with their academic standards, such as language proficiency tests, which students can take and receive course credit. If such credits count toward the student's program, the grades for those credits count in the student's GPA for all FSA purposes. Such credits must be counted towards SAP for quantitative/pace purposes, and may, according to the school's written policy, be counted towards the student's qualitative/grades SAP measurement.

ate program, or within the maximum timeframe established by the school if it is a graduate program. In this situation, an appeal would be possible if your school accepts appeals.

Your policy must explain how GPA and pace of completion are affected by course incompletes, withdrawals, and repetitions, and by transfer credits from other schools. Generally, all periods of the student's enrollment count when assessing progress, even periods in which the student did not receive FSA funds. However, only transfer credits that count toward the student's current program must be counted (as both attempted and completed hours; credits not counted toward the student's program may also be counted at your school's discretion, as described in your SAP policy). Your policy may permit that for students who change majors, credits and grades that do not count toward the new major will not be included in the satisfactory progress determination. You may limit how many times a student can change majors, for SAP purposes.

Your SAP policy cannot exclude from the progress review courses in which a student remained past the add/drop period and earned a grade of "W" (or its equivalent), nor can it routinely exclude certain hours attempted, such as those taken during a summer session. A review of SAP is not complete until both the qualitative and quantitative measures have been reviewed. If a satisfactory progress check shows that a student does not have the required GPA or is not maintaining the required pace, she becomes ineligible for FSA funds unless she is placed on financial aid warning (if your school reviews SAP at the end of each payment period) or probation (after a successful appeal), as explained below. Your policy must describe both of these statuses if it allows for them, and it must provide for notification to students of the results of any evaluation that affects their eligibility for FSA funds.

You may monitor SAP at the end of every month, but an official review (i.e., for Title IV/SAP purposes) may only occur at the end of a payment period. The monthly evaluation at the end of the month that contains the end of a payment period (for example, hour 450) cannot count as the official evaluation at the end of a payment period. Even if your school conducts progress evaluations at the end of each month, you cannot conduct the official (for Title IV/SAP purposes) SAP review at the end of each month. The official evaluation must be at the end of a payment period. After an official evaluation, a student must be placed on warning or probation status (if the appeal is successful) for an entire payment period when SAP is not achieved. You may not put someone on warning/probation for less than a payment period.

### ***Financial aid warning***

Only schools that check satisfactory progress at the end of each payment period may place students on financial aid warning as a consequence of not making satisfactory progress. A school may use this status without appeal or any other action by the student. Warning status lasts for one payment period only, during which the student may continue to receive FSA funds. Students who fail to make satisfactory progress after the warning period lose their aid eligibility unless they successfully appeal and are placed on probation. Schools do not need to use the warning status; they can instead require students to immediately appeal to be placed on probation.

***Appeals, financial aid probation, and academic plans***

All schools may use the financial aid probation as part of their satisfactory progress policy. When a student loses FSA eligibility because he failed to make satisfactory progress, if the school permits appeals, he may appeal that result on the basis of: his injury or illness, the death of a relative, or other special circumstances. His appeal must explain why he failed to make satisfactory progress and what has changed in his situation that will allow him to make satisfactory progress at the next evaluation.

If you determine, based on the appeal, that the student should be able to meet the SAP standards by the end of the subsequent payment period, you may place him on probation without an academic plan. You must review the student's progress at the end of that one payment period, as probation status is for one payment period only. If you determine, based on the appeal, that the student will require more than one payment period to meet progress standards, you may place him on probation and develop an academic plan for the student. You must review the student's progress at the end of one payment period as is required of a student on probation status, to determine if the student is meeting the requirements of the academic plan. If the student is meeting the requirements of the academic plan (or the universally applicable SAP requirements, outside of any individualized academic reinstatement plan), the student is eligible to receive Title IV aid as long as the student continues to meet those requirements and is reviewed according to the requirements specified in the plan.

Your school determines the process and documentation required for an appeal. It may decide to require more extensive information on an initial appeal and some type of an update statement on a subsequent appeal. The regulations do not specify what must be included in an academic plan. The school and the student must develop a plan that ensures that the student is able to meet the school's satisfactory progress standards by a specific time, though an academic plan could instead take the student to successful program completion. Students must also appeal to change their plan. They must explain what has happened to make the change necessary and how they will be able to make academic progress.

***Reestablishing aid eligibility***

Your policy, even if it does not permit appeals, must explain how students who are not making satisfactory academic progress can restore their eligibility for FSA funds. Other than when a student is placed on financial aid warning or probation or has agreed to an academic plan as outlined above, he can regain eligibility only by taking action that brings him into compliance with your school's satisfactory progress standards.

The requirement that a student complete a number of credits or enroll for a number of academic periods without receiving FSA funds, or that he interrupt his attendance for one or more academic periods, may be part of your academic progress policy. However, neither paying for one's classes nor sitting out for a term affects a student's academic progress status, so neither is sufficient to reestablish aid eligibility.

**SAP new/conflicting information requirements**

You must have an established procedure for reviewing and addressing additional information that may have an impact on SAP reviews. For example, if you review SAP at the end of a spring term and receive late notification of a grade change for the previous fall or spring term, you must recheck SAP using that new information.]

## Satisfactory Academic Progress Examples: Four-Year Programs

### Four-year credit-hour program with appeal

Students in a bachelor's degree program at National College must complete 120 credits and may attempt up to 180 credits (120 x 150%). National reviews a student's academic progress once per year and has a pace of completion of 2/3 or 66.67% of the classes that students attempt; it requires a cumulative GPA of 1.50 after the first year, 1.75 after the second year, and 2.0 after the third year and beyond.

In his first semester, Danny fails one course and withdraws (late in the term) from one of his five courses (15 credits). He takes four courses in his second semester and again fails one and withdraws from one. Though his GPA is 1.71, he isn't making SAP by the end of the first year because he completed only 15 credits out of the 27 he attempted, and two-thirds (2/3) of 27 is 18. Danny applies for an appeal, but because his only reason for not making SAP is that he wasn't able to concentrate on college after being in high school, and because he doesn't offer evidence showing what has changed, the aid administrator at National denies his appeal, and he is ineligible for aid in his second year.

Even if Danny had a more convincing reason for failing at SAP, such as being injured and being rendered unable to participate effectively in his normal activities, the administrator might still have denied his appeal because she saw little improvement or variation in Danny's pace of completion and did not determine that he would likely be making SAP a year later. If Danny's academic performance improves by the end of his second year so that he is meeting the SAP criteria, he can again receive FSA funds.

### 4-year credit-hour program with warning and appeal

Krieger University checks SAP every quarter, which permits it to use financial aid warnings. Students must complete 144 credit hours to receive a BA or BS degree, and they may attempt up to 216 credit hours to complete a program. Students must complete at least half of the credits they attempt in their first year and 75% of their credits in each year after that. They must have no less than a 2.0 GPA at all times.

Gina finishes her first year at Krieger with a 2.25 GPA and completes all of the credits that she attempts, so she is making SAP. After the first quarter in her second year, she again completes all of her classes but poor grades leave her with a 1.94 GPA. The aid administrator places her on financial aid warning for one quarter and informs her that she is not meeting the SAP standards. Gina does poorly in the next quarter as well, and her GPA drops to 1.85. The aid administrator informs her that she can't continue on warning status and needs to submit an appeal explaining why she is failing to make SAP and why she thinks that will change and allow her to again make SAP.

Gina brings the administrator an obituary showing that her mother died recently, which required that she help with family affairs and caused her to lose her focus at school. She asserts that is over now. The administrator places her on probation and suggests that she might take fewer courses. But Gina enrolls full time and again receives poor grades, causing her GPA to drop to 1.80. The administrator informs Gina that she has become ineligible for FSA funds but that she can become eligible again if she raises her GPA to 2.0 or that she can submit another appeal (the latter appeal must be based on a reason different from the first appeal) and this time request to be placed on an academic plan.

## Satisfactory Academic Progress Examples: One-Year Programs

### **1-year credit-hour program with financial aid**

**warning** Carver University has a program that a full-time student can complete in 24 semester hours. Because this is a one-year program, Carver must check SAP every payment period. Their policy is that students must complete the program by the time they have attempted 36 (150% of 24) hours, and the pace of completion is 2/3 or 66.67%. They require a 2.0 GPA at all times.

Suzie plans to take two classes (eight hours) each semester. In the first term, she fails one class and gets a B in the other. Her GPA is 1.5 and her pace of completion is 50%, so Carver automatically places her on financial aid warning and informs her of this. In her second semester, Suzie gets a C (in the class she failed in the first semester) and an A, raising her GPA to 2.25 (Carver counts all grades for retaken classes), and she has completed 75% of her classes, so she restores her aid eligibility.

### **Clock-hour program with appeal**

Fowler Community College has a 900-clock-hour program that normally takes eight months to complete. Fowler allows a maximum timeframe of 12 months to complete the program, and students must complete at least 300 clock hours out of the 450 clock hours of each payment period (four months) and maintain a 2.0 GPA. Because the program is so short and financial aid warnings would delay a rigorous review of students'

academic performance until late in (or the end of) the program, Fowler decides not to use warnings. Instead, it requires students to submit an appeal when they are not meeting SAP standards.

After the first four months, Anthony's GPA is 3.0, but he completes only 250 of the 300 clock hours that were required for the payment period. Fowler informs him that he must submit an appeal to continue to receive FSA funds. Anthony tells the administrator that he was diagnosed with depression, which prevents him from doing as much as he'd like. He provides a note from his psychiatrist and affirms that he is doing better since he has received regular treatment. The administrator grants his appeal and puts him on financial aid probation since she determines that Anthony can finish the program in the remainder of the year. She drafts a plan that allows him some flexibility in his pace of completion and that requires him to check with her once a month to inform her of his progress in his classes.

After four more months, Anthony's GPA is 3.3, and he has completed 580 hours out of the 600 required under Fowler's published SAP policy, which would normally make him ineligible for FSA funds. But because he is progressing according to his personal SAP plan and is predicted to complete the program within the maximum timeframe, he may still receive aid.

**Full-time student definition**

34 CFR 668.2(b)

**Half-time enrollment**HEA Sec. 428(b)(1)(A),  
34 CFR 668.2(b)

A school may choose to define half time as half of the minimum full-time standard established in the regulations even if this is less than half the full-time standard established by the school. For example, if a school sets 14 semester hours as full time, it could use 6 semester hours (one-half of the regulatory full-time minimum of 12) as half time instead of 7.

**Enrollment status for students with intellectual disabilities**

Because a comprehensive training program for students with intellectual disabilities can include work for which the school awards no credit, such as audited courses, the school must develop equivalencies in credit hours for such work, just as it must do with non-credit remedial coursework. This will allow the school to determine the enrollment status for students in these programs.

**ENROLLMENT STATUS**

A student must be enrolled at least half time to receive aid from the Direct Subsidized/Unsubsidized and Direct PLUS Loan programs. The Pell, TEACH Grant, and Campus-Based Programs don't require half-time enrollment, with two exceptions: the first exception is students must be enrolled in a post-baccalaureate program for teacher education at least half-time. The second exception is that, for Perkins and FWS, students must be enrolled half-time in a teaching credential program. But enrollment status does affect the amount of Pell a student receives; see *Volume 3, Chapter 3*.

To be enrolled half time, a student must be taking at least half of the course load of a full-time student. Your school defines a full-time workload, but it must meet the minimum standards in the FSA regulations. The definition of full time for FSA purposes can differ from that used for other purposes at your school, such as the definition used by the registrar's office. Your definition of a full-time workload for a program must be used for all students in that program and must be the same for all FSA-related purposes, including loan deferments. You can't accommodate a student with a learning disability or other handicap by allowing her a full-time enrollment status lower (for Title IV financial aid purposes) than the minimum standard (see the margin note on students with intellectual disabilities).

▼ *Minimum standards for full-time enrollment.* A student's workload may include any combination of courses, work, research, or special studies that your school considers sufficient to classify them as full time. This includes, for a term-based program, one repetition of a previously passed course that is not due to the student failing other coursework. The regulations specify a minimum standard for undergraduate students but not for graduate students. For undergraduates, full-time status must be at least:

- 12 semester hours or 12 quarter hours per academic term in an educational program using a semester, trimester, or quarter system;
- 24 semester hours or 36 quarter hours per academic year for an educational program using credit hours but not using a semester, trimester, or quarter system, or the prorated equivalent for a program of less than one academic year;
- 24 clock hours per week for an educational program using clock hours;
- A series of courses or seminars equaling 12 semester or quarter hours over a maximum of 18 weeks;
- For a program that measures credit hours and uses nonstandard terms, the number of weeks of instruction in the term divided by the number of weeks of instruction in the academic year, multiplied by the number of credit hours in the academic year;
- The work portion of a cooperative education program in which the amount of work performed is equivalent to the academic workload of a full-time student; or

- For correspondence coursework, a course load commensurate with the full-time definitions listed here, and at least half of that load must be non-correspondence coursework that meets half of the school's requirement for full-time students.

Your school must have a written policy stating what enrollment status the work portion of a co-op program is equivalent to. If it equals or exceeds a full-time academic load, the co-op student is considered full time regardless of how many credits are earned for the co-op work. A student taking only correspondence courses is never considered to be enrolled more than half time. See *Volume 3* for more on Pell and enrollment status and correspondence courses. If a student is enrolled in courses that do not count toward his degree, certificate, or other recognized credential, they cannot be used to determine enrollment status unless they are eligible remedial courses.

This means you cannot award the student aid for classes that do not count toward his degree, certificate, or other recognized credential. Also, federal student aid can be awarded only for learning that results from instruction provided or overseen by the school. It cannot be awarded for any portion of a program based on study or life experience prior to enrollment in the program, or based on tests of learning that are not associated with educational activities overseen by the school.

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### Eligibility and enrollment status for retaking coursework

34 CFR 668.2(b)

The regulatory definition for full-time student (for undergraduates) has been revised to allow a student, in a term-based program only, to retake any previously passed course (one time only per previously passed course). For this purpose, passed means any grade higher than an "F," regardless of any school or program policy requiring a higher qualitative grade or measure to have been considered to have passed the course. This retaken class may be counted toward a student's enrollment status, and the student may be awarded Title IV aid for the enrollment status based on inclusion of the class.

Normal SAP policy allows for a student to receive Title IV funds for retaking a course he or she failed, and if a student withdraws before completing the course that he or she is being paid Title IV funds for retaking, that is not counted as his or her one allowed retake for that course. However, if a student passed a class once, then is repaid for retaking it, and fails the second time, that failure counts as their paid retake, and the student may not be paid for retaking the class a third time.

If your school has a policy that requires students to retake all of the coursework for a term in which a student fails a course, only the first retake of any previously passed course is eligible for Title IV aid (see the preamble to the October 15, 2015 Program Integrity regulation; page 67127).

If a student withdraws from all Title IV eligible courses in the payment period or period of enrollment and continues to attend only the course(s) that he or she is completing or repeating for which he or she may not receive Title IV aid during that period, the student is a withdrawal for Title IV purposes. This is because a student is considered to be attending a Title IV eligible program only if he or she is attending one or more courses in that program for which the student is receiving Title IV, HEA program funds.

### Counting non-credit or reduced-credit remedial work in enrollment status

34 CFR 668.20

A student can receive aid for a limited amount of remedial coursework that is included as part of a regular program. As long as the student qualifies for aid for remedial courses, you must include the remedial courses in the student's enrollment status.

Some schools give no credit or reduced credit for remedial classes. To determine enrollment status, credit hours for the remedial class should be the same as for the comparable full-credit class. If you're using credit hours, you can compare the number of classroom and homework hours of study that the remedial course requires with the hours required for similar courses offered for full credit. Clock-hour schools should use the number of classroom hours attended in the remedial program.

### Drug convictions

HEA Section 484(r)

34 CFR 668.40

A student who self-certifies that he or she has P56, 058, or 052 on his or her SAR and ISIR. See the SAR Comment Code and Text Guide on IFAP. For questions, contact the CPS/SAIG Technical Support at 800-330-5947, or CPSSAIG@ed.gov

### Question 23 Student Aid Eligibility Worksheet

E-Announcement Sept 23, 2016

You may distribute this worksheet to students to help them determine and document their eligibility or ineligibility, based on their responses to question 23 on the FAFSA (i.e., drug convictions): <https://ifap.ed.gov/drugworksheets/attachments/1718StudentAidEligibilityWorksheetforQuestion23EN.pdf>

## STUDENTS CONVICTED OF POSSESSION OR SALE OF DRUGS

A federal or state drug conviction (but not a local or municipal conviction) can disqualify a student for FSA funds. The student self-certifies in applying for aid that he is eligible; you're not required to confirm this unless you have conflicting information.

Convictions only count against a student for aid eligibility purposes (FAFSA question 23c) if they were for an offense that occurred during a period of enrollment for which the student was receiving federal student aid—they do not count if the offense was not during such a period, unless the student was denied federal benefits for drug trafficking by a federal or state judge (see drug abuse hold sidebar). Also, a conviction that was reversed, set aside, or removed from the student's record does not count, nor does one received when she was a juvenile, unless she was tried as an adult.

The chart below illustrates the period of ineligibility for FSA funds, depending on whether the conviction was for sale or possession and whether the student had previous offenses. A conviction for sale of drugs includes convictions for conspiring to sell drugs.

	Possession of illegal drugs	Sale of illegal drugs
<b>1st offense</b>	1 year from date of conviction	2 years from date of conviction
<b>2nd offense</b>	2 years from date of conviction	Indefinite period
<b>3+ offenses</b>	Indefinite period	

If the student was convicted of both possessing and selling illegal drugs, and the periods of ineligibility are different, the student will be ineligible for the longer period. Schools must provide each student who becomes ineligible for FSA funds due to a drug conviction a clear and conspicuous written notice of his loss of eligibility and the methods whereby he can become eligible again.

A student regains eligibility the day after the period of ineligibility ends (i.e., for a 1st or 2nd offense); or when he or she successfully completes a qualified drug rehabilitation program that includes passing two unannounced drug tests given by such a program. Further drug convictions will make him ineligible again.

Students denied eligibility for an indefinite period can regain eligibility after completing any of the following options:

- 1) Successfully completing a rehabilitation program, as described below, which includes passing two unannounced drug tests from such a program);

2) Having the conviction reversed, set aside, or removed from the student's record so that fewer than two convictions for sale or three convictions for possession remain on the record; or

3) Successfully completing two unannounced drug tests which are part of a rehab program (the student does not need to complete the rest of the program).

In such cases, the nature and dates of the remaining convictions will determine when the student regains eligibility. It is the student's responsibility to certify to you that she has successfully completed the rehabilitation program; as with the conviction question on the FAFSA, you are not required to confirm the reported information unless you have conflicting information.

When a student regains eligibility during the award year, you may award Pell Grant, TEACH, and Campus-Based aid for the current payment period and Direct Loans for the period of enrollment.

### ***Standards for a qualified drug rehabilitation program***

A qualified drug rehabilitation program must include at least two unannounced drug tests and satisfy at least one of the following requirements:

- Be qualified to receive funds directly or indirectly from a federal, state, or local government program;
- Be qualified to receive payment directly or indirectly from a federally or state-licensed insurance company;
- Be administered or recognized by a federal, state, or local government agency or court; or
- Be administered or recognized by a federally or state-licensed hospital, health clinic, or medical doctor.

If you are counseling a student who will need to enter such a program, be sure to advise the student of these requirements. If a student certifies that he has successfully completed a drug rehabilitation program, but you have reason to believe that the program does not meet the requirements, you must find out if it does before paying the student any FSA funds.

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### **Drug abuse hold**

The Anti-Drug Abuse Act of 1988 includes provisions that authorize federal and state judges to deny certain federal benefits, including student aid, to persons convicted of drug trafficking or possession. The Central Processing System maintains a hold file of individuals who have received such a judgment. All applicants are checked against this file to determine if they should be denied aid. This is separate from the check for a drug conviction via question 23; records matching the drug abuse hold file receive a rejected application (reject 19 and comments 009 or 055 on the SAR and ISIR). See the *ISIR Guide* on the IFAP publications page for more information.

**Incarcerated students**

HEA Sec. 401(b)(8) and 484(b)(5)  
34 CFR 600.2 and 668.32(c)(2)  
DCL GEN-14-21

**INCARCERATED STUDENTS**

A student is considered to be incarcerated if he or she is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or similar correctional institution (whether it is operated by the government or a contractor). No student who is incarcerated may receive Title IV student loan funds, and no student who is incarcerated in a Federal or State penal institution may receive Pell Grant funds. However, an incarcerated student is still potentially eligible for Pell, FSEOGs and FWS, but not Direct Loans or Perkins Loans, if he or she is incarcerated in a juvenile justice facility, a local or county jail, or a local or county penitentiary or correctional facility.

You may accept the student's written self-certification that he is no longer incarcerated. See *Chapter 6* for more information on this and on sex offenders who were incarcerated but are now subject to an involuntary civil commitment.

**Conflicting information**

34 CFR 668.16(b)(3) and (f)

**CONFLICTING INFORMATION**

In addition to reviewing data provided by the Department's application system and NSLDS (as discussed in the rest of this volume), your school must have an internal system to share information relevant to the student's eligibility, such as his or her academic standing. The FSA program regulations require a school to develop an adequate system to ensure the consistency of any data related to a student's application or eligibility for Federal Student Aid regardless of the source of that data.

As described in Early FAFSA Electronic Announcement #2 (<https://ifap.ed.gov/EarlyFAFSA/EarlyFAFSADCLandEA.html>), the best way to avoid generating conflicting information is to encourage those filing FAFSAs to use the IRS Data Retrieval Tool (for those items which can be transferred). See the E-Announcement for more detail on the DRT.

If your school has conflicting information for a student or you have any reason to believe his application is incorrect, you **must** resolve such discrepancies before disbursing FSA funds. If you discover a discrepancy after disbursing FSA funds, you **must** reconcile the conflicting information and require the student to repay any aid for which he wasn't eligible, unless he is no longer enrolled for the award year and will not re-enroll. Your school is responsible for reconciling all inconsistencies that it receives with one exception: if the student dies during the award year, you aren't required to resolve conflicting information.

**Resolving 400 & 401 SAR codes**

August 7, 2017 E-Announcement  
18-19 SAR Comment Code Guide:  
<https://ifap.ed.gov/sarcommcodetxt/attachments/1819SARCommCodesTxt.pdf>

In addition to efforts your school undertakes to identify and eliminate conflicting information, there is one additional type of potential conflicting information which will be identified automatically by the CPS. On 2018-19 ISIRs, when a potential conflict in parent or student data is detected, the CPS will issue a "400" or "401" code. When a 400 or 401 code is issued, you will need to resolve any conflicting information issues and repackage any affected 2018-19 aid.

If you are unable to resolve the conflicting information, you must consider the student to be in overaward status for any 2018-19 need based aid (i.e., Title IV grants, Federal Perkins Loans, and Direct Subsidized Loans) that was disbursed (in this case, FWS money never need be repaid, but you must immediately cease paying any further FWS funds).

For more information on conflicting information, please refer to the *Application and Verification Guide* and *Volume 2, Chapter 3*.

## CHANGE IN ELIGIBILITY STATUS

A student's eligibility status can change during the award year, which almost always affects whether he can be paid. The special rules for changes in satisfactory academic progress status were discussed in the SAP section. For more details on Pell Grant status changes within and between terms, see *Volume 3, Chapter 3*.

### **Gaining eligibility**

A student who *gains eligibility* is one who was previously ineligible for some reason. In general, a student who gains eligibility may receive Pell Grant, TEACH Grant, and Campus-Based funds for the entire payment period and Direct Loan funds for the period of enrollment in which he or she becomes eligible.

A student is eligible for Pell Grant, TEACH Grant, and Campus-Based aid for the entire award year, not just the payment period, in which he or she becomes eligible by meeting the requirements for citizenship (including becoming an eligible noncitizen), having a valid Social Security number, or being registered for Selective Service.

For examples of gaining eligibility, we'll look at two students, Roy and Leon. Roy enrolls in a one-year certificate program at Carver University. Carver won't officially admit Roy before he provides an academic transcript from his previous school, but it lets him start classes in the fall. Carver receives Roy's transcript after he's attended for a month and officially admits him. He's still in his first payment period when admitted, so he can receive Pell and Campus-Based funds for his entire period of enrollment. The school can also use the program length of one year as the period of enrollment for which Roy can receive a loan.

Leon is finishing his senior year in high school; his classes end June 4. He decides to start classes in the winter at Carver on January 11. The second payment period begins on May 17. Leon isn't eligible for aid when he first starts classes at Carver. However, when he becomes eligible after June 4, Carver can disburse Pell and Campus-Based funds to Leon retroactively for the current payment period that started on May 17 (but not for the payment period that started in January) and a Direct Loan for the current period of enrollment, which does include the payment period that began in January.

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### **Defense of Marriage Act Decision**

DCL-GEN-13-25

DCL-GEN-14-14

In June 2013, the Supreme Court struck down Section 3 of the Defense of Marriage Act (DOMA), which provided that for purposes of federal programs, a marriage can only be between one man and one woman. For purposes of Title IV aid, the Department now considers that any legal marriage which was recognized by the jurisdiction in which it was performed as recognized without regard to whether the marriage is between persons of the same or opposite sex, and without regard to where the couple resides.

This has implications for dependency status and will impact how applicants fill out the FAFSA. For more details, see the *Application and Verification Guide, Chapter 2*.

In 2014, the Department published DCL GEN-14-14, which described further guidance on the potential eligibility of a same-sex stepparent to qualify for a Direct PLUS Loan. For further information, see the DCL.

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**Religious order student eligibility**

34 CFR 674.9(c)

34 CFR 675.9(c)

34 CFR 676.9(c)

34 CFR 685.200(a)(2)(ii)

34 CFR 690.75(d)

Members of any religious order, society, agency, community, or other organization aren't considered to have financial need if the order—

- (1) has as a primary objective the promotion of ideals and beliefs regarding a Supreme Being,
- (2) requires its members to forego monetary or other support substantially beyond the support it provides, and
- (3) directs the member to pursue the course of study or provides subsistence support to its members.

Members of these religious orders can't receive Direct Subsidized Loans, Pell Grants, or Campus-Based aid. They are eligible, however, for Direct Unsubsidized Loans.

**Losing eligibility**

A student cannot receive any federal student aid after losing eligibility for it unless he or she qualifies for a late disbursement.

To illustrate the rule on losing eligibility, we'll look at a student named Steve. Steve is a student at Waveland University. At the end of September, after the start of the fall term, he is convicted in a state court for possession of drugs. It is his first offense, and he isn't incarcerated, but he is ineligible for aid. Waveland gave Steve his first Direct Subsidized loan disbursement at the beginning of the semester in September and was going to disburse a Direct Unsub Loan to him in October.

Now Waveland can't disburse the Direct Unsub Loan, since the first disbursement was scheduled after he lost eligibility. Steve doesn't have to pay back the first disbursement of his Direct Loan immediately (though he will have to pay it back once he enters repayment), but he can't receive additional FSA funds until one year elapses or he successfully completes a qualified drug rehabilitation program.

## Eligibility Requirements for specific educational programs

See *Volume 2, Chapter 2* for more information on the topics below. Note that a school may not refuse to provide FSA funds to a student because he is enrolled in correspondence or distance education courses unless they are not part of an eligible program.

### **Correspondence courses**

HEA Sec. 484(k)

34 CFR 600.2

34 CFR 668.38

A correspondence or “home study” course is one for which the school provides instructional materials and exams for students who don’t physically attend classes at the school and who are studying independently. When a student completes a portion of the materials, he takes the related exam and returns it to the school for grading. If the course uses video cassettes or discs, it is a correspondence course unless the school provides the same instruction to students who physically attend the school that year. Distance education courses are not considered correspondence courses.

A student enrolled in a correspondence course can only receive FSA funds if the course is part of a program that leads to an associate’s, bachelor’s, or graduate degree; if the program leads to a certificate, the student is not eligible for aid for that course. There are also restrictions regarding cost of attendance for correspondence courses; see *Volume 3, Chapter 2*.

### **Students studying abroad**

HEA Sec. 484(o)

34 CFR 668.39

A student in a study-abroad program is eligible for aid if the program is approved for academic credit toward her degree by the eligible homeschool at which she is enrolled as a regular student. The homeschool must have a written agreement with the foreign school (or with another U.S. school that contracts with the foreign school) or a single written arrangement with a study-abroad organization to represent an agreement between the homeschool and the foreign school.

For more detail on requirements for awarding at foreign schools, see the Foreign School Handbook, available on IFAP.

### **Distance education courses**

HEA Sec. 103 and 484(l)

34 CFR 600.2

34 CFR 668.38

Distance education refers to instruction delivered to students who are physically separated from their instructor, to support regular and substantive interaction between student and instructor, whether in real time or through time delay. Technologies used may include the Internet; one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices; audio conferencing; or, if used in conjunction with the previous technologies, video cassettes, DVDs, and CDs. If a course does not qualify as a distance education course, it is considered to be a correspondence course.

Students can receive FSA funds for distance education courses under these conditions: the courses must belong to an eligible program, and the school must have the capability to effectively deliver distance education programs as determined by an accrediting agency that is recognized by the Department and that has the evaluation of distance education programs within the scope of its recognition. Short-term certificate programs of less than one year offered via distance education are eligible for FSA funds, and they are not considered correspondence programs.



# U.S. Citizenship & Eligible Noncitizens

## CHAPTER 2

*A student has to be a U.S. citizen, a citizen of the Freely Associated States, or an eligible non-citizen to be potentially eligible for federal student aid. In this chapter we describe how the student's FAFSA information is matched with other agencies to determine citizenship status. We also describe immigration documents that you may have to collect to make sure that the student meets this requirement.*

### ELIGIBLE CATEGORIES

A student must be one of the following to be eligible to receive federal student aid:

- **A U.S. citizen or national;**
- **A citizen of the Freely Associated States: the Federated States of Micronesia and the Republics of Palau and the Marshall Islands.** (These students can only receive aid from some of the FSA programs and do not have an A-number/ARN, see “Citizens of the Freely Associated States” section later in this chapter); or
- **A U.S. permanent resident or other eligible noncitizen.**

The Department of Education (The Department) matches all applications with the Social Security Administration (SSA) on U.S. citizenship status. If the status cannot be confirmed, the student must provide documents proving U.S. citizenship, citizenship of the Freely Associated States, or eligible non-citizenship in order to be potentially Title IV aid-eligible. If the student provides an alien registration number (ARN) on the FAFSA, his record is also sent to DHS to check noncitizen immigration status. The results of both matches appear on the Institutional Student Information Report (ISIR), and a failed match with either agency will produce a “C code” on the student's ISIR.

A student's U.S. citizenship (or eligible noncitizen) status only needs to be checked once for the award year; if the status is eligible at that time, it remains so for the rest of the award year (with the exception of parolees and VAWA prima facie cases; see the “Third Step Verification (Formerly Form G-845)” section below).

If a parent wants to take out a PLUS loan for a dependent undergraduate student, both the parent and the student must be a U.S. citizen or national or eligible noncitizens.

### Citizenship issues

- All applications are matched with the Social Security Administration (SSA) on U.S. citizenship status.
- Applications that have an Alien Registration Number (ARN) are matched against Department of Homeland Security (DHS) records.
- If the DHS match fails after automated primary and secondary verification, the school must conduct a third step verification (see “Third Step Verification (Formerly Form G-845)” section in this chapter).

**USCIS/SAVE will only accept paper G-845s until May 1, 2018.**

### Citizenship

HEA Sec. 484(a)(5),  
34 CFR 668.32(d),  
34 CFR 668.33,  
and Subpart I of Part 668.

## U.S. Citizenship

A person is a U.S. citizen by birth or by naturalization or by operation of law. Persons (except for the children of foreign diplomatic staff) born in the 50 states, the District of Columbia, and, in most cases, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands are U.S. citizens, as are most persons born abroad to parents (or a parent) who are citizens. All U.S. citizens are considered U.S. nationals, but not all nationals are citizens. Persons whose only connection to the U.S. is through birth on American Samoa, Swains Island, or the U.S. Minor Outlying Islands are not U.S. citizens but are U.S. nationals, and therefore may receive FSA funds.

### Example: citizenship not confirmed

Anthony is a U.S. citizen, but SSA doesn't confirm his U.S. citizenship status. The aid administrator at Epstein College asks him to submit documentation of his status. Anthony first submits a Social Security card, but the administrator explains that the card doesn't document his status because non-citizens can have Social Security cards. Anthony then brings in his Certificate of Naturalization. The administrator makes a copy of the certificate for his file and tells Anthony his citizenship has been documented. She also advises Anthony to have the SSA correct its database so that he won't have this problem again.

## Passport cards & passports

22 CFR 51.4(b)(2)

A student may apply for a U.S. passport card, which may be considered acceptable documentation of U.S. citizenship, at the U.S. State Department website: <https://travel.state.gov/content/passports/en/passports/information/card.html>

## U.S. CITIZENSHIP MATCH WITH THE SSA

All applications are matched with SSA records to verify U.S. citizenship status, name, date of birth, the Social Security number (SSN), and possible date of death (see *Chapter 4*). The CPS will reject the application for insufficient information if name, date of birth or SSN is not provided. The student's match result is reported in the "SSA Citizenship" field on the SAR on the Match Flags section of the SAR and ISIR. If the student leaves the citizenship question on the FAFSA blank, the CPS will still attempt the citizenship match with the SSA. If there is a complete match with the student's SSN, name, date of birth, and U.S. citizenship, the CPS will report the student to be a U.S. citizen.

▼ **Successful match.** The SAR and ISIR will have a match flag (but no comment) indicating that the student's U.S. citizenship status was confirmed.

▼ **Data doesn't match.** If the student's SSN, name, or date of birth doesn't match SSA records, his U.S. citizenship status can't be confirmed and a C code and a comment will appear on the output document. The student should correct the SSN, name, or date of birth (see *Chapter 4* for more on SSN match problems) and submit it. The CPS will perform the match again, and you must see if the new ISIR confirms the student's U.S. citizenship status; if it does, the C code will no longer appear.

▼ **U.S. Citizenship not confirmed.** The SAR and ISIR will include a C code and a comment (**code 146**) explaining that the SSA was unable to confirm the student is a U.S. citizen and that he/she needs to provide his/her financial aid office with documents proving U.S. citizenship (see below). If the student provides eligible noncitizen documentation, you or the student must make a correction by entering his/her Alien Registration Number (ARN) on the ISIR, changing his/her citizenship status to eligible noncitizen in Question 15, and submitting it to the CPS, which will attempt a match with DHS records to confirm the student's immigration status.

Note that U.S. citizens born abroad might fail the citizenship check, unless they have updated their citizenship information with SSA (see "Updating status for U.S. citizens born abroad" later in this chapter).

## U.S. citizenship documentation

If a student must prove his status as a U.S. citizen or national, only certain types of documents are acceptable. The Department doesn't specify all of the **acceptable** documents, but here are some documents you might choose to use to prove U.S. citizenship:

- **A Certificate of Naturalization (N-550 or N-570)** issued by USCIS (or, prior to 1991, a federal or state court), or through administrative naturalization after December 1990 to those who are individually naturalized. You must copy this document for the student's file and tell the student to update their status with DHS, see <https://uscis.gov/about-us/contact-us>.
- **A Certificate of Citizenship (N-560 or N-561)** is issued by USCIS to individuals who derive U.S. citizenship through a parent.

- **A copy of the student’s birth certificate** showing that the student was born in the U.S., which includes Puerto Rico (on or after January 13, 1941), Guam, the U.S. Virgin Islands (on or after January 17, 1917), American Samoa, Swains Island, or the Northern Mariana Islands, unless the person was born to foreign diplomats residing in the U.S. If a student has a birth certificate from a U.S. jurisdiction showing that the student was born abroad (i.e., not in the U.S. or its territories), that birth certificate is not acceptable documentation.
- **A U.S. passport**, current or expired, (except “limited” passports, which are typically issued for short periods such as a year and which don’t receive as much scrutiny as a regular passport when applying). In the case of nationals who are not U.S. citizens, the passport will be stamped “Noncitizen National.” Five-year-duration U.S. passports (commonly issued to younger students) are considered acceptable documentation, and are not considered “limited”. Passport cards are also acceptable; however, one-year-duration U.S. passports are NOT acceptable documentation.
- **A wallet-sized passport card**, issued by the State Department, is a fully valid attestation of the U.S. citizenship and identity of the bearer, but can only be used for land and sea travel between the U.S. and Canada, Mexico, the Caribbean, and Bermuda.
- **A copy of Form FS-240 (Consular Report of Birth Abroad), FS-545 (Certificate of birth issued by a foreign service post), or DS-1350 (Certification of Report of Birth)**. These are State Department documents.

Before you can disburse aid, the student must present documentation that verifies he is a U.S. citizen. If the documents indicate that the student is a U.S. citizen or national, you may award and disburse aid to the student and the C-code may remain on the student’s ISIR. Keep a copy of the documentation in the student’s file. Unlike the case of eligible noncitizens, you don’t submit the documents to the DHS/USCIS or any other agency for verification of U.S. citizenship, even though older versions of the Certificate of Citizenship and of the Certificate of Naturalization instruct the holder not to photocopy them. The student can also contact the Social Security Administration to update the student’s record. This updating is not required to receive aid.

### Mandatory name changes

Whenever a student legally changes their name because of marriage, divorce, court order or any other reason, they must tell the Social Security Administration so they can get a corrected card and have correct SSN matches in the future. The student must bring the appropriate documents to prove the change to their local SSA office. See <https://secure.ssa.gov/ICON/main.jsp>.

### Parent signature on certificate

Because documents such as a certificate of citizenship can go to minors, they may be signed by a parent or guardian instead of the minor child. This does not affect the legitimacy of the document.

### Child Citizenship Act (CCA)

The CCA became effective on February 27, 2001. As of that date, foreign-born children who are not U.S. citizens at birth become citizens once these conditions are met:

- At least one parent (biological or adoptive) is a U.S. citizen;
- the children live in the legal and physical custody of that parent;
- they are under 18 years of age; and
- they are admitted as immigrants for lawful permanent residence.

Children newly entering the country who are adopted abroad prior to the issuance of their **IR-3 visa** (for orphans) or **IH-3 visa** (for children from Hague Convention countries) become citizens upon arrival. They should receive a Certificate of Citizenship within 45 days instead of receiving a permanent resident card and then filing **Form N-600** to request a certificate. Children who are adopted after being admitted to the U.S. with an **IR-4 visa** (for orphans) or **IH-4 visa** (for children from Hague Convention countries) become citizens once their adoption is full and final. Parents of these and other children who do not automatically receive a certificate of citizenship can get one by filing Form N-600.

For more information, contact the USCIS, visit the website at [www.uscis.gov](http://www.uscis.gov), or see the State Department’s intercountry adoption website at <http://adoption.state.gov/>.

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### Report of birth abroad

The *F-240 Report of Birth Abroad form* was redesigned in January 2011, but the previous version (DS-1350) remains valid for proving U.S. citizenship for Title IV purposes.

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### The Freely Associated States

The Compact of Free Association (P.L. 99-239) created three political entities from the former Trust Territory of the Pacific Islands. Two of these entities, the Marshall Islands and the Federated States of Micronesia, voted in 1986 to end political ties with the U.S.. The third entity, Palau, voted to ratify the compact in 1994; its independence was effective October 1, 1994. These three entities are the Freely Associated States. 34 CFR 600.2

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### No FSEOG and FWS/Compact Act

The Compact of Free Association Amendments Act of 2003, or the Compact Act, eliminates eligibility for citizens of the Republic of the Marshall Islands (RMI) and the Federated States of Micronesia (FSM) for FSEOG and FWS funds. To mitigate this loss, the Compact Act authorizes Supplemental Education Grants (SEGs) that may be awarded to the FSM and RMI. For more information, students of the FSM and RMI should contact their local education authority. Also under the Compact Act, students who are citizens of the Republic of Palau will continue to be eligible for FWS and FSEOG through the 2018-19 award year.

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### ED-Assigned identification numbers for Pacific Islanders and the FAFSA

Electronic Announcement Nov 20, 2013  
For more details on SSNs for Citizens of the Freely Associated States, see Chapter 4 of this volume.

### Updating status for U.S. citizens born abroad

Students born abroad to U.S. citizen parents are U.S. citizens if they meet certain requirements, and their status is usually noted in the SSA's database when they receive an SSN. But occasionally, a student may not have provided sufficient proof of U.S. citizenship to SSA in order for the record to be updated. Therefore, these students will fail the U.S. citizenship match even if they have an SSN. If this occurs, the student must provide proof of U.S. citizenship as outlined below. He can contact the SSA to have its record corrected. This update is not required to receive aid.

Such students can document U.S. citizenship by providing a “**Consular Report of Birth Abroad**” (Form FS-240, which is *proof* of U.S. citizenship), a “**Certification of Report of Birth**” (Form DS-1350, which is *evidence* of U.S. citizenship and equivalent to a birth certificate), or a **Certificate of Citizenship** issued by USCIS. If the birth of the student was registered with the American consulate or embassy in a foreign country before he turned 18, he can receive a copy of one of these by sending a written, notarized request to the USCIS.

**For pictures of the U.S. citizen documents listed above, see the end of this chapter.**

### CITIZENS OF THE FREELY ASSOCIATED STATES

**Students who are citizens of the Freely Associated States—the Federated States of Micronesia and the republics of Palau and the Marshall Islands**—are eligible for Pell Grants (citizens of Palau are also eligible for FWS and FSEOG; see the margin note) but are not eligible for FSA loans. These students should have a passport from the Freely Associated States or an I-94.

The student should indicate on the FAFSA that he/she is an eligible non-citizen and leave the ARN item blank. If the student doesn't have an SSN, he enters 666 and ED will give him a number to use, or if he was given a number in the previous year, he must continue to use the same ED-assigned pseudo-SSN due to Pell Lifetime Eligibility Used (LEU) rules (see the November 20, 2013 Electronic Announcement for more details).

Because he isn't providing an ARN, the student's application won't go through the DHS match. Do not complete a third step verification for these students—they will fail the match. Instead, request documentation of his Freely Associated States citizenship. Once you have received the student's document establishing his status, as a citizen of the Freely Associated States, make a copy of the document and place it in the student's file. You can reuse the original document in future years if it hasn't expired.

## ELIGIBLE NONCITIZEN MATCH WITH THE DHS

The DHS assigns to all legal aliens an Alien Registration Number (ARN), which FSA uses to identify the student records that must be sent to DHS for immigration status verification. **If the applicant indicates on the FAFSA that he is an eligible noncitizen and provides an ARN, identifying information is sent to the DHS for eligible noncitizen matching.**

The results of the match are shown by a match flag in the “FAA Information” section of the output document, under the heading “DHS” on the ISIR or “DHS Match Flag” on the SAR. There will also be a comment about the results on the output document.

Because all applications are matched with the SSA, an application with an ARN will be matched with both DHS and SSA records. When results are received from both matches, a positive SSA match will indicate that the student is a U.S. citizen. If the SSA match is negative, the DHS match flag will determine the student’s eligible noncitizen status.

▼ **Successful match.** (Y Flag) If the match confirms the student’s immigration status as an eligible one, he can receive aid if the other eligibility criteria are also met. **Comment code 143** will appear on the SAR and ISIR, and the successful match results are documentation of the student’s eligibility. Of course, if you have other information about his status that seems to contradict the successful match result, you must resolve the conflict before paying the student (see “Conflicting Information” in *Chapter 1*) by going through the third step verification process.

▼ **Record was not sent to DHS due to data entry errors.** (Blank flag) The match won’t be attempted if the student left the citizenship question blank (**code 068**), if the student said they were an eligible noncitizen but provided either no ARN or an illegible or invalid one (**code 142**), or if she changed her response to the citizenship question or changed her ARN after previous verification by the DHS (**code 141**). Instead, the student will receive a C code and a comment explaining the problem and directing her to provide the school with his/her most recent immigration documentation to support his/her eligibility. Compare the student’s immigration document with the SAR/ISIR to determine the appropriate resolution action. If you or the student corrects the ARN and resubmits it so that the match can be conducted, and his/her eligibility is confirmed as an eligible noncitizen, the C code will not appear on the new ISIR. If her eligibility is not confirmed, (**match flag = N**), check her DHS secondary Match Flag to determine how to proceed.

▼ **Student’s noncitizen status has not yet been confirmed.** (*N Flag and C code*) DHS will continue to check its records in a process called **automated secondary confirmation**. The SAR and ISIR will have comment **code 144** and a DHS match flag of “P” (indicating that the procedure is still in process). Within three to five days, the CPS should generate a SAR and ISIR indicating the result in the “DHS Secondary” Flag field. The response table in the margin explains each Flag, its translation and how to proceed.

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### Suspect documents

If you are able to discern that a document is fraudulent, you must deny the student Title IV aid. If the student submits conflicting information regarding immigration status on the FAFSA, you must resolve any discrepancies before disbursing Title IV aid.

Report altered or misreported information to the Department’s Office of Inspector General at 1-800-MIS-USED or the OIG’s website at: [www2.ed.gov/about/offices/list/oig/index.html](http://www2.ed.gov/about/offices/list/oig/index.html).

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### DHS third step verification match flags and comment codes

**Y, 120:** The student’s eligibility has been confirmed. You can process his aid.

**C, 105:** The student’s eligible noncitizen status has not yet been verified. The school is required to wait 10 business days for another ISIR with an updated match result. If there is no update, the school begins the third step verification process.

**N, 046:** The student’s immigration status was not confirmed. The school begins third step verification.

**X, 109:** The DHS did not have enough information to determine the student’s status. The school begins third step verification.

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### Conditions requiring secondary confirmation

34 CFR 668.133(a)

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### School policies and procedures on secondary confirmation

34 CFR 668.134–135

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### Example of eligible noncitizen not confirmed

On his original application, Theo didn't give his ARN and reported that he was a citizen. When the SSA didn't confirm this, Theo told the aid administrator at Fowler University that he was a permanent resident. He added his ARN and changed his citizenship status to eligible noncitizen, but SAVE didn't confirm his status as an eligible noncitizen. He explained to the aid administrator that he had applied for permanent resident status but didn't have documentation yet. The aid administrator told him that when he received documentation that his application was approved, he should bring it to Fowler so that it could be submitted to the USCIS for confirmation.

The school should wait at least 10 but no more than 15 business days for the result of automated secondary confirmation. If the result has not been received by that time, the school must begin the third step verification process (see below).

A correction to the student's name, date of birth, or ARN made while the DHS is conducting the automated secondary confirmation will start the process over, i.e., the correction will be sent through primary confirmation. Though unlikely, if the new primary confirmation match yields a "Y," the transaction can be used to award aid. The new transaction may have a new DHS verification number assigned. A correction made to a transaction that contains secondary confirmation results of "Y" or "C" (or a transaction with a primary confirmation result of "Y") will not be sent through the DHS match again. Otherwise the record will be re-sent for matching.

### ARN corrections and additions to the FAFSA

- **If the citizenship question is blank but there is an ARN**, the CPS will send the record to DHS for matching.
- **If both the citizenship question and the ARN are blank**, the record will not be sent to DHS. The output document will explain that SSA was unable to confirm that the student is a U.S. citizen. She must submit a correction to the citizenship status and ARN if she is an eligible noncitizen.
- **If U.S. citizen or national is selected, but the student provides an eligible noncitizen document**, correct question 14 on the ISIR to "No, but I am an eligible noncitizen" and enter the ARN in question 15. This correction will tell CPS to send the record to the DHS Primary match (for the first time). Ignore comment code 146 from SSA on the current ISIR. Wait for the DHS Match flags on the student's next ISIR to determine if the student is an eligible noncitizen or if a third step verification is necessary.
- **If the ARN on the ISIR does not match the ARN on the student's immigration document**, correct the ARN in field 15. This will send the corrected record (which DHS considers a new record because of the new ARN) to the DHS Primary match. Ignore DHS comment codes **046**, **105** and **109** on the current ISIR. Do not complete third step verification unless the DHS Match flags on the resulting ISIR indicate that third step verification is necessary. For more detail on these codes, see the *2018-19 SAR Comment Code and Text* guide on IFAP.

**THIRD STEP VERIFICATION (FORMERLY FORM G-845)** 

If the student didn't pass secondary verification or if you have conflicting information about his immigration status after receiving a match result, you must review the record for third step verification.

**Third step verification preparation**

1. Request the student's most current, unexpired immigration document. When it is submitted, make a copy of it.
2. Carefully review the student's immigration documentation against the status and document descriptions below.
3. Determine whether the student's immigration documentation supports eligibility for Title IV aid. If it does do not support an eligible status, you can tell the student that he is not eligible now, but may be eligible if/ when he provides eligible noncitizen documentation. You should not complete third step verification for this student.

**Third step verification via the SAVE system**

If the student's immigration documentation appears to demonstrate that he is an eligible noncitizen, you must complete a third step verification request. Through April 24, 2018, complete a Form G-845 and follow the instructions in Volume 1, Chapter 2 of the 2017-18 Federal Student Aid Handbook. Using the DHS verification number, submit it through the SAVE system to confirm that the documentation is valid and to obtain the student's immigration status.

After April 24, 2018, watch for an EA announcing the date that a SAVE user ID will be sent to each school's Primary Destination Point Administrator (PDPA) and follow the instructions in the EA. After your PDPA has created a SAVE third step only user ID for you, begin submitting third step verification via the SAVE system. SAVE Instructions will be found on the "DHS-SAVE, Eligible Noncitizen" link in the "Information Pages" section (see sidebar on right side of the page) on IFAP homepage (IFAP.ed.gov) as they become available in late April, 2018.

In May, 2018, DHS and the Department of Education, in a collaborative effort, will issue (to the PDPA with CPS access at each school) a unique SAVE user ID to submit third step data electronically through the DHS/SAVE system. On May 1, 2018, DHS will no longer accept paper forms nor return paper responses. To prepare for the transition, refer to the Electronic Announcement (EA) dated 2/26/2018: <https://ifap.ed.gov/eannouncements/022618TransitionG845FormElectEligNoncitizenStat.html>.

**I-94 website**

<https://i94.cbp.dhs.gov/i94>

The I-94 regulations and process have not changed. Customs and Border Protection (CBP) creates admission records electronically. The I-94 website allows travellers (and schools, if the traveller grants permission) to access admission records online (the website contains records from April 2011 to present). Legacy paper I-94s are also still valid.

**DHS verification number on the ISIR**

When a record is processed through the CPS match with DHS, a 15-digit verification number is assigned to the student and printed in the "FAA Information" section of the SAR and ISIR. This 15 digit number is needed to access the student's SAVE record, and to submit a third step verification request through SAVE. You must submit, via SAVE, the verification number.

**"Third Step" Verification**

The "Paper Secondary Confirmation" step, which required you to submit a paper form G-845, is now called "third step verification." DHS-USCIS returns the response via the SAVE system.

**Lack of response example**

Javier is a refugee and received aid from Schwarber University. His status wasn't confirmed through the DHS match, so Schwarber performed third step verification. The DHS didn't respond in time, so Schwarber paid Javier without any response. When Javier applies again, the CPS still doesn't confirm his status. Even though Schwarber began third step verification for Javier last year and his documents haven't expired, because the school never received a DHS response, it must perform third step verification again.

### ***Eligible noncitizens and documentation***

Certain non-U.S. citizens may be eligible for Title IV aid. The following types of “eligible noncitizens” are among the classes of persons who may be eligible. For classes of eligible noncitizens other than permanent residents, evidence of their status typically is on the **I-94**, but other documentation may also be acceptable. Customs and Border Protection (CBP) no longer issues a paper I-94 form, with the exception of asylees and certain parolees. In September 2015, CBP automated the refugee admission process. Refugees will no longer receive a paper form I-94, but will have access to an electronic form. Students without paper I-94 documentation (see I-94 website sidebar) may have their status confirmed by the electronic I-94 printout and/or a CBP stamp, showing class of admission and date admitted or paroled in their passport to confirm this status.

- **Lawful permanent residents (LPRs)** are noncitizens who are legally permitted to live and work in the U.S. permanently. The standard document is the **Permanent Resident Card (Form I-551 since 1997) or Resident Alien Card (Form I-551 before 1997)**. Both forms are referred to colloquially as “green cards,” though they have changed colors over the years. Possessors of the older **Alien Registration Receipt Card (Form I-151, issued prior to June 1978)** should have replaced it with a newer card, but for receiving FSA funds it is acceptable as evidence of permanent residence.

Permanent residents may also present an **Arrival/Departure Record (CBP Form I-94)** or the Departure Record (**Form I-94A**, with the endorsement “Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid until \_\_\_\_\_. Employment Authorized.” This is used at land border ports of entry. If available, an I-551 (also known as a “green card”) is preferable to establish LPR status. The form will have an ARN annotated on it and is acceptable if the expiration date has not passed.

The U.S. Department of State issues a **machine readable immigrant visa (MRIV)** in the holder’s passport. The MRIV will have a U.S. CBP inspector admission stamp, and the statement “UPON ENDORSEMENT SERVES AS TEMPORARY I-551 EVIDENCING PERMANENT RESIDENCE FOR 1 YEAR” will appear directly above the machine readable section. An MRIV with this statement, contained in an unexpired foreign passport and endorsed with the admission stamp, constitutes a temporary I-551, valid for one year from the date of endorsement on the stamp.

### **Eligible noncitizen name changes**

When an *eligible noncitizen* student changes his or her name, the student needs to update it with SSA and DHS. To update their name with DHS, students can call 1-800-375-5283. For the SSA update, the student may refer to <https://www.ssa.gov/agency/contact> or visit their local SSA office.

The USCIS issues the **U.S. Travel Document** (mint green cover), which contains the Reentry Permit (**Form I-327**) and the Refugee Travel Document (**Form I-571**). It is used by lawful permanent residents, as well as refugees and asylees, and is annotated with “Permit to Reenter Form I-327 (Rev. 9-2-03).”

If the student has an **I-551 with a baby picture**, she should update the I-551 with the USCIS. Permanent residents are expected to get a new picture and be fingerprinted at the age of 14. But you can submit the documents to USCIS and pay a student who has an I-551 with a baby picture as long as you can confirm that it belongs to the student. You

can do this by comparing the I-551 to a current photo ID that has the student's name, date of birth, and signature. The current ID must also be consistent with any identifying information in the student's file.

A student who has an approved application for permanent residence on file with the USCIS and who is waiting for a permanent resident card should have an **I-797 Approval Notice from USCIS** indicating such, as well as an alien number, which will give notice of current status. Note that an **application** for permanent resident status alone is not sufficient for determining eligibility for FSA funds.

If a person is applying to suspend deportation, she must request a hearing before an immigration law judge who will render an oral or written decision. If that is favorable, the USCIS will give the applicant a **Form I-551**, which will certify her lawful permanent resident status. There is no special category for persons who have been granted suspensions of deportation.

- **Conditional resident aliens** are eligible for aid if their documentation has not expired. They may have a valid **I-551, I-94, I-94A, or a passport with an MRIV** bearing the statement, "Upon endorsement serves as temporary I-551 evidencing permanent residence for 1 year."

The Marriage Fraud Amendments established a two-year conditional permanent resident status for alien spouses of U.S. citizens or legal immigrants whose marriage took place less than two years before the spouse applied for permanent resident status. This status may also apply to any of the spouse's children who are aliens.

A **Form I-551** of a conditional permanent resident alien is the same I-551 that is issued to regular permanent residents, except that the card for a conditional permanent resident expires in two years, as opposed to 10 years for the regular card. A conditional permanent resident must file a petition for removal of this restriction in the 90 days before the end of the two years. The USCIS will review the petition and, if the result of the review is satisfactory, drop the restriction and issue new documents.

- **Refugee** status continues unless revoked by DHS. Refugees are required to apply for Lawful Permanent Residency (LPR) status after one year, and continue to be refugees even after the grant of LPR status. In September 2015, CBP automated the refugee process. A refugee will have an electronic **I-94** showing "RE" as the class of admission and "DS" as the admit until date. The **refugee travel letter** provided by the Department of State will be annotated with a stamp showing admission under Section 207 of the Immigration and Nationality Act (INA). While the form is now automated, a refugee may be in possession of an older paper I-94 or I-94A form or be provided a paper form upon request. The paper form I-94 or **I-94A** is annotated with a stamp showing admission under Section 207 of the Immigration and Nationality Act (INA). They may also have the old **Refugee Travel Document (Form I-571)** or the newer **U.S. Travel Document** annotated with "Refugee Travel Document Form I-571 (Rev. 9-2-03)." Refugees

### USCIS retires red ink

On July 1, 2014, U.S. Citizenship & Immigration Services (USCIS) began using a new blue colored ink for its secure stamps. The old red ink previously used for such stamps has been retired and will no longer be used (note also that some stamps still use black ink).

### Use of copy of I-94 or I-94A

Note that a refugee or an asylee may apply for permanent-resident status. During the period in which the application is being reviewed, the student may have a copy of the I-94 that includes the endorsement "209a (or 209b) pending. Employment Authorized." Students with this form of documentation are eligible for FSA funds as long as the I-94 has not expired.

### Photocopying immigration docs

DCL GEN-15-08

In most cases you will examine and copy original immigration documents, and you must keep a copy in the student's file with the results from the third step verification/SAVE. While generally not permitted, for the purpose of applying for Title IV aid, students may legally photocopy, scan, or otherwise image immigration documents (such as Forms I-551 or I-94) to complete the third step verification process.

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**VAWA verification**Battered immigrants-qualified aliens  
DCL GEN-10-07

If the school has reservations about the documentation provided, or is unclear about the outcome reflected in the documentation, after reviewing this section of the FSA Handbook, the financial aid administrator must submit third step verification data to DHS-USCIS.

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**Asylees abroad and eligibility**

Asylees who leave the U.S. for an extended amount of time without USCIS approval forfeit their current immigration status, so it may thus be difficult for them to be considered an eligible non-citizen for FSA purposes.

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**Victims of human trafficking**

DCL GEN-06-09

are employment authorized and may present an employment authorization document.

- **Persons granted asylum** can apply for permanent residence after one year. Asylee status continues unless revoked by DHS or until permanent resident status is granted. Asylees will have an **I-94 or I-94A** with a stamp showing admission under Section 208 of the INA. They may also have the same travel documents described for refugees. Persons granted asylum in the U.S. are authorized for indefinite employment.
- **Persons paroled into the U.S. for at least one year** must provide evidence (such as having filed an Application to Register Permanent Residence or Adjust Status [**I-485**] or being the named alien relative from a petitioner, I-130) from the DHS that they are in the U.S. for other than a temporary purpose and intend to become a citizen or permanent resident. DHS will usually respond to the filing of an I-485 with an **I-797** and a parolee must provide this I-797 to you before you go through the third step verification process as their evidence that they intend to become a citizen or permanent resident. They must also provide documentation of their parole status (such as an **I-94**) and it must have a stamp indicating that the student has been paroled into the U.S. for at least one year, with a date that has not expired (federal student aid cannot be disbursed after the document has expired).
- **Cuban-Haitian Entrants** as defined by Section 501(e) of the Refugee Education Assistance Act (REAA) of 1980. All Cuban-Haitian entrants are potentially eligible for Federal Student Aid. Note that certain documents showing that the holder is a Cuban-Haitian entrant continue to convey CHE status even if the expiration date has passed. When submitting CHE documentation, add a note in the “Special Comments” box of the SAVE “Submit Document” screen requesting review for CHE status verification.
- **Conditional entrants** are refugees who entered the U.S. under the seventh preference category of P.L. 89-236 or whose status was adjusted to lawful permanent resident alien under that category. Students may have an **I-94** with a stamp displaying “**Section 203(a)(7)**” and indicating that the person was admitted to the U.S. as a conditional entrant. Because DHS stopped using this category after enacting the Refugee Act on March 31, 1980, you should not disburse FSA funds if the student has an I-94 with conditional entrant status granted after that date.

The stamps mentioned use red and blue security ink: the date of admission is red, and the rest of the stamp is blue. The stamp contains three codes: the first is a two-digit code to the left of the date that designates the field office with jurisdiction over the port of entry. On most stamps, this code will be two numbers and no letters. Letters are currently only used on HQ stamps. The three-letter code located under the word “ADMITTED” shows the port of entry. The third code, to the right of the date, is the unique four-digit number. When referring to a particular stamp, the port of entry code and the stamp’s unique number should be used.

The endorsement or stamp can be placed anywhere on the I-94. If the original stamp does not copy well due to the ink color, you should replicate it by hand on the photocopy. Because CBP offices don't have uniform procedures or stamps, you should contact the local office with questions regarding acceptable immigration documents.

- **Victims of human trafficking** have the same eligibility for federal benefits as refugees under the Victims of Trafficking and Violence Protection Act (VTVPA), though the Department of Health and Human Services (HHS), rather than the DHS, is responsible for certifying this status. Because of this, these students will not pass the DHS match, and the normal paper third-step confirmation does not apply. These individuals may have an **I-94 with a T1, T2, T3, or T COA code** for principal, spouse, child, or parent, respectively. You must instead review the student's certification or eligibility letter from the HHS and call the Office on Trafficking in Persons at 1-866-401-5510, as noted on the letter, to verify its validity and confirm that the eligibility has not expired. You must note the date, time, and results of the call and retain a copy of the letter. If the student applies for federal student aid in a subsequent year at your school, you must call again to ensure that the student's status is still in force.

The spouse, child, or parent of a trafficking victim might be eligible for aid. He will not have a certification letter but will have a **T-visa (e.g., T-2 or T-3)**. He will also likely fail the DHS match; if so you must call the same office, verify the validity of his T-visa as well as the victim's certification letter, note the time and results, and save a copy of both documents.

- **Battered immigrants-qualified aliens** are victims of domestic violence by their U.S. citizen or lawful permanent resident (LPR) spouses or parents. They may, with their designated children, be eligible under the **Violence Against Women Act (VAWA)** for federal public benefits, including federal student aid. Note that both men and women may be approved as victims under the Violence Against Women Act.

They indicate on the FAFSA that they are eligible noncitizens, though they will not pass the automated DHS match. Instead, they will need to obtain and provide you with documentation based on their case type: self-petition, suspension of deportation, or cancellation of removal.

In **self-petitioning cases** under VAWA, the immigrant submits an I-360 form to the USCIS, which will deny the petition, approve it, or find that a "prima facie" case has been established. Either an approval or a prima facie finding makes a student eligible for aid, though the latter has an expiration date after which the person becomes ineligible. In some cases, the USCIS will acknowledge receipt of a petition. This does not establish eligibility for aid.

With an **approval of a petition**, the USCIS will provide a **Form I-797, Notice of Action form**, that will indicate it is an approval notice for a

**Form I-797 Notice of Action** 

Form I-797 is USCIS's formal communication with customers issued when an application or petition is approved or to confer an immigration benefit.

self-petitioning spouse of a U.S.C. or L.P.R. and that the petition has been approved. A separate I-797 will be issued with the names and dates of birth of children listed by the applicant, and it will indicate that they are named on the approved petition. These children are eligible for aid, and because their USCIS status continues after reaching the age of majority, their eligibility for aid continues as well. In some cases, a dependent child can petition for battered immigrant status; the I-797 would then indicate a self-petitioning child of a U.S.C. or L.P.R.

With a **prima facie case**, the USCIS will sometimes issue an **I-797** that indicates an establishment of prima facie case. This status is usually for a period of up to 180 days, though the USCIS may extend that period until the case is approved or denied. Petitioners can submit a written request for the extension. As long as the deadline has not expired, the person is eligible for FSA funds. Children may be included on the I-797, though their eligibility is subject to the same expiration date. If a spouse is ultimately denied approval, the children on the I-797 would also be denied and ineligible for aid.

Therefore, it is important to examine the notice carefully. For example, USCIS may issue a Notice of Deferred Action on an I-797, which is an administrative choice to give lower priority for removal of an immigrant from the U.S. Such a notice could pertain to cases unrelated to petitions for battered immigrant status, and it would not be sufficient for documentation of a self-petitioner. It generally will have a termination date. Be sure to examine the notice carefully to be sure it relates to the student's claim for eligible noncitizen status and that it conveys relevant information to the student's case. If a termination date is indicated on the I-797, a petition approval or an establishment of prima facie case will be eligible for aid through that date and ineligible afterward.

An immigration judge may issue a **suspension of deportation** of the abused person under the VAWA. The applicant will receive a **copy of the court order**. As long as it has not expired and clearly indicates suspension of deportation by the judge, an otherwise eligible person can receive FSA funds.

An immigration judge can also issue a **cancellation of removal** of the abused person under the VAWA. The applicant will receive a **copy of the court order**. As long as that has not expired and clearly indicates cancellation of removal by the judge, an otherwise eligible person can receive FSA funds.

You must examine the USCIS document and keep a copy in the student's file. If it indicates he is eligible for aid and the expiration date has not passed, you may award aid. If the student applies for FSA funds in a subsequent year, you may rely on the original document

if it has not expired, but you must have the student provide a dated, written statement that his immigration status under VAWA remains in effect without change. If his documentation has expired, he must renew it.

If documentation is lost, or is expired, or if you are unclear about it, submit third step verification data and attach a copy of the document(s). Submit the request through the SAVE system. Add a note in the “Special Comments box of the SAVE “Submit Document” screen requesting review for VAWA status verification. The student’s eligibility for aid will be based on the result of the submission.

### ***Jay Treaty***

**Section 289 of the Immigration and Nationality Act (INA)** gives persons with at least 50% Native American blood who were born in Canada the legal right to live and work indefinitely in the U.S. This is based on the Jay Treaty of 1794 and subsequent court decisions. Such individuals are not subject to the legal restrictions typically imposed on aliens by the DHS, are not required to obtain documentation from the DHS, and are considered “lawfully admitted for permanent residence.” They must obtain an SSN for purposes of applying for Title IV aid.

Students who may be eligible for FSA funds should enter their valid ARN (or a A999999999 if they don’t have an ARN) on the FAFSA and indicate they are eligible noncitizens. If they fail the DHS match, you must submit a third step verification with the documentation. If they fail third step verification, they can still be considered eligible if they meet the documentation requirements below for students without an ARN. Students who enter all 9’s for their ARN will receive **comment 144** on the output document. The school must obtain proof that such a student has 50% Native American blood and was born in Canada. To do so, the student should provide one or more of the following documents:

- A “**band card**” issued by the Band Council of a Canadian Reserve, or by the Department of Indian Affairs in Ottawa;
- **Birth or baptism records;**
- **An affidavit** from a tribal official or other person knowledgeable about the applicant’s or recipient’s family history;
- **Identification** from a recognized Native American provincial or territorial organization.

If the student can provide this documentation and is otherwise eligible, the school must note this in the student’s file and can award FSA funds.

### ***Ineligible statuses and documents***

Several types of documentation do not prove a student’s eligible noncitizen status. Below, we list a variety of forms and their related statuses which are ineligible. If a student does not provide a document that proves his eligibility for Title IV aid, he is not eligible with these documents alone.

- A **Social Security card** or **driver’s license** isn’t acceptable for documenting U.S. citizenship or national status since these individuals can also have these forms of identification. “Enhanced” driver’s licenses (provided by a limited number of states to permit non-air travel entry to the U.S. from Canada, Mexico, and the Caribbean) are also not acceptable.
- Someone who has only a “**Notice of Approval to Apply for Permanent Residence (I-171 or I-464)**” cannot receive FSA funds. The State Department publishes a list of nonimmigrant visas at:

<https://travel.state.gov/content/travel/en/us-visas/tourism-visit.html>.

- **Employment authorization card.** Someone with a nonimmigrant visa isn’t eligible for FSA funds unless she has a Form **I-94** with one of the endorsements given in the eligible document section.
- **Nonimmigrant visas** include those with work visas, students, visitors, and foreign government officials. Someone with a nonimmigrant visa isn’t eligible for FSA funds unless she has a **Form I-94** with one of the endorsements given in the eligible document section. Nonimmigrant visas include (but are not limited to) the
  - **F-1, F-2, or M-1 Student Visa,**
  - **NATO Visas (NATO),**
  - **A2 and A3 Visas (foreign official, including attendants),**
  - **B-1 or B-2 Visitor Visa,**
  - **J-1 or J-2 Exchange Visitors Visa,**
  - **H series or L series Visa (which allow temporary employment in the U.S.), or**
  - **G series Visa (pertaining to international organizations).**
- Form I-817, Application or approval for Family Unity Benefits.
- Temporary residents are allowed to live and work in the U.S. under the Legalization or Special Agricultural Worker program. This usually is recognized on an I-688 form. These residents are no longer eligible for Title IV funds.
- Illegal aliens under the legalization (also called the amnesty) program established by the Immigration Reform and Control Act of 1986 (IRCA). These individuals were given documentation that allowed them to work while their application for permanent resident status was being processed, but they aren’t eligible for aid unless their application was approved.

- I-94 forms stamped with “Temporary Protected Status.”
- Deferred Action for Childhood Arrivals (DACA) status is conferred by the USCIS office of DHS. Students granted DACA often are assigned an SSN, and they are not eligible for Title IV aid, but may be eligible for state or college aid, and submitting a FAFSA can help them access those other types of aid. To complete the FAFSA, DACA status students must enter their SSN and answer the “Are you a U.S. citizen?” question as “No, I am not a U.S. citizen or eligible noncitizen.” After submitting the FAFSA, the student should check with the school’s financial aid office to see what types of non-federal financial aid they may be eligible to receive.
- “Withholding of removal” order issued by an immigration judge or by the Board of Immigration Appeals. This is used to protect a person from return to a country that threatens the person’s life or freedom.
- “U-Visa” holders are not designated as qualified aliens under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and are therefore not eligible for Title IV program funds. However, U-Visa holders may convert to lawful permanent resident (LPR) status after they have physically been present in the U.S. for a continuous period of at least three years after the date of admission given on their U-Visa. Documentation is usually on an form I-797. It is important for you to inspect the content of the document since the I-797 is used for a variety of purposes.

If the student becomes an LPR, he or she becomes a qualified alien under the PRWORA (see above), and thus potentially eligible for Title IV funds (assuming they meet all other eligibility requirements. U-Visa holders should be encouraged to explore non-federal aid options to help them pay for school while waiting for their application for LPR status (I-485) to be approved. The website [www.studentaid.gov](http://www.studentaid.gov) contains information to help students search for possible scholarships and other resources.

If the document a student submits is for an ineligible status, you shouldn’t submit the documentation for secondary confirmation. Unless you have conflicting information or the student compels you to do so. USCIS will only confirm current immigration status based on the document presented; it doesn’t determine whether the student is eligible for FSA funds. Unless the student can submit documentation for an eligible status, as described above, or USCIS confirms the student’s status as an eligible student, the student can’t receive aid.

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### U-Visa information

More information on U Visas may be found on the following website: [www.uscis.gov/green-card/other-ways-get-green-card/green-card-victim-crime-u-nonimmigrant](http://www.uscis.gov/green-card/other-ways-get-green-card/green-card-victim-crime-u-nonimmigrant).

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### Procedures when ineligibility is determined after disbursement

34 CFR 668.136(c)

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### SAVE Guide to Immigration Documents

The USCIS’s Systematic Alien Verification for Entitlements (SAVE) Program office publishes the SAVE Guide to Immigration Documents. To access the Guide, go to: <https://save.uscis.gov/web/media/resourcesContents/SAVEGuide-CommonlyusedImmigrationDocs.pdf>

For more sample citizenship documents which may be used to substantiate various types of citizenship status, see the end of this chapter.



Systematic Alien Verification for Entitlements



**A Guide on Immigration Documents  
Commonly Used by Benefit Applicants**

**USING THE SAVE SYSTEM FOR THIRD STEP VERIFICATION** 

If the student's immigration documentation appears to demonstrate that he is an eligible noncitizen, you must complete a third step verification request. Through April 24, 2018, complete a Form G-845 and follow the instructions in Volume 1, Chapter 2 of the 2017-18 Federal Student Aid Handbook. Using the DHS verification number, submit it through the SAVE system to confirm that the documentation is valid and to obtain the student's immigration status.

After April 24, 2018, watch for an EA announcing the date that a SAVE user ID will be sent to each school's Primary Destination Point Administrator (PDPA) and follow the instructions in the EA. After your PDPA has created a SAVE third step only user ID for you, begin submitting third step verification via the SAVE system. SAVE Instructions will be found on the "DHS-SAVE, Eligible Noncitizen" link in the "Information Pages" section (see sidebar on right side of the page) on IFAP homepage (IFAP.ed.gov) as they become available in late April, 2018.

In May, 2018, DHS and the Department of Education, in a collaborative effort, will issue (to the PDPA with CPS access at each school) a unique SAVE user ID to submit third step data electronically through the DHS/SAVE system. On May 1, 2018, DHS will no longer accept paper forms nor return paper responses. To prepare for the transition, refer to the Electronic Announcement (EA) dated 2/26/2018: <https://ifap.ed.gov/eannouncements/022618TransitionG845FormElectEligNoncitizenStat.html>.

**SAVE Third Step Responses**

A USCIS status verifier will search the SAVE databases, and enter the student's immigration status in the SAVE system within 3-5 of the request. If you haven't received a response **within 20 business days**, call the SAVE help desk, at 1-877-469-2563. Do not give this number to students or anyone not authorized to submit third step verification requests.

If you don't receive a response from the USCIS after **at least 15 business days** from the date you sent the third step verification request, if you have sufficient documentation to make a decision, and if you have no information that conflicts with the student's documents or claimed status, you should review his file and determine whether he meets the eligible noncitizen requirements. If he does meet the requirements, make any disbursement for which he is eligible and note in his file that SAVE exceeded the time allotment and that noncitizen eligibility was determined without their verification.

When third step verification results in an eligible status, you must keep a copy of the SAVE response screen. If the confirmation process indicates a discrepancy, you must ask the student to correct the discrepancy with the USCIS. No certification of loans or further disbursement of funds can be made until the discrepancy is corrected. If the discrepancy isn't reconciled, the student must repay all aid except wages earned under FWS. Whenever the student is able to provide new information, it must be submitted to the USCIS as a third step verification request.

If you have followed the procedures outlined here, including notifying the student of the discrepancy and withholding further payments and loan

**DHS-SAVE Eligible** **Noncitizen Information page**

<https://ifap.ed.gov/DHSSAVEEligibleNoncitizen/ElectThirdStepVerfi.html>

**Requesting a new DHS verification number** 

If a student who was determined not to be an eligible noncitizen, but later provides an updated immigration document, or if you need to request a new DHS verification number because the **"case is closed,"** before completing third step verification. Follow the instructions in the Electronic Announcement of December 21, 2017.

certifications as soon as a discrepancy is found, your school isn't liable for aid disbursed prior to third step verification. This assumes that you had no other conflicting information prior to making the disbursement and had reviewed the available documentation and concluded that the student was otherwise eligible.

### ***Interpreting the SAVE response***

When you receive the SAVE response, you determine the student's eligibility by referencing the SAVE response against the following list. The SAVE response does not directly state whether the student is eligible for Title IV funds.

The following list explains whether a response means the student is eligible or ineligible for Title IV aid. For descriptions of the following immigration statuses, see the earlier sections on eligible and ineligible noncitizens and their documentation:

#### **Potentially eligible statuses:**

**“Lawful Permanent Resident”**

**“Conditional Resident”**

**“Application Pending for the following USCIS benefit”** A pending application for an immigration status doesn't by itself make the student eligible for FSA funds; he must have an eligible status checked on the form or provide other documentation of an eligible status.

**“Asylum or refugee status”**

**“Parolee”** The student is eligible for aid if paroled into the U.S. for one year or more. The SAVE response will include the parole expiration date which must be after the day the student starts classes **AND** has evidence from the DHS (such as a form I-797 Notice of Approval of I-485 Permanent Residence Status) that he is in the U.S. for other than a temporary purpose and intends to become a U.S. citizen or permanent resident. The SAVE response will include a note that the student's I-485 application is pending, if applicable. Note that if the student has not filed the I-485, nor had that application accepted by DHS, they are not an eligible noncitizen parolee.

**“U.S. citizen”** Because the verification request is used to check the status of noncitizens, this box should be infrequently checked. You should not see this in the financial aid office because, as explained earlier in the chapter, you would have reviewed the student's documentation, which identified him as a U.S. citizen, and you would not have submitted it to the USCIS.

**“Cuban/Haitian Entrant”**

**“American Indian born in Canada”** For details, see the Jay Treaty section earlier in this chapter.

**“Texas or Oklahoma Band of Kickapoo Indians”** If this response is

**15 business days timeframe** 

34 CFR 668.136(b)(3)

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### Determining eligibility if USCIS response is late

34 CFR 668.136(b)

received, the financial aid administrator must contact U.S. Department of Education staff by emailing either Aaron Washington (Aaron.Washington@ed.gov).

**“VAWA Self-Petitioner”** See GEN-10-07. If 17.a is checked, the financial aid administrator must contact U.S. Department of Education staff by emailing either Aaron Washington (Aaron.Washington@ed.gov). If 17.b is checked, the student is eligible for federal student aid.

#### Ineligible statuses

Each of the following statuses are by themselves insufficient to make a student eligible for FSA funds. Unless an eligible status is also submitted, or the student can provide other documentation that can be confirmed by the USCIS, the following types of student are not Title IV eligible:

**“Employment Authorized”**

**“Not Employment Authorized”**

**“Nonimmigrant”**

**“Deferred Action for Childhood Arrivals (DACA)”**

**“Temporary Protected Status (TPS)”**

**“Deferred Action Status”**

**“Withholding of Removal”**

**“Document Expired, Altered, or Counterfeit.”** Notify the student that unless corrective action is taken with the USCIS, the case will be submitted to the Office of Inspector General (OIG). Until this is resolved, no further aid may be disbursed, awarded, or certified. If the student does not take corrective action in a timely manner, you must report the case to the OIG.

If SAVE was unable to process the request you may receive one of the following error messages.

**“Resubmit request with both sides of the applicant’s immigration document.”** Resubmit the student’s immigration documents with copies of both sides of each document.

**“Applicant’s Immigration document is illegible.”** Resubmit the student’s immigration documents with higher quality copies of the original documentation.

**“Unable to verify status based on the document provided.”** If this is checked, DHS-USCIS was not able to verify the student’s status based on the documentation provided. The student must contact the appropriate agency, i.e., USCIS, Immigration and Customs Enforcement (ICE), or Customs and Border Protection (CBP) to correct their records.

### ***Student rights***

You must allow the student at least 30 days from the time you receive the output document to provide documentation of his immigration status. During this period and until the results of the third step verification are received, you can't deny, reduce, or terminate aid to him. Unless you can determine that the documentation doesn't support an eligible noncitizen status, you must submit the student's immigration documents within ten business days of receipt. If the documentation supports the student's status as an eligible noncitizen, and if at least 15 business days passed since the date on which the documentation was submitted to the USCIS, you can disburse aid to an otherwise eligible student pending the USCIS response.

Your school isn't liable if you erroneously conclude that a student is an eligible noncitizen, provided that you had no conflicting data on file and you relied on:

- A SAR or ISIR indicating that the student meets the requirements for federal student aid;
- A USCIS determination of an eligible immigration status in response to a request for third step verification; or
- Immigration status documents submitted by the student, if the USCIS did not respond in a timely fashion.

The student (or parent borrower of a PLUS loan) is liable for any FSA funds received if he is ineligible. If you made your decision without having one of the documents above, your school is held responsible for repaying FSA funds to the Department. Your school should establish procedures to ensure due process for the student if FSA funds are disbursed but the aid office later determines (using third step verification) that the student isn't an eligible noncitizen. The student must be notified of his ineligibility and given an opportunity to contest the decision by submitting to your school any additional documents that support his claim to be an eligible noncitizen. If the documents appear to support the student's claim, you should submit them to USCIS using third step verification. You must notify the student of your office's final decision based on the third step verification results.

For every student required to undergo third step verification, you must furnish written instructions providing:

- An explanation of the documentation the student must submit as evidence of eligible noncitizen status;
- Your school's deadline for submitting documentation (which must be at least 30 days from the date your office receives the results of the primary confirmation);
- Notification that if the student misses the deadline, he may not receive FSA funds for the award period or period of enrollment; and
- A statement that you won't decide the student's eligibility until he has a chance to submit immigration status documents.

## DOCUMENTING IMMIGRATION STATUS IN LATER AWARD YEARS

There are several cases in which **you must document** a student’s immigration status in a subsequent award year if that student is not confirmed through the application process. For example, a student who presented a **Temporary Form I-551** in a prior award year should have received a permanent I-551 by the next year and shouldn’t still have a temporary card. You should refer the student to USCIS to obtain a permanent I-551 or an updated endorsement on the previous card.

You must also document the eligible noncitizen status each award year for a **conditional permanent resident, a refugee, a Cuban-Haitian entrant, or a person granted asylum**. Students in any of these categories may have been redesignated to permanent-resident status or may have had their statuses revoked. You will have to send the documents for third step verification if the student’s status isn’t confirmed through the USCIS match.

**You don’t have to document** a student’s eligible noncitizen status in subsequent award years if you’ve documented that the student is a U.S. citizen or national, is a citizen of the Freely Associated States, or has a Form I-551 or I-151. In addition, you aren’t required to request third step verification if, for a previous award year, the response showed that the student was an eligible noncitizen and the documents used for that third step verification haven’t expired. You must also have no conflicting information or reason to doubt the student’s claim of having eligible noncitizen status. Also note that you must have **confirmed the status** in a previous award year. You may disburse aid without the USCIS response if the USCIS doesn’t respond in time, but you can’t count that lack of response as confirmation for the following year.

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### Exclusion from subsequent confirmation

34 CFR 668.133(b)

## REPLACING LOST DHS DOCUMENTS

If a student can’t locate his official USCIS documentation, the student must request that the documents be replaced because noncitizens who are 18 years and older must have immigration documentation in their possession at all times while in the U.S. Requests for replacement documents should be made to the nearest USCIS District Office.

The student will be asked to complete a **Form I-90, “Application to Replace Alien Registration Card”** or a **Form I-102, “Application for Replacement/Initial Nonimmigrant Arrival-Departure Document.”** PDF versions of these forms can be downloaded from the USCIS website at [uscis.gov](http://uscis.gov). A temporary I-94 may be issued while the replacement documents are pending.

In cases of undue hardship, where the student urgently needs documentation of his status, the Freedom of Information Act (FOIA) allows him to obtain photocopies of the documents from the USCIS District Office that issued the original documents. The student can submit a Form G-639 to make this request or can simply send a letter to the district office. If he is not sure which district office issued the original documents, he can submit the request to the field office nearest to his place of residence.

A naturalized U.S. citizen student who lost documents or surrendered them when entering prison is responsible for getting copies of them before third step verification is submitted for the student. (See “Replacing Lost DHS Documents”) You can request copies of immigration documents directly from penal institutions at the request of the student.

### **EXAMPLES OF U.S. CITIZENSHIP AND ELIGIBLE NONCITIZEN DOCUMENTS**

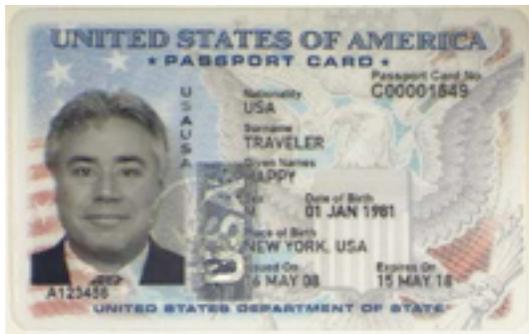
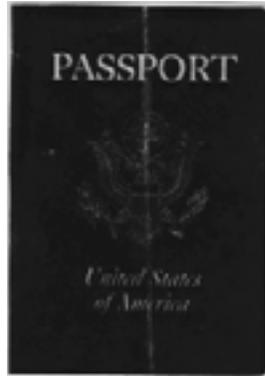
The next few pages show some common documents used to demonstrate citizenship for various categories/types of citizenship. Note that not all documents shown may avail to satisfy citizenship requirements in all cases. See the specific notes on each document shown, and also refer to the discussion of citizenship requirements described in detail earlier in this chapter.

**CITIZEN NOT BORN IN U.S./NONCITIZEN NATIONAL**

**U.S. Passport**

Can be used to document citizenship for citizen born abroad.

For a noncitizen national, must be stamped “Noncitizen National.” (Note that a passport issued by another country may be used to document U.S. permanent resident status if it has the endorsement “Processed for I-551” and has a currently valid expiration date.)



**U.S. Passport Card**

This resembles a credit card in size and form. Though it cannot be used for international air travel, it is, like the passport book, proof of U.S. citizenship.

**Certificate of Naturalization**

The Certificate of Naturalization is issued to naturalized U.S. citizens.



**Certificate of Citizenship**

The Certificate of Citizenship is issued to persons who were born abroad of U.S. parent(s), who became citizens when their parents were naturalized, or who were adopted by U.S. parents.



A revised version of the Certificate of Naturalization (Form N-550) was created in 2010.

All previously issued certificates remain valid.

**Certification of Birth Abroad**

Issued to U.S. citizens born abroad. Must have embossed seal of the State Department.



# CITIZEN NOT BORN IN U.S./NONCITIZEN NATIONAL PERMANENT RESIDENT/OTHER ELIGIBLE NONCITIZEN

## Form CBP I-94

Here is a sample paper form. Although such are no longer normally issued for air and sea arrivals, legacy paper forms are still valid and in use, and one may still encounter recently issued valid paper forms.

## Form CBP I-94A

Below, the computer-generated Form CBP I-94A replaces the paper Form I-94 that was completed manually. For eligible noncitizens, it must be annotated as described earlier in this chapter.

See also the I-94 website at: [www.cbp.gov/I94](http://www.cbp.gov/I94). The website allows you to look up I-94 student data, if the student grants you permission to do so.

Departure Number: 602410985 20

Class of Admission: B2

Officer Badge Number: 04521

Date Admitted to: Mar 20 2012

Department of Homeland Security  
CBP I-94A (11/04)  
Departure Record

Family Name: RAZURA RENTERIA

First (Given) Name: SANDRA EDITH

Birth Date (Day Mo Yr): 14 09 78

Country of Citizenship: MEXICO

20110921 US-VISIT 20110921 MULTIPLE

See Other Side STAPLE HERE

U.S. Customs and Border Protection  
Securing America's Borders

Get I-94 Information | I-94 FAQ

Most Recent I-94

Admission (I-94) Record Number: 54813013030

Most Recent Date of Entry: 2015 January 05

Class of Admission: F1

Admit Until Date: D/S

Details provided on the I-94 information form:

Last Surname: GLOBAL

First (Given) Name: CITIZEN

Birth Date: 1992 January 08

Passport Number: AB002000

Country of Issuance: Tanzania

► Effective April 26, 2013, DHS began automating the admission process. An alien lawfully admitted or paroled into the U.S. is no longer required to be in possession of a preprinted Form I-94. A record of admission printed from the CBP website constitutes a lawful record of admission. See 5 CFR § 1.4(i).

► If an employer, local, state or federal agency requests admission information, present your admission (I-94) number along with any additional required documents requested by that employer or agency.

► Note: For security reasons, we recommend that you close your browser after you have finished retrieving your I-94 number.

For inquiries or questions regarding your I-94, please click here.

Accessibility | Privacy Policy



## PERMANENT RESIDENTS

Permanent residents are issued identification cards that they are required to have in their possession at all times. The first Alien Registration Receipt Card was introduced in 1946 and through various revisions was primarily green, which caused it to be known as a “green card.” This term is still used, though the cards have changed color over the years.

### Alien Registration Receipt Card I-151 (front and back)

Issued prior to June 1978 to permanent residents. Note: As of March 20, 1996, Form I-151 is no longer acceptable to USCIS as evidence of permanent residence, though it may be used to receive FSA funds.



### Resident Alien Card I-551 (two versions, front only)

The I-551 is a revised version of the I-151. It was phased in beginning in January 1977 and was revised in 1989. The “Conditional Resident Alien Card” is identified by a “C” on the front and an expiration date on the back.



(1989)

### Permanent Resident Card I-551 (front only for older versions, front and back for the current version)

The Permanent Resident Card was introduced in December 1997 and revised in 2004. In 2010 it was again updated, with the color green used once more in the design of the front of the card.



(1997)



(2004)



(2010)







# NSLDS Financial Aid History

## CHAPTER 3

*Students who have previously attended other colleges may have a financial aid history that affects their eligibility for FSA funds at your school. You can review a student's financial aid history by using the National Student Loan Data System (NSLDS) online at [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov); for questions call 1-800-999-8219. NSLDS will also help you track changes to the student's financial aid history through the postscreening and transfer student monitoring processes.*

A person generally isn't eligible for FSA funds if he is in default on an FSA loan or he owes an overpayment on an FSA grant or loan and he has not made a repayment arrangement for the default or overpayment. Also, for a parent to receive a PLUS Loan, neither the parent nor the student may be in default or owe an overpayment on an FSA loan or grant (though a parent in default on a PLUS loan does not make a student ineligible for aid). Exceptions to these general rules are noted in the discussion below.

Any student applying for FSA funds must certify that he isn't in default on any FSA loan and doesn't owe an overpayment on any FSA grant, or that he has made satisfactory arrangements to repay the overpayment or default. This certification statement is printed on the *Free Application for Federal Student Aid* (FAFSA).

A student is also ineligible if she inadvertently exceeded annual or aggregate loan limits. When this occurs, you must identify the loan(s) that resulted in the overborrowing and discuss the overborrowing with the student. The student can regain eligibility by repaying the extra amount borrowed or making arrangements, satisfactory to the loan holder, to repay it. See Dear Colleague Letter GEN-13-02 and *Volume 4* of the *FSA Handbook* for more details.

A student who has been convicted of, or has pled no contest or guilty to, a crime involving fraud in obtaining FSA funds must have completely repaid the fraudulently obtained funds to the Department or the loan holder before regaining aid eligibility. Any Perkins or Direct Loan so obtained is not eligible for rehabilitation. You can handle this requirement as you would a judgment lien—you don't need to collect certification from each student but can deal with the situation when you become aware of it.

Finally, a student is ineligible if his property is subject to a judgment lien for a debt owed to the United States, and a parent can't receive a PLUS loan if either the student or parent is subject to such a lien. For example, if the Internal Revenue Service (IRS) has placed a lien on a student's property for failure to pay a federal tax debt or make satisfactory arrangements for repayment, the student would be ineligible for federal student aid.

### FSA loans

- Direct Subsidized Loans and Direct Unsubsidized Loans
- Direct PLUS Loans (for parents or for graduate/professional students)
- Direct Consolidation Loans
- Federal Perkins Loans

The following loan types from earlier programs also appear in NSLDS:

- Federal Stafford Loans (subsidized and unsubsidized)
- Federal PLUS Loans
- Federal Consolidation Loans
- Federally Insured Student Loans (FISL)
- Guaranteed Student Loans
- Supplemental Loans for Students (SLS)
- National Direct Student Loans and National Defense Student Loans (predecessors of Perkins Loans)
- Income Contingent Loans (ICL)

### Federal default and debt

HEA Sec. 484(a)(3), 484(f),  
34 CFR 668.32(g), 668.35

### Loan limits and eligibility

See *Volume 3, Chapter 5* for loan limits  
HEA Sec. 484(f),  
34 CFR 668.32(g)(2), 668.35(d)  
DCL GEN-13-02

### Financial aid history

34 CFR 668.19  
Dear Colleague Letter GEN-96-13

**Judgment lien example**

When Jake provides his parents' tax return to the aid administrator at Hendricks College, he notices that they've reported business income but didn't report a business asset on the FAFSA. Jake explains that they didn't report the business as an asset because there's a lien against the business for a federal loan. The aid administrator tells her that the asset must still be reported, and also that her parents won't be able to borrow a PLUS Loan as long as they are subject to the lien.

**Example of incorrect NSLDS data**

Lydia is a first-year undergraduate at Lackey College and has never attended college before. When Lackey receives Lydia's ISIR, it shows that there was a partial match, and there is some data associated with her SSN. Lackey checks with NSLDS and learns that a guaranty agency is reporting a loan made years ago (when Lydia was in elementary school) under her SSN but with a completely different name and birth date. Lackey determines that this isn't Lydia's loan, so she has no financial aid history in NSLDS. Lackey also suggests that Lydia provide documentation that the SSN belongs to her so the school can request that NSLDS data be corrected to prevent problems for her later.

**Adding a school and the NSLDS match**

When a school is added after the FAFSA has been submitted, it goes through the NSLDS match again rather than being processed in real time. This ensures that the new school receives the latest financial aid history (FAH) on the ensuing transaction. This does not affect schools' responsibility to use transfer student monitoring.

To supplement the ISIR and ensure a student's history is considered, some schools submit entire rosters of FAH requests. See the TSM/FAH processes and batch file layouts posted on the IFAP website at the NSLDS Reference Materials link under Processing Resources.

When the FAFSA is processed, the Central Processing System (CPS) matches the student against the National Student Loan Data System (NSLDS) to see if she is in default, owes an overpayment, or has exceeded the loan limits. The CPS doesn't perform any matches to determine whether or not the student is subject to a judgment lien for a federal debt, and you aren't required to check for such liens. However, if you know that she is subject to such a lien, you can't pay her FSA funds.

**NSLDS MATCH**

To help you identify students with problems such as defaulted loans or overpayments, the CPS matches the student against the NSLDS database to obtain her financial aid history. You must resolve any conflicts between NSLDS and other information you have about the student before disbursing FSA funds (for example, if NSLDS shows that a student isn't in default but you have documentation showing that she is in default). The results of the NSLDS match are provided on the SAR and ISIR on the NSLDS Financial Aid History page. As with other matches, a "C" next to the student's expected family contribution (EFC) indicates problems that must be resolved. See Appendix B of the ISIR Guide for the complete tables of NSLDS match results.

**Successful match**

The SAR and ISIR will contain the NSLDS financial aid history only if the student's identifying information matches the database and there is relevant information for the student in the database. If the student has no defaults or overpayments or has made satisfactory repayment arrangements on a defaulted loan, the NSLDS match flag will be 1 and no C code will appear on the output document. A match flag of 2, 3, or 4 indicates that the student has defaulted loans or owes an overpayment or both. You will need to document that the problem has been resolved before disbursing aid. Note that for "real-time" processing—if a student uses Corrections on the Web or an aid administrator uses FAA Access to CPS Online—the CPS does not match against the NSLDS database (except when a school is added; see the sidebar), but the output document will show NSLDS data from the last transaction that did match against NSLDS. The ISIR might not, therefore, reflect the most current information.

**No data from match**

There are several reasons why an output document may not have financial aid history information: for example, if the application was rejected for lack of a signature or if identifying information was missing. For other cases, you can check the NSLDS flags reported in the "FAA Information" section.

▼ *Partial match.* If the student's SSN is in the NSLDS database but the first name or date of birth don't match what the student reported, no financial aid history will be reported and the output document will have an NSLDS match flag of "7" and a C code. There will also be a comment explaining why the financial aid history isn't given and directing the student to work with the school to resolve any discrepancies. A partial match **requires resolution**; otherwise you won't have information from the Department on defaults and overpayments. If the student originally

reported incorrect identifying information, you can have them submit correct information, which will be sent through the match again. If the student did not submit incorrect identifying information, you can call the NSLDS customer support center (see sidebar) for help with determining the identifiers with the SSN in the NSLDS database. If you discover the discrepancy is due to the student misreporting the name or date of birth on the FAFSA, you should have the student make a correction. However, you may use the NSLDS record to determine the student's eligibility; you don't need to wait for the corrected data to be reported.

If you find that the financial aid history associated with the student's SSN doesn't belong to the student, you should assume that the student has no relevant financial aid information. You may request that the data in NSLDS be corrected by providing relevant supporting documents. NSLDS will work with the previous data providers to correct the identifiers. You aren't required to request a correction; however, doing so will prevent the same FAFSA response in subsequent award years.

▼ *Student not in database.* If a match with NSLDS is completed but there's no information on the student in the database, the output document will comment that the student's SSN is not associated with any financial aid history. You can assume this is correct unless you have conflicting information. If you believe NSLDS should show a loan history, help the student by contacting the appropriate loan servicer or, for FFEL, guaranty agency.

▼ *No relevant history.* If a student's SSN matches a record in the NSLDS database but there's no relevant financial aid history to report, no information will be on the output document, because it isn't needed to determine the student's aid eligibility for the current award year. Conversely, if a student has relevant prior data, for example a prior Pell award, that will appear on the SAR/ISIR. The SAR and ISIR will have a comment that the student's record was matched with NSLDS but no information was found to print on the NSLDS page.

▼ *Processing problem.* If there was a problem with the match, the SAR and ISIR won't include financial aid history information. The output document will have a C code and a comment explaining that the CPS couldn't determine whether the student has loans in default and will direct her to contact the financial aid administrator. You must get the student's financial aid history before disbursing aid. If she has to make corrections of any kind, her information will go through the match again when the corrections are submitted, and you can use the results of that match to determine her eligibility.

### **Postscreening—changes after initial match**

Once you receive the financial aid history through NSLDS, you aren't required to check for changes to the data before disbursing funds to the student. But if you learn from NSLDS or another source that the student was not or is no longer eligible, you must not disburse any more FSA funds and must help make sure the student arranges to repay the aid for which he/she wasn't eligible.

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### **NSLDS Support Center**

1-(800)-999-8219

Web: [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov)

Email: [nsls@ed.gov](mailto:nsls@ed.gov)

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### **Example of misreported information on the FAFSA**

When Lester University receives Ben's ISIR, it shows that there was a discrepancy with the NSLDS database, so no financial aid history information is provided. The aid administrator at Lester asks Ben if he provided the correct name and birth date on the application. Ben says he wrote in the wrong month for his birth date, but his name is correct. The administrator checks the NSLDS database using Ben's first name, SSN, and date of birth. NSLDS shows the correct birth date, but the first name of the student is Warren, not Ben. She checks again with Ben, who explains that Ben is a nickname and Warren is his real name. The administrator determines that the financial aid history associated with the SSN belongs to Ben. She could disburse aid without requiring a correction, but Ben has other corrections to make, so she will wait for the ISIR correction before disbursing aid.

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### **Getting the student's financial aid history**

There are several ways for you to get a student's financial aid history from NSLDS. You can:

- use the NSLDS Financial Aid History section of the ISIR,
- log on to the NSLDS Professional Access website and access the data online for a student,
- for multiple students, use the FAT 001 Web report, which you submit from the Reports tab on the NSLDS site (you retrieve the results through the SAIG), or
- send a batch TSM/FAH Inform file to request aid history data for several students, which will be returned in either extract or report format through SAIG. The TSM/FAH processes and batch file layouts are posted on the IFAP website at the NSLDS reference materials link under Processing Resources.

NSLDS uses a postscreening process to let you know when there are significant changes (such as a defaulted loan or an overpayment) to a student’s financial aid history. If postscreening identifies changes that may affect the student’s eligibility, the CPS will generate new output documents so schools that are listed for receipt of the student’s FAFSA information will automatically be notified. Items that have changed since the last transaction are marked on the output document with a “#” sign, and the reason code for the postscreening will be given.

To help you identify when NSLDS data has changed, the document will include an NSLDS transaction number in the “FAA Information” section with the other match flags. This is the number of the last transaction on which NSLDS data changed, so if you receive an ISIR on which that number is higher than the one on the ISIR you used to determine the student’s eligibility, you must review the NSLDS data on the new ISIR to be sure there are no changes affecting the student’s eligibility (be aware of the new Pell LEU limits and codes; for more on Pell LEU, see *Volume 3, Chapter 3*). There will be postscreening codes (see *The ISIR Guide* for the list) to help determine what changed.

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### Unusual enrollment history

E-Announcement Jan 10, 2017

DCL GEN-15-05

DCL GEN-13-09

### Unusual enrollment history (UEH)

There is a flag in NSLDS for students whose pattern of enrollment and/or award history for either Federal Pell Grants or Direct Loans (other than a Direct Consolidation Loan or Parent PLUS Loan) is identified as unusual. You are required to respond to the unusual enrollment history (UEH) status for Pell and/or Direct Loans as described below.

The CPS will flag the UEH on the student’s SAR/ISIR. A value of “N” requires no action, as it denotes no unusual history. A value of “2” or “3” in the UEH field (aka SAR comment codes 359 and 360, respectively) requires review and resolution by your school (see below). UEH flags 2 and 3 do not necessarily mean the student has improperly received Pell or Direct Loan funds, but it is a sign of unusual activity, for example, receiving Pell and/or Direct Loans at multiple schools in the same semester, or receiving aid and then withdrawing before earning any credit.

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### UEH change for Undergraduate to Graduate Student Progression

E-Announcement January 20, 2016

UEH is assessed separately for undergraduate enrollment and graduate enrollment. This reduces the number of UEH flags, but still correctly flag students whom the UEH flags are intended to further scrutinize.

This change eliminates the improper flagging of students whose normal course of academic progression leads directly from undergraduate to graduate coursework, which does not constitute what the Department considers an unusual or suspicious pattern of enrollment.

**To resolve a UEH flag of “2,”** (SAR comment code 359) you must check the student’s enrollment and financial aid records to determine if, during any of the four award years prior to the current award year (i.e., 2014-15, 2015-16, 2016-17, and 2017-18), the student received a Pell Grant or Direct Loan at your school. If so, no further action is required unless you have reason to suspect that the student in question remains enrolled just long enough to collect student aid funds before disappearing. In such a case, you must follow the guidance below for UEH flag “3.”

**To resolve a UEH flag of “3,”** (SAR comment code 360) you must check the student’s academic records to determine if they received academic credit at the schools attended during any one of the four award years prior to the current award year (i.e., 2014-15, 2015-16, 2016-17, and 2017-18). Using data from NSLDS, you must determine, for each prior attended institution for each student, whether academic credit was earned during the award year in which the student received Pell or Direct Loan funds. Academic credit is considered for this purpose to mean completing one or more clock-hour or credit-hour.

For UEH flag 3, if the student **did** earn academic credit at all of the schools previously attended for a relevant award year, no further action is required unless you have reason to believe that the student has had a practice of enrolling just long enough to receive credit balances before disappearing. In such cases, follow the guidance below for cases when academic credit is not earned (next paragraph).

For UEH flag 3, when academic credit is **not** earned at a previously attended school, and, if applicable, at your school, you must obtain documentation from the student explaining why the student failed to earn academic credit. You must determine whether the documentation provided supports the reasons described by the student and that the student did not enroll only to receive credit balance funds. Acceptable reasons may include personal illness, a family emergency, a change in where the student lives, and military obligations, or an academic complication, such as unexpected academic challenges, or the student having determined that the academic program in question did not meet their needs. You should, to the maximum extent possible, obtain third party documentation to support the student's claim.

In similar fashion to the exercise of professional judgment, you must determine whether the circumstances of the failure of the student to receive academic credit, as evidenced by the student's academic records and documentation, support the continuation of Title IV eligibility. If the student with a UEH flag of 2 or 3 fails to provide compelling reasons and documentation for a failure to receive academic credit for a period for which they received Title IV funds, you must conclude that their eligibility is terminated. Your determination is final and is not subject to appeal **to the Department**. You must document and maintain a file of reason(s) for the decision for possible review.

*When a student's eligibility is terminated* in this way, you must provide information to the student on how they may subsequently regain eligibility, and the student must be given an opportunity to question and appeal the decision **to your school**, consistent with the opportunities to question and appeal similar determinations such as SAP and professional judgment determinations. Since the basis for denial is lack of academic performance, successful completion of academic credit may be considered basis for renewing the student's Title IV eligibility, assuming they are in all other ways eligible for the aid in question. This could include meeting the requirements of the plan that you established with the student, although such a plan is not necessarily required. When a student regains eligibility after losing it in this manner, the student's eligibility is retroactive to the beginning of the current period of enrollment, for Direct Loans, and for all other types of Title IV aid, retroactive to the beginning of the current payment period.

*If you approve the student's continuing eligibility*, you may choose to require the student to establish an academic plan, similar to the type of plan used to resolve SAP appeals. You may also wish to counsel the student about the Pell Lifetime Eligibility Used (LEU) limitation and the impact of the student's attendance pattern on future Pell Grant eligibility (see *Volume 3, Chapter 3* and DCL GEN-12-01 and GEN-12-18).

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### Resolving UEH flags in a subsequent Award Year

When a student receives a UEH flag that includes an award year(s) that was resolved by the reviewing school for a previous award year, that school must determine if there was a change in the schools the student attended for that award year(s). If there were no changes to the schools the student attended, no further action is necessary. If the student attended another school(s) that was not previously reviewed and received Pell Grant and/or Direct Loans at that school(s), the reviewing school must determine if the student earned academic credit at the additional school(s) under review. If the student did not earn academic credit at the additional school(s) under review, the student must provide documentation explaining why academic credit was not earned.

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**Reporting data for students  
at closed schools**

E-Announcement Sept 21, 2016

***Documenting credits earned when a school has closed***

For UEH flag 3, or when you believe that the student remains enrolled just long enough to collect a credit balance (refund), you must review the student's academic records to determine if the student earned any academic credit at each school the student attended during the prior four award year periods (i.e., for 2018-19, assess 2017-18, 2016-17, 2015-16, and 2014-15.

If the student informs you that they previously attended and received Title IV aid at a school which has closed, you must first verify that the school has closed. You may determine this using the Department's Closed School Reports, at: [www2.ed.gov/offices/OSFAP/PEPS/closedschools.html](http://www2.ed.gov/offices/OSFAP/PEPS/closedschools.html).

If the student states that academic credits were earned at the closed school, you must request documentation that indicates academic credits were earned. Acceptable forms of documentation could include a grade report, or an official or unofficial transcript.

If the student does not have any documentation of academic credit earned at the closed school, and you have obtained documentation that shows the student earned academic credit at all the other schools corresponding with the UEH flag, you may accept a signed and dated statement from the student to substantiate their claim. The statement must provide the name of the closed school, the academic period or calendar year in which the academic credit was earned, and, if known, the type and number of academic credits which were earned. If the student is unsure of the number and/or type of academic credits earned at the closed school, the student must state, in general terms, that academic credit was earned at the closed school. If the student has *not* earned academic credits at the closed school, you must follow the guidance in Dear Colleague Letter GEN-15-05.

## CHECKING THE FINANCIAL AID HISTORY FOR TRANSFER STUDENTS

Before disbursing FSA funds to a transfer student, you **must** obtain his financial aid history if he may have received aid at another school since your latest ISIR. The NSLDS Transfer Student Monitoring Process was established to allow schools to use NSLDS information for its transfer students.

▼ *Reviewing the student's NSLDS financial aid history.* If a student transfers to your school during the award year, you'll need to review her aid history on the ISIR or online at the NSLDS website. From this, you can determine:

- Whether the student is in default or owes an overpayment on an FSA loan or grant;
- The student's Pell Grant and the amount already disbursed for the award year;
- Data pertaining to TEACH grants, including those converted to loans;
- The student's balance on all FSA loans; and
- The amount and period of enrollment for all FSA loans for the award year.

Usually the financial aid history on the ISIR will be enough, but there are cases where you might check NSLDS for more information. For example, if the student has more than six loans, the ISIR won't have detailed information for some of the loans. If you need that level of detail for those loans, you can get the information from NSLDS. Or, as discussed previously, you might need to use NSLDS to resolve a partial match situation (see "Partial match" in "NSLDS match" section, earlier in this chapter).

▼ *Transfer student monitoring process.* You must send NSLDS identifying information for students transferring to your school during the award year so that NSLDS can notify you of changes to their financial aid history. You may send information for students who have expressed an interest in attending your school even if they have not yet formally applied for admission.

Through transfer student monitoring, NSLDS will alert you to any relevant changes in the transfer student's financial aid history—other than the default and overpayment information reported in the postscreening process—that may affect the student's current award(s). There are three steps: inform, monitor, and alert.

- *Inform.* You **must** identify students who are transferring to your school by creating a list of transfer students on the NSLDS website or by sending the list to NSLDS as an electronic batch file (see the margin note) through SAIG. You may use either or both methods, and a change in method does not require prior notification to the Customer Service Center.

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### Sending batch files

To begin sending batch files, you must sign up at <https://fsawebebenroll.ed.gov/PMEnroll/index.jsp> for the Transfer Student Monitoring/Financial Aid History (TSM/FAH) batch service. Then you must designate a profile for your school on the School Transfer Profile Page ([www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov)) prior to creating any Inform records. The School Transfer Profile tells NSLDS who will be submitting Inform files from or on behalf of your school and how your school wants to receive an alert notice.

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### Transfer student monitoring

Dear Partner Letters GEN-00-12 and GEN-01-09

Through this process for checking the eligibility of transfer students, you may either check the student's financial aid history on the NSLDS website for professionals, or wait seven days (because NSLDS issues alerts weekly) after you've submitted the student's information for monitoring to receive an alert if data has changed.

NSLDSFAP  
[www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov)

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### Resolving grant overpayments

Because FSA grants have priority in packaging, aid overpayments can often be resolved by adjusting other types of aid in the package. If necessary, you can also adjust later grant payments for the same award year. But if a student receives more grant money than she is eligible for and the excess can't be offset, she must return the overpayment. As noted at the beginning of the chapter, a student with an outstanding FSA grant overpayment is ineligible for aid until she repays it or makes satisfactory repayment arrangements. See *Volume 4* for a complete discussion of resolving overpayments and overawards.

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**No defense of infancy**

Students who are minors may receive federal student loans, and they may not refuse to repay those loans based on a “defense of infancy,” i.e., that they were too young to enter into the contract of signing the promissory note. See HEA Sec. 484A(b)(2).

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**Repopulate Transfer Monitoring List**

NSLDS Professional Access offers a Transfer Monitoring Repopulate web page that enables you to repopulate your TSM list of students from the Inform list used during a prior monitoring period so you can continuously add from one monitoring time period to another. For more information see NSLDS Newsletter 23.

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**Checking Discharge Status with loan servicer**

When it is not possible to determine the precise status of a potentially discharged loan in NSLDS, you should contact the Department’s Total and Permanent Disability (TPD) servicer, Nelnet\*:

Phone: 1-888-303-7818

Fax: 303-696-5250

E-mail: [disabilityinformation@nelnet.net](mailto:disabilityinformation@nelnet.net)

\*Nelnet is referred to in NSLDS as “DDP,” or Disability Discharge Provider.

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**Perkins writeoffs**

Note that Perkins writeoffs don’t make a student ineligible. See *Volume 6* for more information.

- *Monitor.* NSLDS will monitor these students for a change in financial aid history that may affect their current awards and alert you when: a new loan or grant is being awarded, a new disbursement is made on a loan or grant, or a loan or grant (or a single disbursement) is cancelled. Note that defaulted loans and overpayment information are not monitored in transfer student monitoring, as they are already covered in the postscreening process. If the student has not listed your school in Step Six when filing the FAFSA, he has to add your school for you to receive the postscreening information.

- *Alert.* Finally, if changes are detected for one or more of your students and NSLDS creates an alert, it will also send an email notification reminder to the address given on the School Transfer Profile setup page. Your school’s designated contact person may then either review the alert list on the NSLDS for Financial Aid Professionals website or download a batch file, if batch alerts were requested, through SAIG in report or extract format.

▼ *Timing of the disbursement.* To pay the student, you’ll need to have an output document and an accurate Expected Family Contribution (EFC). A valid ISIR will include that and the student’s financial aid history, and it will also tell you if he is in default or owes an overpayment. The postscreening process will send you another ISIR if he subsequently goes into or out of default or owes or ceases to owe an overpayment.

When you initiate transfer monitoring for a student, NSLDS will alert you to significant award changes since you last received an ISIR or alert for her; this will continue for 30 to 120 days (depending on the monitoring duration you’ve established) after the enrollment begin date. If you start transfer monitoring before you receive ISIRs for a student, NSLDS will track changes in her financial aid history from the date of your request or a future monitoring begin date you choose.

The regulations state that a school may not make a disbursement to the student for seven days following the transfer monitoring request to NSLDS, unless it receives an earlier response from NSLDS or checks the student’s current financial aid history by accessing NSLDS directly. Therefore, it’s usually a good idea to submit the student’s name to NSLDS for monitoring as soon as possible, even if he has not yet decided to enroll at your school.

▼ *Consequences when a transfer student subsequently is found to be ineligible for all or part of an aid disbursement.* If the school has followed the proper procedures for obtaining financial aid history information from NSLDS, it is not liable for any overpayments if the student’s situation subsequently changes. However, the student will be liable for the overpayment in this situation, and you may not pay the student further FSA funds until the overpayment is resolved. (See *Volume 4* for information on resolving overpayments.)

## EFFECT OF BANKRUPTCY OR DISABILITY DISCHARGE

A student who has filed for bankruptcy or had a loan discharged for disability may need to give additional documentation before receiving aid.

### **Bankruptcy**

A student with an FSA loan or grant overpayment that has been discharged in bankruptcy remains eligible for FSA loans, grants, and work-study (NSLDS loan status code BC for loans that did not default and status code DK or OD for loans that defaulted prior to the bankruptcy discharge). A borrower doesn't have to reaffirm a loan discharged in bankruptcy to be eligible. The Bankruptcy Reform Act of 1994 prohibits denial of aid based solely on filing for, or having a debt discharged in, bankruptcy.

A borrower who lists a defaulted FSA loan or grant overpayment in an active bankruptcy claim is not eligible for further FSA funds unless she provides you with documentation from the holder of the debt stating it is dischargeable (NSLDS loan status code DO). A borrower who includes a non-defaulted FSA loan in an active bankruptcy claim, so that collection on the loan is stayed, is eligible for aid as long as he has no loans in default (including the stayed loan).

### **Total and permanent disability (TPD) discharges**

▼ *Qualifying for TPD Discharge:* Perkins Loans, FFEL and Direct Loans, as well as TEACH Grant service obligations may qualify to be discharged if the borrower/obligation holder becomes totally and permanently disabled. Except for veterans who qualify for a total and permanent disability (TPD) discharge based on a determination by the Department of Veterans Affairs (VA) that they are unemployable due to a service-connected disability, the Department of Education monitors the status of borrowers who have received a TPD discharge for a three-year period.

Borrowers whose discharge applications are received on or after July 1, 2010, receive a final discharge followed by a *post-discharge monitoring period* that begins on the date the discharge was granted and lasts for up to three years.

▼ *Taking out another loan:* If a borrower whose prior loan was discharged due to a total and permanent disability wishes to take out another FSA loan or wishes to receive a TEACH grant, he must obtain a physician's certification (the student only needs to obtain the physician certification once; the school keeps a copy of it in the student's file. But the school must collect a new borrower acknowledgment from the student each time he receives a new loan) that he has the ability to engage in substantial gainful activity, and he must sign a borrower statement acknowledging that the new FSA loan or the TEACH grant service obligation can't later be discharged for any present impairment unless it deteriorates so that he is again totally and permanently disabled.

### **Total and permanent disability discharge**

[www.disabilitydischarge.com/faqs/](http://www.disabilitydischarge.com/faqs/)

34 CFR 674.61(b) (Perkins)

34 CFR 682.402(c) (FFEL)

34 CFR 685.213 (Direct Loan)

34 CFR 686.42(b) (TEACH Grant)

### **Total and permanent disability**

The condition of an individual who:

- is unable to engage in substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death; has lasted for a continuous period of at least 60 months; or can be expected to last for a continuous period of at least 60 months; OR
- has been determined by the Department of Veterans Affairs (VA) to be unemployable due to a service-connected disability.

**Substantial gainful activity**

For TIV aid purposes, the phrase “substantial gainful activity” means a level of work performed for pay that involves doing significant physical or mental activities or a combination of both. If a physician’s certification does not appear to support this status, the school should contact the physician for clarification.

If the borrower requests a new loan or TEACH Grant during the post-discharge monitoring period, he must also resume payment on the old loan before receipt of the new loan or TEACH grant. If the loan on which the borrower must resume payment was in default when it was discharged, it remains in default upon reinstatement, and the student must make satisfactory repayment arrangements before receiving the new loan, in addition to meeting the other requirements described.

A borrower who received a TPD discharge based on a determination from the VA that he is unemployable due to a service-connected disability is not subject to a monitoring period and is not required to resume payment on the discharged loan as a condition for receiving a new loan. But he must still provide the physician’s certification and borrower acknowledgement described above.

**RESOLVING DEFAULT STATUS**

A student in default on an FSA loan can’t receive further FSA funds until she resolves the default, which she can do in a few ways.

▼ *Repayment in full (including consolidation).* A student can resolve a default and regain eligibility for FSA funds by repaying the loan in full (loan status code DP). If the school writes off a regulatorily permissible amount that the student repays (for Perkins), that counts as paying the loan in full (code DC). If a defaulted loan is successfully consolidated, it is also counted as paid in full (code DN). However, if the loan holder just writes off the entire loan (except for Perkins), it isn’t paid in full, and the student remains ineligible for FSA funds (code DW). The student regains eligibility whether repayment was completed voluntarily or involuntarily (that is, through IRS offset or wage garnishment).

For the Perkins Loan program, while a student who has repaid her defaulted loan in full is eligible for aid if the repayment was voluntary, you *can* still consider the default to be evidence of a student’s unwillingness to repay loans. If the repayment was involuntary, you *should* consider the default as such evidence and deny the student additional Perkins Loans.

If a student has paid a defaulted loan in full but the SAR and ISIR have a comment showing that he is ineligible because of the default, he must give you documentation proving that the loan was paid.

▼ *Satisfactory repayment arrangements.* A student in default on an FSA loan can be eligible for FSA funds if he has made repayment arrangements that are satisfactory to the loan holder. After he makes six consecutive, full, voluntary payments on time, he regains eligibility for FSA funds (loan status code DX). Voluntary payments are those made directly by the borrower and do not include payments obtained by federal offset, garnishment, or income or asset execution. A student may regain eligibility under this option only one time.

**Example: documenting loan “paid in full”**

Carl had a Direct Loan as an undergraduate that went into default while he was out of school. When he applies for financial aid so he can go to graduate school, his ISIR shows that the loan is still in default. Carl tells the aid administrator at Guerrero University that he paid off the loan last year. The aid administrator asks Carl to bring in a letter from the Default Resolution Group documenting that the loan has been paid and advises Carl that he should ask the guaranty agency to update his status in NSLDS.

You can pay the student as soon as you have documentation that she has made satisfactory repayment arrangements. For example, the loan holder may update the code for the loan in NSLDS to DX once six payments have been made; you could then use that as confirmation of the repayment arrangement. You may also use a written statement from the loan holder indicating that the student has made satisfactory repayment arrangements as documentation of the arrangement.

▼ *Loan rehabilitation.* Although a student can regain eligibility for all FSA funds by making satisfactory repayment arrangements, the loan is still in default. After the student makes more payments, the loan may be rehabilitated, that is, it won't be in default anymore, and the student will have all the normal loan benefits, such as deferments. A loan is rehabilitated once the borrower makes nine full, voluntary payments on time (no later than 20 days after the due date) within 10 consecutive months. See *Volume 6* for more information on rehabilitation in the e/NDSL program.

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**Satisfactory repayment and rehabilitation**

HEA Sec. 428F(a) and (b), 464(h)(1) and (2)

General Provisions: 34 CFR 668.35(a)(2)

Perkins: 34 CFR 674.9(j), 674.39

FFEL: 34 CFR 682.200(b), 682.405

DL: 34 CFR 685.102(b), 685.211(f)

# NSLDS Loan Status Codes

## 2018–19 SARs & ISIRs

Code	Status	Eligible for FSA funds
AL	Abandoned Loan	Yes
BC	No Prior Default Bankruptcy Claim, Discharged	Yes, because loan was not in default and was discharged
BK	No Prior Default Bankruptcy Claim, Active	Yes, because loan was not in default
CA	Cancelled (For Perkins means Loan Reversal)	Yes
CS	Closed School Discharge	Yes
DA	Deferred	Yes
DB	Defaulted, then Bankrupt, Active. (Perkins: all bankruptcies; FFELP and Direct Loans: Chapter 13)	No, unless debtor can show that loan is dischargeable. See Dear Colleague Letter GEN-95-40, dated September 1995.
DC	Defaulted, Compromise	Yes, because compromise is recognized as payment in full
DD	Defaulted, Then Died	No, because if borrower is reapplying, then loan status is in error
DE	Death	No, because if borrower is reapplying, then loan status is in error
DF	Defaulted, Unresolved	No
DI	Disability	Yes
DK	Defaulted, Then Bankrupt, Discharged. (Perkins: all bankruptcies; FFELP and Direct Loans: Chapter 13)	Yes, because defaulted loan has been totally discharged
DL	Defaulted, in Litigation	No
DN	Defaulted, Then Paid in Full Through Consolidation Loan	Yes
DO	Defaulted, Then Bankrupt, Active, other. (FFELP and Direct Loans in Chapters 7, 11, and 12)	No, unless debtor can show that loan is dischargeable. See Dear Colleague Letter GEN-95-40, dated September 1995.
DP	Defaulted, Then Paid in Full	Yes, because loan was paid in full
DR	Defaulted Loan Included in Roll-Up Loan	Yes, because the loan was combined with other loans and subrogated to the Department, which reported the same information to NSLDS in one loan. The status of that record will determine eligibility.
DS	Defaulted, Then Disabled	Yes, because loan debt is cancelled
DT	Defaulted, Collection Terminated	No
DU	Defaulted, Unresolved	No
DW	Defaulted, Write-Off	No [Note that there is no status code for Perkins write-offs, which are for amounts less than \$50; see 34 CFR 674.47(h)]
DX	Defaulted, Satisfactory Arrangements, and Six Consecutive Payments	Yes, assuming student continues to comply with repayment plan on defaulted loan, or is granted forbearance by the GA

Code	Status	Eligible for FSA funds
DZ	Defaulted, Six Consecutive Payments, Then Missed Payment	No, loan is back in active default status
FB	Forbearance	Yes
FC	False Certification Discharge	Yes
FR	Loans obtained by borrowers convicted of fraud in obtaining FSA funds	No (note: Code FR may indicate identity theft)
FX	Loan once considered fraudulent but is now resolved	Yes (note: Code FX may indicate identity theft)
IA	Loan Originated	Yes
ID	In School or Grace Period	Yes
IG	In Grace Period	Yes
IM	In Military Grace	Yes
IP	In Post-Deferment Grace (Perkins only)	Yes
OD	Defaulted, Then Bankrupt, Discharged, other (FFELP and Direct Loans in Chapters 7, 11, and 12)	Yes, because defaulted loan has been totally discharged
PC	Paid in Full Through Consolidation Loan	Yes, because it does not matter if the consolidation loan was a FFEL or Direct Loan, nor whether underlying loans were in default
PD	Permanently Disabled	Yes, borrower considered permanently disabled
PF	Paid in Full	Yes
PM	Presumed Paid in Full	Yes
PN	Non-defaulted, Paid in Full Through Consolidation Loan	Yes
PZ	Parent PLUS loan for a student who has died	No for the student, yes for the parent
RF	Refinanced	Yes, because defaulted loans cannot be refinanced
RP	In Repayment	Yes
UA	Temporarily Uninsured—No Default Claim Requested	Yes
UB	Temporarily Uninsured—Default Claim Denied	Yes, because the loan is not a federal loan while temporarily uninsured
UC	FFEL: Permanently Uninsured/Unreinsured—Non-defaulted Loan. Perkins: Non-defaulted Loan Purchased by School	Yes
UD	FFEL: Permanently Uninsured/Unreinsured—Defaulted Loan. Perkins: Defaulted Loan Purchased by School	Yes, because the loan is no longer a federal loan
UI	Uninsured/Unreinsured	Yes, does not matter if the loan was in default
VA	Veterans Administration Discharge	Yes
XD	Defaulted, Satisfactory Arrangements, and Six Consecutive Payments	Yes, assuming student continues to comply with repayment plan on defaulted loan, or is granted forbearance by the GA/ED servicer



# Social Security Number

## CHAPTER 4

*To be eligible to receive FSA funds, each student must provide a correct Social Security number (SSN). To confirm the student's SSN for schools, the Department conducts a match with the Social Security Administration. In this chapter, we discuss the SSN requirement and the match process.*

The FAFSA collects the student's and dependent parents' Social Security numbers (SSNs) so that the Central Processing System (CPS) can validate the numbers through a match with the Social Security Administration (SSA). The CPS verifies that the name and birth date associated with the SSN match the name and birth date on the application. For the full list of SSN match results, see *2018-2019 SAR Comment Codes and Text* ([www.ifap.ed.gov](http://www.ifap.ed.gov)).

The CPS won't process an application without an SSN. A student who doesn't have an SSN or doesn't remember it must contact their local Social Security office for help. There is one exception to the requirement to provide SSNs (see the Exception for the Freely Associated States section later in this chapter). The SSN is a key identifier for the student's records, so you must be sure the Department knows the right SSN if you find out it's wrong on the application or output document. We discuss correcting such errors later.

### SSN MATCH

The CPS prints the SSN match result in the "FAA Information" section of the output document as the SSN Match Flag. If the match is successful, the CPS doesn't match the student's data against the Social Security database on subsequent transactions. However, the CPS will attempt the match again if the student makes corrections to the name, birth date, or SSN. The FAFSA will not be processed without a valid SSN for the aid applicant.

### Successful match

If the CPS match with the SSA confirms the student's SSN and the Social Security records have the same name and birth date as reported on the FAFSA, you may disburse aid to the otherwise eligible student. No comment is provided on the output document when the SSN match is successful. Of course, if you have any conflicting information about the SSN, you must resolve the conflict before disbursing FSA funds to the student. Once a student's SSN is confirmed and there is no discrepancy on the name or birth date, the student can't change the SSN.

### SSN requirement

HEA Sec. 484(p)  
Student Assistance General Provisions  
34 CFR 668.32(i), 668.36

### Contacting the SSA

For more information (in English and Spanish), students should call the SSA at 1-800-772-1213 or go to its website ([www.ssa.gov](http://www.ssa.gov)).

### Name change on the SSA website



If a student legally changes their name because of marriage, divorce, court order or any other reason, they should notify Social Security so they can get a corrected card and have correct SSN matches.

Direct students to: <https://faq.ssa.gov/link/portal/34011/34019/article/3749/how-do-i-charge-or-correct-my-name-on-my-social-security-card>

**SSN doesn't match**

Student reported wrong SSN

→ Correct FAFSA data

FAFSA processing error

→ Call 1-800-4-FED-AID

Error in SSA database

→ Contact SSA office; resubmit SSN as correction after SSA change is made

**Other match problems**

→ SSN matches, but name and date of birth don't match

→ Missing FAFSA information: student didn't report a name or birth date, or didn't sign the FAFSA

→ SSN record includes date of death

**Parents with no SSN**

On the FAFSA, parents with no Social Security Numbers, for example, eligible noncitizen parents, should enter 000-00-0000 in place of a SSN, in order to avoid a reject code.

If a student whose match data have been confirmed subsequently tries to change his SSN, the CPS won't accept the change. Instead, the student's SAR will have a comment telling the student to contact his financial aid administrator for help. In the unlikely event that the confirmed SSN is wrong, the student must correct it by filing a new FAFSA.

**No match on the Social Security number**

You must resolve any problems with the match before disbursing aid. If the SSN is not found in the SSA database, the student's application will be rejected. The student will also receive a comment that instructs her to correct her SSN or contact the SSA if she believes the number reported is correct. If it is wrong on the application, the student will have to correct it with the CPS and get a successful match result before she can receive aid.

▼ *Student reported wrong SSN on the FAFSA.* If the student's application is rejected because she reported an SSN that is not in the SSA's database, the student must provide the correct SSN to the CPS. This will change the current SSN in the CPS, but it will not change the original, identifying SSN. A student can file a new FAFSA to correct the original SSN, but since the Common Origination and Disbursement (COD) System will use the current SSN to process records, changing the original SSN is not always necessary (however, see Applicants Using Same SSN later in this chapter).

COD replaced the Direct Loan and Pell reporting systems, but there are other systems, such as EDExpress and some mainframe and servicer systems, that will still use the original SSN to identify records. These systems will be able to interface with COD but might still need the original SSN to process records.

▼ *FAFSA data entry error.* If a student provided the correct SSN on the FAFSA, but the SSN on the output document is wrong, the student can contact the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243). If the Information Center confirms that there was a data entry error, it will refer the error to the Department for correction—the student does not need to submit a correction. After the data entry error is corrected, the CPS will produce new output documents. See *Chapter 5 of the Application and Verification Guide* for general information on data entry error corrections.

▼ *Error in Social Security database.* If the SSN on the FAFSA is correct but isn't in the Social Security database, the student must contact a local or regional SSA office to correct the database, which is updated daily with information from local and regional offices. The student must report the correct SSN and provide verifying documentation. He must also contact a Social Security office directly—the Department of Education cannot correct SSA records. Once the database is updated, the student can submit a correction by re-entering the SSN originally reported as if it is a correction. The CPS will then do another SSN match. The student can't simply verify that the SSN is correct; the application will be rejected until the SSA database is updated.

**COD and SSN changes**

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**No match on name or birth date**

The student's application will be rejected if her or a parent's SSN is in the Social Security database but the name there differs from the one she gave. Misspellings or name changes due to marriage are common reasons for a non-match. The student should make sure that the name on the application matches the one on the Social Security card.

This reject is verifiable, which means that the name is questionable but not necessarily wrong. The student can eliminate the reject by entering the right name. If the name was correct on the application, she reenters it on the paper SAR, or she chooses "Data is Correct" for both the first and last name on Corrections on the Web. If her name is incorrect in the SSA database, we strongly recommend that she contact the SSA to correct it.

If the student's (or parent's) name and SSN match the SSA's database but the date of birth does not, the application will also be rejected, and the student must correct the application. If the error is with the SSA's database, he should contact the SSA to correct the record. He can override the reject by reentering the date on the paper SAR or on Corrections on the Web, by choosing "Data is Correct" for the date of birth. The application will be sent through the match again, and if the SSA's record has been corrected, the match flag will be cleared and no further action is needed. If there is still a disagreement with the SSA record, the student will need to provide the aid office with documentation of his date of birth.

If the student reported the current or a later year as her birth date, her application will be rejected and she must correct the error.

**Missing information**

No match is performed if the student doesn't sign the FAFSA or provide a last name or birth date. The student's FAFSA will be rejected and the student must submit the missing information.

Although the CPS doesn't conduct the match, the student will receive a comment explaining that the match could not be conducted without the name, birth date, or signature. The student must submit a correction providing the missing information. When the correction is sent, the information will be sent to the SSA for matching, and you should check the new output document for match results.

**Date of death**

If the SSA's database shows a date of death associated with the SSN the student reported, the student's application will be rejected. Students resolve this problem in the same way as problems matching the SSN. The student must either contact SSA to get the records corrected, or must submit a change with the correct SSN (see "No match on the Social Security number").

**Example: Incorrect name on application**

When Zobrist Technical Institute receives Miguel's ISIR, the SSN match shows the name on the application isn't the one associated with the SSN in the database. The aid administrator asks Miguel to bring in documentation showing his correct name and SSN. He brings in his Social Security card, and the first name on the card is Jose, not Miguel. He also has a driver's license showing his first name is Jose. The administrator tells Miguel to correct his name on the FAFSA to Jose.

**Example: Correct name not in database**

Elizabeth's ISIR shows that her name doesn't match the one the SSA has on file for her SSN. When the administrator talks to Elizabeth, she explains that she recently got married and changed her last name. Elizabeth gives the administrator a copy of her marriage certificate. The administrator plans to disburse aid to Elizabeth and tells her to reenter her current name and advises her to contact SSA to have its database updated to prevent future problems.

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### When a student dies

For full discussion of how to handle Title IV aid when a student dies, see the FSA Handbook appendix on student death.

### DEATH MASTER FILE

The CPS will verify that student SSNs do not appear on a master death file the Department obtains from the SSA. This will be in addition to the date of death match. The CPS will regularly compare its records with those in the master death file. If a match is found, the CPS will resend the student record to SSA. If the SSA does not confirm a date of death for the applicant, the CPS will do nothing further. If the SSA does confirm a date of death, the CPS will send an ISIR to the schools listed on that transaction but will not send a SAR to the student.

Also, the CPS will disable PINs and will not generate renewal applications for individuals found in the death file. Their record will not be deleted from the CPS database. If an applicant wrongly appears in the death file, he will need to apply for a PIN again and receive a clean match before a new PIN will be issued.

### APPLICANTS USING SAME SSN

When one student uses another's SSN, the duplicate SSN flag will be set in the ISIR, and the student's application will likely fail the SSN match, but it will be processed. She will have to make a correction as described earlier in this chapter.

If a student uses the same SSN **and** first two letters of the last name (together these data are the record identifier) as another student, the CPS will not accept her application because it will assume it to be a duplicate application of the first student. If she is using FAFSA on the Web, she will receive an immediate message telling her the proper way to make a correction, or if her record identifier is correct and she is trying to apply for aid, how she can proceed. If she is submitting a paper FAFSA, she will receive a letter giving her the same information and stating that the application was not processed.

If the student using the correct SSN applied after the other student, she must submit a special "correction application" that she can only get from the Department of Education. It will enable the CPS to accept her data instead of treating her application as a duplicate. The first student, who used the wrong SSN, **must** correct the error by filing a new FAFSA because the CPS uses the record identifier for students for the entire award year, even if they later change their SSN or last name. If the student simply corrected her SSN, her record identifier would still be wrong.

If the student using the correct SSN applied first, the CPS will have her data, so a correction application isn't necessary. The second student will need to submit a new application.

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### Example: Students using same SSN

Hector completes an application in January, but uses his brother Aroldis's SSN instead of his own. When Hector gets his SAR, he realizes that he used the wrong SSN, corrects the SAR, and mails it back to the processor. He gets a new SAR with the correct SSN, but it has the same identifier as the first SAR. Aroldis files an application in April and is surprised to receive a SAR that doesn't match what was on his application because it has Hector's information instead. Aroldis goes to the financial aid office at Guerrero University, where a counselor tells him he'll need to file a correction application. Hector is also attending Guerrero, so the counselor contacts Hector to explain why he'll need to file a new application even though he already has a SAR with the correct information.

Both students should keep copies of all output documents, including those from the first FAFSAs filed. When a student files a correction application or a new FAFSA, the application receipt date is changed. Because some schools and agencies use this receipt date to determine if the student met a deadline, she should keep the output documents to show the original receipt date and to show why a later application was necessary.

Contact the Department at 1 (800)-433-3243 if you believe that a correction application may be needed; one can be mailed to your office or to the student.

### EXCEPTION FOR THE FREELY ASSOCIATED STATES: MICRONESIA, MARSHALL ISLANDS, AND PALAU

Persons from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau (the Freely Associated States) typically do not have SSNs. First-time FAFSA filers who indicate on the FAFSA that their state of legal residence is one of the above Pacific island groups should enter “666” for the first three digits of their SSN, and the CPS will assign them an identification number. They should use this number in place of the SSN throughout their financial aid years.

For returning FAFSA filers from one of the Freely Associated States, any FAFSAs must be submitted **under the same nine-digit pseudo-SSN** assigned originally by the CPS when the earlier award year was processed. Returning filers and FAAs should not provide only the first three digits of the pseudo-SSN, as this will result in the inappropriate creation of an entirely new SSN.

We strongly encourage you to follow this guidance when submitting application data through the FAA Access to CPS Online website, and to share this guidance with Pacific Island applicants who used a pseudo-SSN in prior years and plan to submit another FAFSA (either online or paper). For more information on eligibility for students from the Freely Associated States, see chapter 2 of this volume.

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#### Pseudo-SSNs for Pacific Islanders and the FAFSA



June 22, 2017 Electronic Announcement



# Selective Service

## CHAPTER 5

*Any male required to register with Selective Service at any time must have done so to receive federal student aid. The Central Processing System (CPS) performs a match with Selective Service to confirm a student's registration status. In this chapter we discuss that match and the registration requirement.*

### REGISTRATION REQUIREMENT

**M**ales (any person assigned the sex of male at birth) aged 18–25 are required to register with the Selective Service System (SSS). This requirement covers males residing in the United States who are U.S. citizens or noncitizens, except that a male who is in the U.S. as a lawful nonimmigrant isn't required to register as long as he maintains that status (see the exceptions to the registration requirement under "Exemptions" below). Students who are required to register with the Selective Service must do so to be eligible for FSA funds, but parents who want to borrow a PLUS loan aren't required to have registered.

The student has several ways to register, which include using the FAFSA; there is a question that asks if the student wants Selective Service to register him. If he indicates that he wants to be registered, we will submit his registration information to the Selective Service. If he doesn't answer this question, he can do so later on the student aid report (SAR) and submit the correction (the answer to the question "Are you male?" must be answered "yes"). The student may also register online at the Selective Service website ([www.sss.gov](http://www.sss.gov)) or by filling out a form available at the post office.

Generally, a male student who is 18–25 and who has not registered previously may register using the FAFSA or SAR. Students who have questions about Selective Service registration may contact the Selective Service at 1-(847)-688-6888 or on the [www.sss.gov](http://www.sss.gov) website.

### EXEMPTIONS

Males exempted from the requirement to register include:

- Males currently in the armed services and on active duty (this exception does not apply to members of the Reserve and National Guard who are not on active duty);
- Males who are not yet 18 at the time that they complete their applications (an update is not required during the year, even if a student turns 18 after completing the application);

### Selective Service requirement

General Provisions

34 CFR 668.32(j), 668.37

PLUS exemption 682.201(b)(1)(v)

### Age and registration

The student can be registered with Selective Service as early as 30 days before his 18th birthday. If the student is too young, Selective Service will hold the registration until the student is within 30 days of his 18th birthday. Students 26 and older can't be registered.

### Gender and registration

Only persons assigned the sex of male at birth are required to register. If a student's gender identity is now female but she was assigned the sex of male at birth, the student must register with the SSS, unless one of the exemptions described in this chapter apply, regardless of subsequent sexual reassignment surgery or any other gender transition process. If a student's gender identity is now male but he was assigned the sex of female at birth, the student is not required to register with the SSS, regardless of subsequent sexual reassignment surgery or any other gender transition process.

## Exemptions

34 CFR 668.37(a)(2)

### Exemption examples

Jorge has been on active duty in the Army from the time he was 18 and didn't register with Selective Service before he joined the Army. He's now 24, is planning to leave the Army, and wants to receive financial aid. If he applies while he's still on active duty, he doesn't need to be registered with Selective Service. Once he leaves, he must be registered, or else he won't be able to receive aid in later years. In most cases, when someone completes an enlistment contract, he is automatically registered, so Jorge is probably already registered even though he didn't complete a separate registration form.

Kyle was enrolled in an officer procurement program at the Virginia Military Institute, which he started a month before he turned 18. When he was 22, he had a serious accident and was hospitalized; he officially dropped out of school a month after he was hospitalized. Due to his injuries, he was hospitalized for four years. Because he qualified for a waiver for the entire time he was 18–25, he was not required to register with Selective Service.

- Males born before 1960;
- Citizens of the Republic of Palau, the Republic of the Marshall Islands, or the Federated States of Micronesia\*;
- Noncitizens who first entered the U.S. after they turned 26;
- Noncitizens who entered the U.S. as lawful *nonimmigrants* on a valid visa and remained in the U.S. on the terms of that visa until after they turned 26.
- Transgender males who were assigned the sex of female at birth.

There are certain less common situations in which registration isn't necessary. Students who weren't required to register prior to meeting one of these criteria and who meet a criterion for the entire time through the age of 25 qualify for the waiver if:

- They are unable to register due to being hospitalized, incarcerated, or institutionalized;
- They are enrolled in any officer procurement program at The Citadel, North Georgia College and State University, Norwich University, Virginia Military Institute, Texas A&M University, or Virginia Polytechnic and State University; or
- They are commissioned Public Health Service officers on active duty or members of the Reserve of the Public Health Service on specified active duty.

If the student is clearly not required to register, you must document this, but do not have him request a status information letter from the Selective Service. You should only ask the student to provide such a letter to document an exemption from the requirement to register if it is not clear that he is exempt. For example, noncitizens who first enter the U.S. after the age of 26 aren't required to register. Only those immigrant males who enter and live in the U.S. at ages 18–25 are required to be registered. If a male immigrant can show proof that he first entered the U.S. when he was past registration age, he is clearly not required to be registered, and no status information letter is needed. The student's entry documentation is enough to show whether he was required to register.

Documentation for exempt noncitizens includes: proof of birth date on a passport, birth certificate, or U.S. driver's license or state ID; proof of immigration date into the U.S. from an entry date stamp on the I-94 form or in the passport, or a letter from the USCIS indicating the entry date; and, for those here on a valid visa who are at least 18 and less than 26 years old, a student visa form (I-20) or other valid U.S. passport visa stamp on a foreign passport with expiration date (the dates must be from entry until after the male turned 26).

\*A citizen or national of the Republic of the Marshall Islands or the Federated States of Micronesia who lives in the United States for more than one year for any reason except as a student or employee of the government of his homeland must register.

## SELECTIVE SERVICE MATCH

The CPS performs a match with the SSS to determine if relevant students are registered. The output document displays the match result in the FAA Information section, as well as a comment about the result.

### Successful matches

If the match shows that the student is registered or exempt, a comment confirming this fact will be on the student's output document. The student is then eligible for aid.

The student is also eligible for aid if the match shows that the student is still too young to register. If the student asks to be registered, Selective Service will hold onto that registration request until 30 days before the student's 18th birthday and will then register the student.

Finally, the student is also eligible if the CPS successfully forwards the student's name to Selective Service for registration.

### Unsuccessful matches

If the match doesn't confirm the student's registration or the student can't be registered, the output document will have a comment about the problem. A "C" code will also be printed next to the student's EFC. Until the student resolves the registration problem, you can't pay FSA funds to the student or certify or originate a loan.

▼ *Registration not confirmed.* If the match shows that the student isn't registered, he must either register or provide evidence that he is registered or is exempt from registration. His Selective Service Registration Acknowledgement or letter of registration shows that he is registered. You can also go to the Selective Service System web page at [www.sss.gov](http://www.sss.gov) and check on the student's status—a printout of the web page is acceptable documentation that the student is registered. If he doesn't have an acknowledgement or letter of registration and the web page doesn't confirm his registration, he'll have to contact Selective Service to resolve the problem. If the conflict is resolved in his favor, he'll receive a letter from the Selective Service documenting that he is registered or is exempt from registering.

▼ *Unsuccessful registration.* The CPS won't be able to forward the student for registration if certain information—first and last name and date of birth—is missing. The student should submit a correction with the required information, and you can check the match results from this correction to see if the student is eligible.

If the student is 26 or older, the CPS cannot register the student but will send his record through the data match. If the student is not registered, he can no longer do so, but may qualify for a status information letter from the SSS. You will have to determine if he is eligible for aid despite failing to register.

### Status information letter codes

The Selective Service has different status information letters, which are indicated by a code that appears in the lower left-hand corner. Determination of aid eligibility for a male who failed to register with Selective Service should not be based solely on these letter codes. Financial aid administrators are obliged to review all evidence presented by a student to determine if he has shown "by a preponderance of evidence" that his failure to register was neither willful nor knowing. The codes are:

- **E1–E8:** These codes indicate that the student was not required to register or was exempt the entire time he could have registered (ages 18–25).
- **NM:** The student did not register although he was on active duty in the armed forces only for a portion of the time when he could have registered (between ages 18–25) and was, therefore, required to register.
- **NR:** The student was born before 1960 and is therefore not required to register.
- **RD:** The student gave a reason for not registering or documentation to show he was exempt from the requirement, but the Selective Service determined the reason or documentation to be invalid. Therefore, the student was required to register but did not. No requests to comply with the registration requirement were sent.
- **RH:** The student was sent one or more letters requesting that he register during the required period, but all letters were returned by the post office as undeliverable.
- **RL:** The student was required to register, but the Selective Service has no record of his registration, and their records show he was sent one or more letters requesting that he register.
- **RR:** The student said he attempted to register, but Selective Service has no proof of the attempt.

Out of concern for privacy, the SSS only displays the last four digits of the Social Security number on correspondence.

**Failure to register**

34 CFR 668.37(d), (e)

**Unsuccessful registration example**

On his FAFSA, Andre asks the CPS to forward his information to the Selective Service for registration. However, he's over 26, so the Selective Service can't register him. His output document comes back with a blank match flag and comment 33. Andre didn't enter the U.S. until after his 26th birthday, so he doesn't have to be registered. Guerrero University already has information about his citizenship status, including the date he arrived in the U.S., so it has documentation that he is exempt from registration. The aid administrator explains to Andre why he wasn't required to register.

**Veteran status match**

See the *Application and Verification Guide* for information on the veteran match and dependency status.

**FAILURE TO REGISTER**

Some students have been denied aid because they failed to register with the Selective Service before their 26th birthday. The Selective Service will register only males aged 18–25, leaving older students with no way to remedy their situation if they failed to register. However, the student may still be eligible to receive aid if he can demonstrate that he did not knowingly and willfully fail to register.

A student who served on active duty in the armed forces but who did not register before turning 26 is still eligible to receive FSA funds because it's reasonable to conclude that he was not trying to avoid registering for the Selective Service. Ask the student to provide a copy of his DD Form 214, "Certificate of Release or Discharge from Active Duty," showing military service in the armed forces—other than the reserve forces, the Delayed Entry pool, and the National Guard.

Students without military service who knew of the registration requirement but chose not to register are considered to have knowingly and willfully failed to register and are therefore ineligible for FSA funds. Your school's decision in this case is final and cannot be appealed to the Department except as noted in the "Appeals" sidebar in this chapter.

**Determining if non-registration was knowing and willful**

Unless you can document that the student meets one of the registration exemptions or that he served on active duty in the armed forces (with a character of service other than dishonorable), he must write to the Selective Service to get a status information letter addressing his failure to register. He may also download a request form from [www.sss.gov](http://www.sss.gov) to print out, complete, and mail. The student should provide as complete a description about his situation as possible: where he was living during the period when he should have registered, whether he was incarcerated or institutionalized, his citizenship status during the period, if applicable, and so on.

If the student receives a "general exemption letter" (codes E1-E8) or a "DOB before 1960" letter (code NR), he is exempt from registration and may receive FSA funds. If he receives any other type of letter, you must determine based on all relevant evidence whether he knowingly and willfully failed to register. The letter from Selective Service may provide information that is crucial to your decision. For example, if the student received a letter indicating a compliance letter had been sent (code RL), this would be a negative factor when you make the determination. If the student received a "Military Service: Noncontinuous" letter (code NM), you might reasonably determine that the student did not knowingly and willfully avoid registration.

Most of the status information letters state that the final decision regarding the student's eligibility rests with the agency awarding funds. For the purposes of the FSA Programs, the decision is made by your school, which represents the Department of Education. If you determine that the student's failure to register was knowing and willful, the student loses FSA eligibility.

When deciding whether the student had knowingly and willfully failed to register, you should consider the following factors:

- **Where the student lived when he was aged 18–25.** For example, if a student was living abroad, it is more plausible that he would not come into contact with the requirement for registration.
- **Whether the student claims that he thought he was registered.** Mistakes in recordkeeping can occur. Correspondence indicating an attempt to register could form a basis for determining that the student did not knowingly and willfully fail to register. On the other hand, a letter from Selective Service stating that it received no response to correspondence sent to the student at a correct address would be a negative factor.
- **Why the student claims he was not aware of the widely publicized requirement to register when he was aged 18–25.**

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**Exception if SSS does not respond in 30 days**

As of this writing, the Selective Service System does not have a delay in responding to requests for status information letters. However, you may award aid while waiting for the letter from the SSS if their response time is longer than 30 days and if you have no evidence that a student intentionally failed to register. If the SSS response or other subsequent information causes you to conclude the student did knowingly and willfully fail to register, then he becomes ineligible for federal student aid and he, not your school, is responsible for returning the aid he received.

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**Appeals**

The school's decision is final and cannot be appealed to the Department except in one limited instance. The regulations state that the Department will hear appeals from students who have provided their schools with proof that they are in compliance (i.e., that they are registered or exempt from registration) but who are still being denied federal student aid based on the registration requirement. 34 CFR 668.37(f)



# Eligibility for Specific FSA Programs

## CHAPTER 6

*Most of the student eligibility requirements we have discussed so far apply to all or most of the FSA programs. In this chapter we'll describe some additional eligibility requirements which are program specific.*

### FEDERAL PELL GRANTS

In general, a student must be enrolled in an undergraduate course of study at a non-foreign institution to receive a Pell Grant, though there are teaching certification exceptions (see the next page). A student who has earned a baccalaureate degree or a first professional degree cannot receive a Pell Grant.

A student who completes a master's program has earned a degree beyond the baccalaureate level (in many instances a professional degree), making the student ineligible for a Pell Grant even if he or she does not have a bachelor's degree and enrolls in an undergraduate program.

A student who has received an associate degree—or any certificate or diploma below the baccalaureate level—and who enrolls in another undergraduate program continues to be considered an undergraduate student until she has completed the curriculum requirements for a first bachelor's degree.

A student with a baccalaureate or professional degree is ineligible even if the degree is from an unaccredited school or is not recognized by your school. Similarly, a student with a baccalaureate or professional degree from a foreign school usually isn't eligible for a Pell Grant. But because a foreign degree often won't translate neatly into the American classification, the school must judge whether it equates to a U.S. bachelor's degree. If the student provides written documentation that the foreign degree is not equivalent to a bachelor's degree awarded in the United States, you may determine that he does not have a bachelor's degree. Documents supporting such a conclusion may include information about the type of school the student attended and total years of education leading to the degree.

Occasionally a student will complete all the requirements for a bachelor's degree but will continue taking undergraduate courses without accepting the degree. Your school must decide whether and at what point the student completed the baccalaureate course of study. If your school determines that the student did complete a bachelor's program (regardless of whether the student accepted the degree), then the student is no longer eligible to receive a Pell Grant.

### Undergraduate student definition

34 CFR 668.2(b)

A student enrolled in a program of study that is usually four, or sometimes five, academic years and that leads to a baccalaureate degree. A student enrolled in a program that lasts longer than five years, typically first professional degree programs such as a six-year pharmacy program, can be considered an undergraduate for only the first three or four years.

Students enrolled in dual degree programs that confer a bachelor's degree and either a graduate or first professional degree are undergraduates for at least the first three years of the program. The school determines at what point after three years the student ceases to be an undergraduate.

For the FSEOG, Pell, and TEACH Grant programs, a student is an undergraduate only if he has not earned, or completed the requirements for, a bachelor's or professional degree. Students enrolled in an eligible postbaccalaureate program as described on the next page are still undergraduates for receiving TEACH and Pell Grants.

34 CFR 668.2(b), 690.6, 686.2(d)

### Prohibition of Pell for concurrent enrollment

34 CFR 690.11

20 U.S.C. 1070a

A student may not receive Pell Grant payments concurrently from more than one institution or from the Department and a school.

### Incarcerated Students and Pell

DCL GEN-14-21

HEA Sec. 401(b)(6)

34 CFR 668.32(c)(2),(3)

<https://ifap.ed.gov/dpccletters/attachments/GEN1421FAQAttachment.pdf>

Costs for incarcerated students:

HEA Sec. 472(6)

### Professional degree

A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree. Professional licensure is also generally required. Some examples are pharmacy (Pharm.D.), dentistry (D.D.S. or D.M.D.), and law (L.L.M. or J.D.).

### Eligible postbaccalaureate program and the FAFSA

34 CFR 690.6(c)

HEA Sec. 484(a)(4)(B)

Normally a student who indicates on the FAFSA that he has a bachelor's degree won't be listed in the Department's records as a Pell-eligible student, and the school won't be able to receive Pell funds for the student. However, to allow students who are eligible under the postbaccalaureate program provision to be paid, students who correctly report that they have a bachelor's degree but also indicate on the FAFSA that they're in a teaching credential program will be listed as Pell-eligible students. Of course, you must determine whether the student actually falls under the eligible postbaccalaureate provision.

### Incarcerated students and sex offenders

Students incarcerated in federal and state penal institutions **aren't** eligible for Pell Grants, but those incarcerated in local and county penal institutions **are** potentially eligible for Pell. A student confined or incarcerated in a juvenile justice facility is potentially eligible for Pell. Students incarcerated by jurisdictions defined as a state in the law, such as the District of Columbia, are considered to be in a state penal institution and aren't eligible for Pell Grants. A student isn't considered incarcerated (and thus barred from potential Pell eligibility) if he or she is in a halfway house or home detention or is sentenced to serve only on weekends, or if he/she is confined in any sort of facility prior to the imposition of any criminal sentence or juvenile disposition while awaiting trial.

The cost of attendance for students who are incarcerated in local penal institutions is limited to tuition and fees and the price of books and supplies specifically related to the student's course of study. For more information on the cost of attendance, see *Volume 3, Chapter 2*. A student cannot receive a Pell Grant if he is subject to an involuntary civil commitment following incarceration for a sexual offense (as determined under the FBI's Uniform Crime Reporting Program).

### Duration of eligibility

All students may receive Pell Grants for up to the equivalent of 12 semesters, measured by percentage of Scheduled Award(s) disbursed ("Lifetime Eligibility Used," or "LEU" field in COD up to 600%). This limitation is not limited to students who received their first Pell Grant on or after July 1, 2008, as was the previous limit on Pell grant eligibility. For more information on the duration of Pell eligibility and LEU, see *Volume 3, Chapter 3* of the *FSA Handbook*.

### Eligible postbaccalaureate program

A student who is enrolled at least half time in a postbaccalaureate teacher certification or licensure program is eligible to receive a Pell Grant for the period necessary to complete the program if:

- The program does not lead to a graduate degree;
- The school offering the program does not also offer a bachelor's degree in education;
- The student is pursuing an initial teacher certification or licensing credential within a state; and
- The program consists of the courses required by a state to receive a professional certification or licensing credential necessary for employment as a teacher in an elementary or secondary school in that state.

Under this **very limited provision**, a postbaccalaureate program is defined as a program that generally requires a student to have a bachelor's degree before being admitted to the program. Accordingly, a program in which undergraduate students are routinely allowed to enroll would not meet

the definition of a postbaccalaureate program for this purpose, nor would a program that is generally open to undergraduates but that also admits students with bachelor's degrees. For FSA purposes, a school must treat a student who receives a Pell Grant under this provision as enrolled in an undergraduate program. He is eligible for federal work-study and fifth-year undergraduate (not graduate student) Direct Loan limits. He is not eligible for an FSEOG.

### **Restoring semesters of Pell eligibility for students affected by closed schools**

The Department has modified the COD system to restore semesters of Pell Grant eligibility for eligible students who were unable to complete their programs because their school has permanently ceased operations (i.e. is now a “closed school”). The Department has determined to restore semesters of Pell Grant eligibility for Pell recipients at closed schools.

The Department has begun to identify students who received a Pell Grant for attendance at a now-closed school and who were not reported to NSLDS as having graduated from that school. The Pell LEU adjustment will be equivalent to the Pell Grant Eligibility Used (EU) at the closed school for each award year for which the student received Pell Grant funds. The Department will make one LEU adjustment per school, per award year. These adjustments in COD will be processed in batches following the final closeout at each school.

If you have a student to whom this provision applies, the Department will return a COD Warning Edit 221 for the student. See the April 3, 2017 E-Announcement for detail on how to award the student Pell.

Please note that this change is very important because students have a limited number of semesters in which they can receive Pell Grants to continue and complete their education—in 2008, Congress established a maximum Pell Grant lifetime eligibility of 18 semesters, and in 2012, Congress reduced the lifetime eligibility further to 12 semesters and applied it to all students, including a group of students “grandfathered” from the original 18-month limitation (for more information on this limitation and the current percentage method of measuring progress towards the limit, please see the main discussion under “*Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU)*” in Chapter 3 of Volume 3 of the *FSA Handbook*).

This restorative action will benefit several thousand students immediately, who were at or near their lifetime limit, as well as more students whose institutions might close moving forward, and those who hadn't reached their limits but who will be able to go back to school if they choose.

### **Wrong grade level on the FAFSA**

When an undergraduate student incorrectly reports on the Free Application for Federal Student Aid (FAFSA) that he will be a graduate student or has a bachelor's degree, he must correct that information. Because the application shows that the student isn't an undergraduate, the Department's records will show that he is ineligible for Pell. If the application isn't corrected, the school won't be able to pay him a Pell Grant.

### **Pell Grant Restoration for students who attended closed schools**

April 3, 2017 E-Announcement

**Direct Loan program**

34 CFR 685

**Refusing or reducing loans**

34 CFR 685.301(a)(8)

DCL GEN-11-07

A school may refuse to originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan or may reduce the borrower's determination of need for the loan if the reason for that action is documented and provided to the borrower in writing, and if—

- (i) The determination is made on a case-by-case basis;
- (ii) The documentation supporting the determination is retained in the student's file; and
- (iii) The school does not engage in any pattern or practice that results in a denial of a borrower's access to Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income.

**Preparatory coursework example**

34 CFR 668.32(a)(1)(ii)

34 CFR 685.203(a)(6)

Ryne has a bachelor's degree with a major in mathematics. He wants to enroll in a graduate computer science program at Banks University. He needs 12 more semester hours of computer science coursework to meet Banks's admission requirements. He enrolls in courses that are part of Banks's undergraduate degree program, but because he is not enrolled for the purpose of receiving an undergraduate degree, he is not a regular student. However, because the coursework is necessary for his enrollment in the graduate program, he may receive a Direct Loan for this coursework.

**IRAQ AND AFGHANISTAN SERVICE GRANTS & ZERO EFC**

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 FSA funds if at the time of the parent or guardian's death the student was either less than 24 years old or was enrolled in college.

- If the student is eligible for a Pell Grant, you award and package all Title IV aid based on an EFC of zero.
- If the student is ineligible for a Pell Grant only because his EFC is too high, he may receive an Iraq and Afghanistan Service Grant. As with Pell Grants, there is a receipt limit of 12 semesters (600% Lifetime Eligibility Used/LEU in COD), and this limitation is not limited to students who received their first Pell Grant on or after July 1, 2008. Payments are adjusted for students enrolled less than full time. Unlike Pell Grants, these non-need-based grants do not count as estimated financial assistance. A student is tracked for LEU separately for Pell and IASG, and may concurrently have a running LEU tally for each.

See *Volume 3, Chapters 3 and 7* for more details on awarding and packaging these students.

**DIRECT LOANS**

To be eligible for Direct Loans, undergraduate students attending a school that participates in the Pell Grant Program must first receive a determination of their eligibility for Pell Grants. Generally a student must be enrolled or accepted for enrollment in a degree or certificate program to receive FSA funds, but there are exceptions that apply to Direct Loans.

Direct Subsidized Loans and Direct Unsubsidized Loans are two components of a single loan program. Therefore, a school may not choose to make only Direct Subsidized Loans or only Direct Unsubsidized Loans available to its eligible undergraduate and graduate students. A school may choose whether to participate in the Direct PLUS Loan Program. A school that chooses to participate in the Direct PLUS Loan Program and that has both undergraduate and graduate/professional students must make Direct PLUS Loans available to both the parents of its dependent undergraduate students and to its graduate/professional students. That is, such a school may not limit Direct PLUS Loan borrowing only to parents or only to graduate/professional students.

**Preparatory coursework**

A student may apply for a Direct Subsidized/Unsubsidized Loan (or a parent may apply for a Direct PLUS Loan on behalf of a dependent student) for coursework the school has documented is necessary for the student to enroll in an eligible program. The preparatory courses must be offered as part of an eligible program offered by the school, though the student does not have to be enrolled in that program. You may not award Direct Loans for stand-alone courses that do not count towards an eligible program and exist solely to serve as preparatory coursework.

If enrolled at least half time in these prerequisite courses, the student is eligible for loans for one consecutive 12-month period (not per program) beginning on the first day of the loan period. If the period of preparatory courses spans more than one academic year, the student may receive multiple loans.

To be eligible for loans under this exception, the student must be taking classes that are a prerequisite for admission. A student who is only taking courses to raise his or her GPA in order to be admitted would not qualify.

### **Teacher certification coursework**

*Chapter 1* explains when a student may receive a Direct Subsidized/Unsubsidized (or a parent may receive a Direct PLUS Loan, among other aid, for courses necessary for an elementary or secondary school teaching credential or certification).

### **Parent borrower eligibility**

To borrow a Direct PLUS Loan for a student, the parent must be the student's biological or adoptive mother or father, (regardless of whether he or she is the "custodial" parent or provided financial information on the FAFSA), or in some cases, a stepparent (see below). More than one parent may get a Direct PLUS Loan for the same dependent student as long as the total aid package does not exceed the student's cost of attendance.

A stepparent is eligible to borrow a Direct PLUS Loan if he or she is considered to be a parent in accordance with the instructions on the FAFSA for purposes of reporting financial information on the FAFSA. A legal guardian is not considered a parent for FSA purposes.

In all cases, the dependent student on whose behalf a parent has applied for a Direct PLUS Loan must have filed a FAFSA and received an ISIR or SAR for the dependent student for whom a parent is applying for a Direct PLUS Loan. This requirement ensures that student eligibility data matches are conducted to verify that the dependent student on whose behalf the parent is borrowing:

- Is not in default on an FSA loan and does not owe an overpayment on an FSA grant;
- Has had his or her Social Security number verified by the Social Security Administration;
- Has had his or her citizenship status confirmed by either the Social Security Administration or the Department of Homeland Security; and
- If required, has registered with the Selective Service System.

Note that this requirement is for the **student** to submit a FAFSA. It is not a requirement for the parent borrower to submit a FAFSA in his or her name, and it does not preclude a "non-custodial" parent whose information is not included on the FAFSA, from obtaining a Direct PLUS Loan.

Before originating a Direct PLUS Loan for a parent borrower, schools

### **Preparatory coursework at a different school**

A student may take the preparatory courses at School A (as long as they are part of an eligible program there) to prepare for enrollment at School B. Also, School A may require documentation from School B that these courses are required for the student's enrollment.

### **When Preparatory coursework is not Title IV eligible**

The Nightingale School of Nursing (NSN) is part of the T.O. General Hospital and offers a 2-year RN program leading to a diploma. The two-year RN program is the only Title IV eligible program at NSN. To be admitted to the RN program, students must have:

- a high school diploma or G.E.D. ;
- completed Human Anatomy and Physiology with a minimum grade of "C";
- completed college level English Composition with a minimum grade of "C"; and
- completed college level Algebra with a minimum grade of "C".

For applicants who have not successfully completed post-secondary courses in Human Anatomy and Physiology, English Composition, and Algebra, NSN offers 8-week courses that upon successful completion qualify applicants for admission. Because NSN does not offer a Title IV eligible program that includes its courses in Human Anatomy and Physiology, English Composition, and Algebra, students enrolled in those stand-alone courses are not eligible to receive Title IV funds.

must review the Institutional Student Information Record (ISIR) or Student Information Record (SAR) of the dependent student to determine that there are no student eligibility issues that must be resolved before the parent can receive the Direct PLUS Loan.

Both parents may get a Direct PLUS Loan as long as the total aid package does not exceed the student's cost of attendance. Stepparents are also eligible to borrow a Direct PLUS Loan if their income and assets would be taken into account when calculating the dependent student's EFC. A legal guardian is not considered a parent for FSA purposes. A parent may receive a Direct PLUS Loan only to pay for the education costs of a dependent undergraduate student who meets the eligible student definition.

A parent must meet the same citizenship and residency requirements as a student. Similarly, a parent who owes an overpayment on an FSA grant or is in default on an FSA loan is ineligible for a Direct PLUS Loan unless he has made satisfactory arrangements to repay the grant or loan. Yet the parent's ineligibility for a Direct PLUS Loan does not affect the student's eligibility for other FSA funds. If the parent had a prior FSA loan that was cancelled for total and permanent disability, he or she must adhere to the same eligibility requirements outlined for borrowers in *Chapter 3*.

Finally, a parent is not eligible for a Direct PLUS Loan if the federal government holds a judgment lien on her property or if she is incarcerated.

### **Subsidized Loan Eligibility Time Limitation (150% rule)**

Moving Ahead for Progress in the 21st Century Act (MAP-21)

HEA Sec. 455(q)

First Time Borrower: 34 CFR 685.200(f)(1)(i)

Maximum Eligibility Period: 34 CFR 685.200(f)(1)(ii)

Subsidized Usage Period: 34 CFR 685.200(f)(1)(iii)

Remaining Eligibility Period: 34 CFR 685.200(f)(iv)

April 20, 2015 E-Ann: Reporting issues

July 20, 2015 E-Ann: Loss of subsidy

Sept 25, 2015 E-Ann: Required reporting

Oct 19, 2015 E-Ann: Remaining period of enrollment of less than 1 year

For more information about the 150% limit, see the 150% limit FAQ on IFAP, at: <https://www.ifap.ed.gov/150PercentDirectSubsidizedLoanLimitInfo>. Questions on the 150% limit can be emailed to: [150Percent-Questions@ed.gov](mailto:150Percent-Questions@ed.gov) (include your organizational affiliation).

### **Subsidized Loan Eligibility Time Limitation (150% rule)**

First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on July 1, 2013 or on the date they receive a Direct Loan after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are currently enrolled. This length of time is known as the “maximum eligibility period.” For example, a first-time borrower in a 4-year program would have six years of Direct Subsidized Loan eligibility, and a borrower in a one-year program would have 1.5 years of Direct Subsidized Loan eligibility. COD will edit and reject awards that would exceed 150% subsidized usage for a student (Reject Edit 206). For the full discussion on how to calculate subsidized usage periods and maximum eligibility periods, and what to do when a borrower exceeds his/her maximum eligibility period, see *Volume 3, Chapter 5, Calculating Direct Loan Periods & Amounts*.

### **Adverse credit history for Direct PLUS**

A parent or graduate/professional student with an adverse credit history is prohibited from obtaining a Direct PLUS Loan unless he meets additional criteria. The Department obtains a credit report on each applicant for a loan from at least one national credit bureau. An applicant is considered to have an adverse credit history if:

- The applicant has one or more debts with a total combined outstanding balance greater than \$2,085 that are 90 or more days delinquent as of the date of the credit report, or that have been placed in collection or charged off during the two years preceding the date of the credit report; or

- During the five years preceding the date of the credit report, he has been determined to be in default on a debt, his debts have been discharged in bankruptcy, or he has been the subject of foreclosure, repossession, tax lien, wage garnishment, or write-off of an FSA debt.

An applicant cannot be rejected for a Direct PLUS Loan because she has no credit history—i.e., the absence of a credit history cannot be construed as an adverse credit history. For more detail on adverse credit history, see <https://studentloans.gov/myDirectLoan/faqs.action>, then click “credit check,” then “what is considered adverse credit” (note the “s” in the https portion of the URL).

Someone with an adverse credit history can qualify for a Direct PLUS Loan by securing an endorser who doesn’t have an adverse credit history. For a parent borrower, the endorser may not be the dependent student for whom he is borrowing. Instead of securing an endorser, an applicant who has been determined to have an adverse credit history may submit documentation to the Department showing that there are extenuating circumstances (see <https://studentloans.gov/myDirectLoan/whatYouNeed.action?declinedPastAmt=2085#docExt-header>). The Department has the final decision on whether to make a loan to the person. A borrower who qualifies for a PLUS loan by obtaining an endorser or documenting extenuating circumstances must also complete PLUS counseling provided by FSA before receiving the loan; see the sidebar on this page.

If your school participates in the Direct PLUS program but a student’s parent cannot obtain a Direct PLUS Loan, the student is allowed to borrow additional unsubsidized funds (see *Volume 3, Chapter 5*).

## CAMPUS-BASED AID GENERAL REQUIREMENTS

Unlike the Direct and Direct PLUS Loan programs, a student does not have to be enrolled at least half time to be eligible to receive aid through the Campus-Based Programs unless the student is seeking aid to attend a teacher certification or professional credential program.

A student enrolled as an undergraduate, graduate, or professional student is eligible to receive assistance from the Federal Perkins Loan and Federal Work-Study (FWS) programs. Only undergraduate students who do not have a baccalaureate or first professional degree are eligible to receive Federal Supplemental Educational Opportunity Grants (FSEOGs). This means that a student who has earned a bachelor’s or first professional degree may receive a Perkins Loan or FWS wages to pursue an additional undergraduate degree, but may not receive an FSEOG. See the “No FSEOG and FWS” sidebar note in *Chapter 2* of this volume about how the Compact Act affects FSEOG and FWS eligibility for students from the Republic of the Marshall Islands and the Federated States of Micronesia.

### Teacher certification programs

As with Direct Loans, a student may receive a Perkins Loan or FWS for coursework that doesn’t lead to a degree or certificate from the school but that is required by a state for an elementary or secondary school teaching credential or certificate. See *Chapter 1* of this volume.

### Direct PLUS adverse credit history

34 CFR 685.200(c)

E-Announcement January 27, 2015

“Charged off” means, for purposes of FSA aid, a debt that has been written off as a loss, but that is still subject to collection action.

“In collection” means, for purposes of TIV aid, a debt that has been placed with a collection agency by a creditor or that is subject to more intensive efforts by a creditor to recover amounts owed from a borrower who has not responded satisfactorily to the routine demands of the creditor’s billing procedures.

### Student credit checks

Financial aid administrators may not perform credit checks on students in connection with awarding them federal aid.

### Required counseling for endorser or extenuating circumstance PLUS loans

Any PLUS Loan applicant who has an adverse credit history but who qualifies for a PLUS Loan through the process for reconsideration due to extenuating circumstances or by obtaining an endorser for the loan must complete PLUS Loan counseling provided by FSA. While the counseling is mandatory only for these borrowers, FSA offers voluntary counseling for all PLUS Loan borrowers. Note that this special PLUS Loan counseling is separate and distinct from the PLUS Loan entrance counseling that all graduate and professional student PLUS Loan borrowers must complete.

**Remaining Perkins authority**

DCL GEN-17-10

Federal Perkins Loan Extension Act of 2015

Perkins Q &amp; A:

<https://ifap.ed.gov/cbp/PerkinsFAQ.html>**Perkins Loan eligibility**

34 CFR 674.9

Default: HEA 464 (b)(1)

Medical internship or residency:

HEA 464(c)(2)(A)(i)

Incarceration:

34 CFR 668.32(c)(2)(ii)

Teacher certification programs:

34 CFR 668.32(a)(1)(iii)

**Perkins eligibility—willingness to repay**

34 CFR 674.9(e)

**Previous disability cancellation**

34 CFR 674.9(g) and (h)

**Impact of declining Direct Loan on Perkins eligibility**

When an undergraduate student eligible for Direct Subsidized or Unsubsidized Loans declines either type of Direct Loan, the student's Direct Loan must be included in the calculation of the student's Perkins Loan amount.

**PERKINS LOANS**

The Federal Perkins Loan Extension Act has extended Perkins Loan eligibility. As noted in Dear Colleague Letter GEN-16-05, schools may not make Perkins Loans to graduate student borrowers after September 30, 2016, and to undergraduate student borrowers after September 30, 2017, however, if an eligible undergraduate student received a disbursement of a Perkins loan prior to October 1, 2017, this student may receive subsequent disbursement(s) of that Perkins Loan until June 30, 2018. **No Perkins funds disbursements of any type are allowed under any circumstances after June 30, 2018.**

**Perkins eligibility criteria**

Before awarding an undergraduate student Perkins Loan funds, if they have an existing balance on a Perkins Loan made by that school (current borrowers), you must first award the student all Direct Subsidized Loans for which they are eligible. If the prospective Perkins borrower does **not** have an outstanding balance, before awarding them Perkins funds, you must first award all Direct Subsidized **and** Unsubsidized Loan funds for which the student is eligible (an undergraduate who consolidates his/her Perkins Loan is treated as though they do not have an outstanding Perkins balance and is considered a new Perkins Loan borrower).

When awarding Perkins Loans, you must give priority to those students with exceptional financial need, as defined by your school. Your school's Perkins selection procedures must be in writing, uniformly applied, and kept on file at the school. See *Volume 2* for record retention and consumer information requirements.

Before you may award a student a Perkins Loan, you must determine the student's Pell Grant eligibility. You may use an unofficial calculation to determine Pell Grant eligibility before a student has filed a *Free Application for Federal Student Aid* (FAFSA). However, your school may not disburse the Perkins Loan until you have received the student's official EFC for that award year (on the student's valid SAR or ISIR).

The maximum amount an undergraduate student may borrow is \$5,500 per award year. Like Direct Subsidized/Unsubsidized and Direct PLUS Loans, Perkins Loans also have aggregate loan limits:

- \$11,000 for any student who has not completed two academic years of undergraduate work.
- \$27,500 for an undergraduate student who has completed two academic years and is pursuing a bachelor's degree.

The aggregate loan limit includes only unpaid principal. (Previously, a student who had borrowed the maximum cumulative amount for a graduate or professional student would not be eligible for another loan even if the student had repaid part or all of the amount he or she had borrowed.) The annual maximums and aggregate maximums include any amounts borrowed previously under the Federal Perkins Loan Program, including National Direct/Defense Student Loans. For more detail on making Perkins loans to undergraduate students, see Appendix A of Volume 6 of the *FSA Handbook*.

***Additional Perkins disclosures***

In addition to disclosures required under the existing 34 CFR 674.16, the Perkins Loan Extension Act requires additional disclosures before you make a **first** disbursement of a Perkins loan:

- A notice and explanation regarding the end of future availability of Perkins Loans;
- A notice and explanation that repayment and forgiveness benefits available to Direct Loan borrowers are not available to Perkins Loan borrowers;
- A notice and explanation regarding the borrower's option to consolidate a Perkins Loan into a Direct Consolidation Loan, including any benefit of consolidation;
- For current undergraduate borrowers, a notice and explanation providing a comparison of interest rates of Perkins Loans and Direct Loans, and informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized Stafford Loans; and
- For new undergraduate borrowers, a notice and explanation providing a comparison of the interest rates of Perkins Loans and Direct Loans, and informing the borrower that they have reached the maximum borrowing limit for Direct Subsidized and Unsubsidized Stafford Loans.

A borrower who is in default on an FSA loan is not eligible for a Perkins Loan unless she has regained eligibility. However, a borrower who satisfies any of the conditions that remove her defaulted Perkins Loan from the school's cohort default rate becomes eligible for additional Perkins Loans.

As with Direct Loans, if a borrower received a discharge of a Perkins Loan or NDSL due to total and permanent disability and applies for another Perkins Loan or NDSL, she must follow the procedure explained in *Chapter 3* of this volume.

***Willingness to repay***

In selecting Perkins Loan recipients, a school must consider evidence of a borrower's willingness to repay the loan. Delinquency, default, or other failure to meet repayment obligations on a previous loan is evidence that the borrower is unwilling to repay a loan. For example, if a borrower has previously satisfied a defaulted student loan involuntarily (such as by garnishment of the borrower's wages), a school should consider this as evidence of unwillingness to repay and should deny further loan assistance to the borrower.

***Previous Perkins Loan discharged in bankruptcy***

Due to the Bankruptcy Reform Act of 1994, a student or parent may not be denied FSA loans solely on the basis of a bankruptcy filing or discharge. They also may not be required to repay a previously discharged loan in order to reestablish eligibility for new loans. However, aid administrators have more latitude in making awards under the Perkins than the Direct Loan

**FWS eligibility**

34 CFR 675.9

**Additional FWS criteria**

For information on eligible FWS jobs, see *Volume 6*.

program because they may consider a student's willingness to repay. If a student has filed for or received a loan discharge in bankruptcy or has had an FSA loan determined dischargeable by a court of law, the bankruptcy may be considered when determining a student's willingness to repay provided it is not the sole basis for the determination and for a denial of a Perkins Loan. Schools may also, of course, consider the student's post-bankruptcy credit history in determining willingness to repay.

**FEDERAL WORK-STUDY (FWS)**

To be eligible for a Federal Work-Study (FWS) job, a student must meet all general eligibility criteria and must have financial need, that is, his cost of attendance must be greater than his expected family contribution (EFC). Also, a financial aid administrator may not award FWS employment to a student if that award, when combined with all other resources, would exceed the student's need. However, unlike the other two Campus-Based Programs, the FWS Program does not require that priority be given to students who have *exceptional* financial need. In choosing students for FWS employment, schools must follow the procedures discussed in *Volume 3, Chapter 6*.

A student can be employed in an FWS job during a period of non-attendance, such as a summer term. He must be planning to attend school during the next period of enrollment and must have financial need for that period—his current FWS earnings must be used to cover expenses for it and will count as estimated financial assistance. See *Volume 6, Chapter 2* for more information.

**FSEOG**

To receive a Federal Supplemental Educational Opportunity Grant (FSEOG), a student must have financial need and must meet the general eligibility requirements discussed in the other chapters of this volume. Students with the lowest EFCs who will also receive Pell Grants for the award year have primary consideration for an FSEOG. If, after giving FSEOG awards to all its Pell recipients, a school has FSEOG funds remaining, it can award those funds to eligible students with the lowest EFCs who will not receive Pell Grants. See *Volume 3, Chapter 6*.

Additionally, to receive an FSEOG, one must be enrolled or accepted for enrollment as an undergraduate student and must not have previously earned a bachelor's or first professional degree. A school must make FSEOG funds reasonably available (to the extent that funds remain) to all eligible students.

**TEACH GRANTS**

The Teacher Education Assistance for College and Higher Education (TEACH) Grant Program provides \$4,000 annual grants to students who plan to become teachers. As a condition for receiving a TEACH Grant, students must agree to teach full-time in a high-need field, for at least four academic years at an elementary school, secondary school, or educational service agency that serves low-income families. The grant recipient must complete the required four years of teaching within eight years of completing (or oth-

**FSEOG eligibility**

34 CFR 676.9 and 676.10

34 CFR 668.32(c)(1)

erwise ceasing to be enrolled in) the course of study for which a TEACH Grant was received. If a grant recipient does not meet that obligation, the TEACH Grant funds received are converted to a Direct Unsubsidized Loan that must be repaid with interest.

### **Amount of grant funds available**

A full-time TEACH Grant recipient may receive four scheduled awards of \$4,000 each, or a total of \$16,000, for the student's *first* baccalaureate and first postbaccalaureate programs combined. Programs after the first baccalaureate are not eligible. A graduate student may receive two scheduled awards, or a total of \$8,000, for a master's degree program. Students who are enrolled less than full time have the same maximums, though the annual awards will be smaller: for example, a student enrolled half time in a master's program could receive an annual award of \$2,000 for each of the four years it would take to complete the program. A TEACH Grant in combination with other assistance the student receives cannot exceed the cost of attendance; if it does, the aid package must be reduced.

An otherwise eligible student who received a TEACH Grant for enrollment in a TEACH Grant-eligible program is eligible to receive additional TEACH Grants to complete that program, even if that program is no longer considered a TEACH Grant-eligible program. This extension is not to exceed four Scheduled Awards for an undergraduate student and up to two Scheduled Awards for a graduate student.

### **Receiving a TEACH Grant**

To qualify for a TEACH Grant, a student fills out not only a FAFSA but also an agreement to serve (explained later) and must be enrolled in a program and at a school that are both TEACH-grant eligible.

Students must adhere to an academic standard: they must have a grade point average (GPA) of at least 3.25 on a 4.0 scale, or the numeric equivalent (see "Schools without a traditional GPA"), or must have scored above the 75th percentile on at least one of the batteries on a nationally-normed standardized undergraduate, postbaccalaureate, or graduate school admissions test. An undergraduate student uses, for the first year, her final high school GPA or the GPA for all the classes she has taken at college through the most recently completed payment period; after the first year, she uses the latter GPA. A graduate student uses her undergraduate GPA for the first payment period and her cumulative graduate school GPA thereafter.

You must have documentation of the GPA from the cognizant authority or from the student. For high school grades, the authority is typically the high school or, in the case of homeschooled students, the parents or guardians. If the student provides the document and you have reason to question its accuracy, you must obtain documentation directly from the cognizant authority.

The previous academic requirements do not apply to certain graduate students. This group comprises current teachers or retirees from another occupation with expertise in a high-need field who are seeking a master's degree, as well as current or former teachers who are completing a high-quality alternative certification, such as Teach for America.

## **TEACH Grant Program**

34 CFR 686

### **TEACH Grant definitions**

#### **High-need field—**

1. Bilingual education and English language acquisition
2. Foreign language
3. Mathematics
4. Reading specialist
5. Science
6. Special education
7. Another field documented as high-need by the federal government, a state government, or a local education agency, and appearing on the Department's annual Teacher Shortage Area Nationwide Listing.

#### **Postbaccalaureate program—**

a program for those who have completed a bachelor's degree that:

1. does not lead to a graduate degree,
2. consists of courses required by a state for a credential necessary for teaching at an elementary or secondary school in that state (this does not include any program offered by a TEACH Grant-eligible school that offers a bachelor's degree in education), and
3. is treated as an undergraduate program for FSA purposes.

**Scheduled Award**—the maximum amount of a TEACH Grant that a full-time student could receive for a year.

#### **School or educational service agency serving low-income students (low-income school or educational service agency)**

—an elementary or secondary school or an educational service agency listed in the Department's annual Teacher Cancellation Low Income Directory (see [www.tcli.ed.gov](http://www.tcli.ed.gov)) because it—

1. is in the school district of a local education agency that is eligible for assistance under Title I of the Elementary and Secondary Education Act (ESEA); and
2. has been determined by the Secretary to have more than 30 percent of its children qualify for services under Title I of the ESEA.

**Highly qualified teacher**

The definition of “highly qualified” with respect to teachers is lengthy and is explained in Section 9101(23) of the Elementary and Secondary Education Act [USC 7801(23)] and Section 602(10) of the Individuals with Disabilities Education Act [USC 1401(10)].

**TEACH Grant-eligible program**

This is an eligible program as described in *Volume 2, Chapter 2*, that prepares one to be a highly qualified teacher in a high-need field and that leads to a bachelor’s or master’s degree or is a postbaccalaureate program. A two-year program acceptable for full credit toward a bachelor’s degree is considered a program that leads to a bachelor’s degree.

When you determine TEACH Grant eligibility for transfer students and calculate their GPA, you must, for at least the first payment period, include grades for courses accepted for transfer into the TEACH Grant-eligible program. For subsequent payment periods, follow your academic policy regarding the calculation of the GPA, whether that is to include grades for courses that transfer or to exclude them.

**Agreement to serve**

To receive a TEACH Grant, a student must sign an agreement to serve. This document explains that the student will do the following:

- Serve as a full-time teacher for a total of at least four academic years within eight calendar years of completing or otherwise ceasing to be enrolled in the course of study for which the TEACH Grant was received;
- Teach at a school or educational service agency serving low-income students;
- Comply with the requirements for being a highly qualified teacher (see the sidebar note);
- Teach (in the majority of classes) in a high-need field, which includes subjects on the nationwide shortage area list at [www.ed.gov/about/offices/list/ope/pol/tsa.html](http://www.ed.gov/about/offices/list/ope/pol/tsa.html) that is updated each year by the Department;
- Upon completion of each year of service, provide certification of that service from the chief administrative officer of the school or educational service agency; and
- If the student fails or refuses to carry out the service obligation in the required timeframe, the student must repay as a Direct Unsubsidized Loan the total amount of all TEACH Grants received, with interest accrued as of the date of disbursement of each grant.

A TEACH Grant recipient must complete a four-year service obligation for each program of study for which a TEACH Grant was received. The eight-year period for completing this obligation begins when the student’s enrollment in the program ends. Teaching may apply to more than one obligation: for example, a student who completes a bachelor’s and a master’s program consecutively and receives TEACH Grants for both would have two service obligations. The student could receive a suspension for completing the obligation for the undergraduate program while enrolled in the master’s program. Once that is done, four years of qualifying teaching would satisfy the service obligations for both programs. However, a student who finishes the bachelor’s program, completes the obligation for it, and later enrolls in the master’s program would need to complete another four-year service obligation.

For each year of the service obligation, the TEACH Grant recipient must teach a majority of classes in a high-need field. Fields on the nationwide list must be designated as high-need by the state where and when the individual begins teaching or they must have been listed at the time a TEACH Grant was received. Teaching in a geographic region of a state or in a grade level not associated in the nationwide list with the student's field does not satisfy the service obligation.

### ***Schools without a traditional GPA***

Schools that do not use a standard 4.0 GPA scale for a program must have a written equivalency policy with a numeric scale and must make it available upon request. The policy must clearly differentiate student performance so that it can support a determination that a student has achieved at a level commensurate with at least a 3.25 GPA on a 4.0 scale. Generally a grading scale that includes only “pass/fail,” “satisfactory/unsatisfactory,” or some other non-numeric evaluation will not meet this requirement unless it can be shown that a “pass” or “satisfactory” grade has a numeric equivalent to a traditional 3.25 GPA (or higher) or that a student's performance on tests and assignments yielded such a numeric equivalent.

Such a policy must be consistent with other grading scales that the school has developed for academic and other (including FSA) purposes—e.g., graduate school applications, scholarship eligibility, insurance certifications—to the extent that such scales distinguish between levels of student academic performance.

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### **School without a traditional GPA**

At Sandberg University, instructors submit, at the end of the semester, an evaluation that the work a student does in a class is “satisfactory” or “unsatisfactory.” The catalog indicates that the evaluation is never translated into a grade by the registrar's office. Neither the catalog, the faculty handbook, nor any other school publication differentiates levels of satisfactory student performance. Even though the state scholarship program accepts a “satisfactory” as the equivalent of a “B,” the university may not make such an assumption for the TEACH Grant program. Moreover, a “B” grade generally corresponds to a GPA of 3.0, while TEACH Grants require a GPA of 3.25 or better.



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# Introduction to Volume 2

*This volume of the Federal Student Aid Handbook comprises topics pertaining to colleges' general obligations in administering the Title IV student aid programs: institutional and program eligibility, administrative requirements, audits, record keeping, program reviews, and providing information to the public are all explained.*

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Throughout the Handbook we use “college,” “school,” and “institution” interchangeably unless some more specific use is given. Similarly, “student,” “applicant,” and “aid recipient” are synonyms. “Parents” in this volume refers to the parents of dependent students, and “you” refers to the primary audience of the Handbook: financial aid administrators at colleges. “We” indicates the United States Department of Education (Department, ED), and “federal student aid” and “Title IV aid” are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have regarding the Federal Student Aid Handbook. We revise and clarify the text in response to questions and feedback from the financial aid community, so please contact us at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov) to let us know how to improve the Handbook so that it is always clear and informative.

Here, we provide a summary of the changes and clarifications presented in greater detail in the chapters that follow. **Alone the text herein does not provide schools with the guidance needed to satisfactorily administer the Title IV HEA programs.** For more complete guidance, you should refer to the text in the chapters cited, the Code of Federal Regulations (CFR), and the Higher Education Act (HEA) as amended.

Throughout this volume, new information is indicated with the following symbol:

A blue rounded rectangle with the word "NEW" in yellow capital letters.

When the text represents a clarification rather than a change, it is indicated with:

A blue rounded rectangle with the word "Clarification" in yellow capital letters.

When we believe that historically there might be some misunderstanding of a requirement, we indicate that with:

A blue rounded rectangle with the word "Reminder" in yellow capital letters.

If we want to point out a bit of helpful information, we indicate it with:

A blue rounded rectangle with the word "TIP" in yellow capital letters.

Finally, if we want to draw your attention to something, we indicate it with:

A blue rounded rectangle with a yellow exclamation mark.

## Notes on Active Links

At the top of each page you will find links to the Federal Student Aid Glossary and Appendices, the Code of Federal Regulation (CFR), and Dear Colleague Letters (DCL).

[Glossary](#) [CFR](#) [DCL](#)

## Major Changes

### Chapter 2—Program Eligibility, Written Arrangements, & Distance Education

- ◆ We remind schools that they must accurately report their programs' published length.
- ◆ We clarify state requirements and program length for GE programs.
- ◆ We clarify our guidance on rounding.
- ◆ We clarify our guidance on state requirements and credit-hour to clock-hour conversions.
- ◆ We provide an update example on clock-hour to credit-hour conversions.

### Chapter 3—FSA Administrative & Related Requirements

- ◆ We remind schools of language that must be included in all contracts between schools and third-party servicers.

### Chapter 4—Audits, Standards, Limitations, & Cohort Default Rates

- ◆ We reorganized the material in the section on the 90/10 rule on pages 82 and 83 and added guidance to the last paragraph of that section on schools that switch from a proprietary to a nonprofit or public status.

### Chapter 5—Updating Application Information

- ◆ We remind schools that they must update their contact information in IPEDS and on their e-App.

### Chapter 6—Consumer Information and School Reporting

- ◆ We have revised and clarified the requirements for TEACH Grant exit counseling.
- ◆ In the margin of page 140 we updated the civil penalty to \$57,317 for violation of the obligation to comply with the consumer information requirements. This is to account for inflation, as explained in the *Federal Register* of February 1, 2019.

### Chapter 7—Record Keeping, Privacy, & Electronic Processes

- ◆ We updated the margin note on page 199 about sharing FAFSA data to reflect the provisions of the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019.

### Chapter 8—Program Reviews, Sanctions, & Closeout

- ◆ As we did on page 140 of Chapter 6, we updated the fine on page 214 to \$57,317 for statutory or regulatory violations by a school.

# Institutional Eligibility



*This chapter discusses the three types of institutions that are eligible to participate in the Federal Student Aid (FSA) programs. If circumstances change and a participating school no longer qualifies as an eligible institution, it must notify the Department of Education (the Department; see Chapter 5) and carry out the closeout procedures described in Chapter 8.*

Schools must apply to and receive approval from the Department to be eligible to participate in the FSA programs before they can be certified for participation. Some schools apply only for designation as an eligible institution—they do not seek to participate—so that their students may receive deferments on FSA program loans or be eligible for the American Opportunity and Lifetime Learning tax credits or other non-FSA programs that require schools to be FSA-eligible. The same application is used to apply for both eligibility and certification for participation (see Chapter 2).

## TYPE AND CONTROL

### *The three types of eligible institutions*

The law defines three kinds of eligible institutions—*institutions of higher education*, *proprietary institutions of higher education*, and *postsecondary vocational institutions*. Each type of school is eligible to participate in all the FSA programs, provided it offers the appropriate type of program (see the chart on the next page). This section covers the key elements of the three definitions, giving special attention to those requirements that affect the definition of an eligible program.

Although the criteria for the three types of institutions differ, it is possible that an institution of higher education can also qualify as a postsecondary vocational institution by offering programs that are less than an academic year in length and lead to a certificate or other non-degree recognized credential.

### *Institutional control*

The control of an institution distinguishes whether it is public or private, nonprofit or for-profit. By definition, an institution of higher education or a postsecondary vocational institution can be either public or private but is always nonprofit. A proprietary institution of higher education is always a private, for-profit institution.

### Related information

- Eligible program—Chapter 2
- Closeout procedures—Chapter 8
- Applying to participate, *New School Guide*
- Eligibility of homeschooled and correspondence students—Volume 1, Chapter 1

### Assessing your school's compliance

To assess your school's compliance with the provisions of this chapter, see the FSA Assessment module for "Institutional Eligibility" at: <https://ifap.ed.gov/ifap/FSAAssessments.jsp>

### Definitions of eligible institutions

34 CFR 600.4, 600.5, and 600.6

### Type and Control of Eligible Institutions

<i>Institution of Higher Education</i>	<i>Proprietary Institution of Higher Education</i>	<i>Postsecondary Vocational Institution</i>
A public or private nonprofit educational institution located in a state	A private, for-profit educational institution located in a state	A public or private nonprofit educational institution located in a state
<p>The institution offers</p> <ol style="list-style-type: none"> <li>(1) associate, bachelor’s, graduate, or professional degree programs;</li> <li>(2) a program of at least two years that is acceptable for full credit toward a bachelor’s degree; or</li> <li>(3) a training program of at least one academic year that leads to a certificate or other nondegree recognized credential and prepares students for gainful employment in a recognized occupation.</li> </ol>	<p>The institution must</p> <ol style="list-style-type: none"> <li>(1) provide training for gainful employment in a recognized occupation or</li> <li>(2) have provided a program leading to a baccalaureate degree in liberal arts continuously since 1/1/09 (with continuous regional accreditation since 10/1/07 or earlier).</li> </ol> <p>Programs offered must meet the criteria of at least one category below:</p> <ol style="list-style-type: none"> <li>(1) They are at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. They may admit students without an associate degree or equivalent.</li> <li>(2) They are at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. They must be a graduate/professional program or must admit only students with an associate degree or equivalent.</li> <li>(3) They are at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. They must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. Note: These programs are eligible only for Direct Loan participation.</li> </ol>	<p>The institution must provide training for gainful employment in a recognized occupation.</p> <p>Programs offered must meet the criteria of at least one category below:</p> <ol style="list-style-type: none"> <li>(1) They are at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. They may admit students without an associate degree or equivalent.</li> <li>(2) They are at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program or must admit only students with an associate degree or equivalent.</li> <li>(3) They are at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. Must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. Note: These programs are eligible only for Direct Loan participation.</li> </ol>

Any school may act as a postsecondary vocational institution to offer GE programs less than one academic year in length. Also, all three institutional types may provide a comprehensive transition and postsecondary program for individuals with intellectual disabilities.

“Two-Year Rule” (applicable to proprietary and postsecondary vocational institutions): Legally authorized to give (and continuously have been giving) the same postsecondary instruction for at least two consecutive years.

## BASIC CRITERIA FOR ELIGIBLE INSTITUTIONS

To be eligible an institution must

- ◆ be legally authorized by a state to provide a postsecondary education program in that state,
- ◆ be accredited by a nationally recognized accrediting agency or have met the alternative requirements, if applicable, and
- ◆ admit as regular students only individuals with a high school diploma or its recognized equivalent or individuals beyond the age of compulsory school attendance in the state where the institution is located.

These requirements are discussed in the following sections.

### Legal authorization by a state

Generally, an eligible institution must be located in a state. A school is physically located in a state if it has a campus or instructional site in that state. There are certain limitations and exceptions:

- ◆ Institutions of higher education in the Federated States of Micronesia and the Republic of the Marshall Islands are eligible for purposes of the Federal Pell Grant Program.
- ◆ Institutions of higher education in the Republic of Palau are eligible for purposes of the Federal Pell Grant, FSEOG, and FWS programs.
- ◆ Foreign schools may participate in the Direct Loan Program, subject to the rules of Subpart E of 34 CFR Part 600.

There are two basic requirements for an institution to be considered legally authorized by a state for the purpose of Title IV program eligibility: (1) the state must authorize the institution by name to operate postsecondary educational programs; and (2) the state must have a process to review and act on complaints concerning the schools, including enforcing applicable state laws. The following are exempt from both of these requirements:

- ◆ schools authorized by name by the federal government to offer educational programs beyond secondary education, and
- ◆ schools authorized by name by an Indian tribe [as defined in 25 USC 1801(a)(2)] to offer educational programs beyond secondary education, provided they are located on tribal lands and the tribal government has a process to review and appropriately act on complaints concerning the schools and enforces applicable tribal requirements or laws.

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### Nonprofit institution

A school that is

- owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private shareholder or individual,
- legally authorized to operate as a nonprofit organization by each state in which it is physically located, and
- determined by the Internal Revenue Service (IRS) to be eligible for tax-deductible contributions in accordance with the IRS Code [26 U.S.C. 501(c)(3)].

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### State defined

“State” includes not only the 50 states, but also American Samoa, Puerto Rico, the District of Columbia, Guam, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

34 CFR 600.2.

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### Definition of Indian tribe

The institutional eligibility regulations (see 34 CFR 600.9) incorrectly cite 25 USC 1802(2); this will be corrected in the *Federal Register* to 25 USC 1801(a)(2).

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### Role of state entities

The regulations mention, as one option, that an institution may be established by name through some “other action” by an appropriate state entity. Other institutions, established as businesses or nonprofit charitable institutions, must show that the state took an active role in approving or licensing them to operate postsecondary educational programs. For details on these and other issues, see DCL GEN-13-20.

**Definition of religious institution**

An institution that

- is owned, controlled, operated, and maintained by a religious organization lawfully operating as a nonprofit religious corporation; and
- awards only religious degrees or certificates including but not limited to a certificate of Talmudic studies, an associate of Biblical studies, a bachelor of religious studies, a master of divinity, or a doctor of divinity.

34 CFR 600.9(b)(2)

Religious institutions must comply with (2) but are exempt from (1) above—i.e., they are already considered to be legally authorized to operate postsecondary educational programs—if they are exempt from state authorization as religious institutions under the state constitution or by state law. See the definition in the margin.

**Authorization to operate postsecondary educational programs**

A school can be established by name as an educational institution through a state charter, statute, constitutional provision, or other action by an appropriate state entity. The school must be authorized to operate educational programs beyond the secondary level, including programs leading to a degree or certificate. In addition, the institution must comply with any applicable state approval or licensure requirement, although the state may exempt the school from that approval or requirement based on the school being in operation for at least 20 years or on its accreditation by one or more accrediting agencies recognized by the Department.

If a school was not established by name as an educational institution but was established by a state on the basis of an authorization to conduct business or to operate as a nonprofit charitable organization, it must be approved or licensed by name by the state to offer programs beyond secondary education, including programs leading to a degree or certificate. Such a school can't be exempted from state approval or licensure requirements based on accreditation, years in operation, or a comparable exemption.

A school must have documentation that it has the authority to operate in a state at the time of its certification to participate in the FSA programs. For more information on applying for participation in the FSA programs, see the *New School Guide*. Existing Title IV schools should ensure that they are currently in compliance with the regulations, but they are not required to immediately update their Eligibility and Certification Approval Report (ECAR). Instead, they can include the information showing their state authorization when they next submit their application for approval to participate in the FSA programs. For questions about documenting state legal authorization, schools should contact their participation team, information for which can be found at <https://eligcert.ed.gov>.

<b>How different types of schools meet state authorization requirements</b>		
<b>Legal Entity</b>	<b>Entity Description</b>	<b>Approval or Licensure Process</b>
Educational Institution	A public, private nonprofit, or for-profit institution established by name through a charter, statute, articles of incorporation, or other action issued by an appropriate state entity as an educational institution authorized to operate educational programs beyond secondary education, including programs leading to a degree or certificate.	The institution must comply with any applicable state approval or licensure process and be approved or licensed by name. It may be exempted from such requirement based on its accreditation or being in operation at least 20 years.
Business	A for-profit entity established by the state on the basis of an authorization or license to conduct commerce or provide services.	The state must have a state approval or licensure process, and the institution must comply with that process and be approved or licensed by name to offer postsecondary education. An institution in this category may not be exempted from state approval or licensure based on accreditation, years in operation, or a comparable exemption.
Charitable Organizations	A nonprofit entity established by the state on the basis of an authorization or license for the public interest or common good.	
Notes: The chart does not apply to federal, tribal, and religious institutions, which are exempt from these requirements, or to distance education programs offered out of state. A state must have a process to review and address complaints directly or through referrals; this applies to all institutions except tribal and federal institutions. For tribal institutions, the tribal government must have a process to review and appropriately act on complaints concerning them and to enforce applicable tribal requirements or laws.		

### **State complaint process**

The state must have a process to review and act on complaints (for example, about fraud or false advertising) concerning a school, which must provide the contact information for filing those complaints to enrolled and prospective students. Complaints can be handled by the state attorney general's office or a state agency as long as that entity can review, investigate, and resolve complaints against the school. There may be different complaint processes for different types of schools. Whatever entity handles complaints, the state must have the final authority for the process. See DCL GEN-14-04 for more information.

## Nationally recognized accrediting agency

An agency or association the Department has recognized to accredit or preaccredit a category of institution, school, or educational program according to 34 CFR Parts 602 and 603.

### List of accrediting agencies

The Department periodically publishes a list of nationally recognized accrediting bodies in the *Federal Register* based on criteria in 34 CFR Part 602. The list of accrediting agencies recognized for FSA purposes is on the Department's website at (<https://www2.ed.gov/admins/finaid/accred/index.html>). Agencies recognized for their preaccreditation categories are in Section 7. Information about national recognition of state approval agencies is in Section 10.

### Alternatives to accreditation

Institutions of Higher Education

34 CFR 600.4(a)(5)(ii)

Postsecondary Vocational Institutions

34 CFR 600.6(a)(5)(ii)

### Preaccredited

A status granted by a nationally recognized accrediting agency or association to a public or private nonprofit institution that is progressing toward accreditation within a reasonable period of time.

Institutions of Higher Education

34 CFR 600.4(a)(5)(ii)

Postsecondary Vocational Institutions

34 CFR 600.6(a)(5)(i)

## ACCREDITATION

Generally, a school must be accredited or preaccredited by a nationally recognized accrediting agency or association (both referred to here as agencies) to be eligible.

Except as provided here, a school must be accredited by an agency that has the authority to cover all of the institution's programs. An agency such as this is referred to as the school's *primary accrediting agency*. A school can have only one primary accreditor.

A school may also be accredited by one or more programmatic accrediting agencies. A *programmatic accrediting agency* is one that accredits only individual educational programs that prepare students for entry into a profession, occupation, or vocation.

If a school is seeking to change primary accreditors, it must first provide the Department and the agencies all materials documenting the reasons for the change. You can find information on accreditation changes in *Chapter 5*.

### Alternatives to regular accreditation

The law provides two statutory alternatives to accreditation by a recognized accrediting agency. First, a public or private nonprofit institution may be preaccredited by an agency or association that has been approved by the Department to grant such preaccreditation. Second, public postsecondary vocational educational institutions may be eligible for FSA funds if accredited by a state agency that the Department determines to be a reliable authority.

### Primary accreditor

The primary accreditor typically is an accrediting agency whose scope is institution-wide rather than only programmatic. A participating institution must tell the Department which accrediting agency it wants to serve as its primary accrediting agency for FSA eligibility. If a school offers only programs of a singular nature, the school's primary accreditor may be an agency that accredits only those specific educational programs.

### Dual accreditation

If a school is accredited by two agencies at the same time, the school must designate which agency's accreditation will be used in determining institutional eligibility for FSA funds and must inform the Department via the E-App. Further, the school must provide to the Department and to both agencies all materials documenting the reasons for dual accreditation before the school adds the additional accreditation. See *Chapter 5* for more on changes in accreditation and loss of eligibility.

## ADMISSIONS STANDARDS

An *eligible institution* may admit as regular students only persons who have a high school diploma or its recognized equivalent, are beyond the age of compulsory school attendance in the state in which the school is located, or are dually enrolled in the college and a secondary school.

An *eligible student* must have a high school diploma or its recognized equivalent or be beyond the age of compulsory attendance and meet the criteria for homeschooled students. Students who are dually enrolled in high school and college are **not eligible** for FSA funds. See *Volume 1, Chapter 1*.

### High school diploma

A high school diploma is a document recognized by the state in which the high school is located. Unless required by its accrediting or state licensing agency, the college is not required to keep a copy of a student's high school diploma or recognized equivalent of a high school diploma (see below). Rather, the college may rely on the student's certification (including that on the FAFSA) that he or she has received the credential and a copy of the certification must be kept on file. This certification need not be a separate document. It may be collected on the college's admissions application. The college may also require the student to provide supporting documentation.

### Recognized equivalent of a high school diploma

The following are the equivalent of a high school diploma:

- ◆ A GED certificate
- ◆ A state certificate awarded after passing an authorized test and that the state recognizes as equivalent to a high school diploma. This includes evidence of a passing score on tests recognized by the state and similar to the GED, such as the High School Equivalency Test or HiSET and the Test Assessing Secondary Completion or TASC
- ◆ An academic transcript showing that the student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree (including a previously earned bachelor's degree)
- ◆ For a student seeking enrollment in a program of at least the associate degree level, documentation showing that he excelled academically in high school and has met the formalized written admissions policies of the college

### Admissions standards

34 CFR 600.4(a)(2), 600.5(a)(3), 600.6(a)(2)

### Regular student definition

A person who is enrolled or accepted for enrollment in an eligible program to obtain a degree, certificate, or other recognized educational credential. If a person is not yet beyond the age of compulsory school attendance in the state where the college is physically located, it may only enroll her as a regular student if she has a high school diploma or its equivalent or is dually enrolled in high school and college.  
34 CFR 600.2

### Checking validity of high school diplomas

A school must evaluate the validity of a student's high school completion if the school or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education. This is discussed in detail in *Volume 1, Chapter 1*.  
34 CFR 668.16(p)

### Dual enrollment in high school and college

20 USC 1001(b)(2)(B), 1002(b)(2)(B) and (c)(2)(B)

### Related requirements

A school may not deny readmission to a service member of the uniformed services for reasons relating to that service. See *Chapter 3* for more information.

### Students admitted without a high school diploma or equivalent

A school that admits students who do not have a high school diploma or a recognized equivalent has additional considerations. See *Limitation on students admitted without a high school diploma or equivalent* in *Chapter 4*.

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### **Homeschooled students and compulsory school attendance**

The Department considers a homeschooled student to be beyond the age of compulsory school attendance if the state in which the college is located does not consider him truant once he has completed homeschooling.

For instance, if your state requires children to attend school until age 17, you may admit as a regular student a child who completes her secondary homeschooling curriculum at age 16 if your state would not consider her truant and would not require her to go to high school or continue homeschooling until age 17.

You may rely on a homeschooled student’s self-certification that he completed secondary school in a homeschool setting, as discussed in *Volume 1, Chapter 1*, under “Academic Qualifications.”

### **Related topics**

See *Chapter 2* for transition programs for students with intellectual disabilities. See also *Volume 1, Chapter 1*, about that and about remedial coursework.

### **Preparatory programs for students without a high school diploma or equivalent**

A school that admits students without a high school diploma or its recognized equivalent (except homeschooled students) must make available to them a program that has proven successful in helping students obtain the equivalent of a high school diploma.

For example, such a program might assist a student in obtaining a GED certificate or the state certificate mentioned earlier. It could be a preparatory program conducted by state and local secondary school authorities, or any other program for which the school has documentation that statistically demonstrates success. The school must provide information about the availability of the program to interested students.

### **Career pathway programs**

Students enrolled in an eligible career pathway program who are not high school graduates and don’t have a diploma equivalent may be eligible to receive Title IV aid if they pass an independently administered, ED-approved ability-to-benefit test or complete at least 6 credit hours or 225 clock hours that apply to a degree or certificate offered by the school. See DCL GEN-16-09 for more information, including a list of Q’s and A’s about career pathway programs.

The school does not have to provide the program or pay for its cost. The program must be offered at a place that is convenient for students, and the school must take reasonable steps to ensure that they have access to it, such as coordinating the timing of school programs and the preparatory program.

The law does not require a school to verify that a student is enrolled in a preparatory program or to monitor his progress in it. A student who does not have a high school diploma or its recognized equivalent is not required by law to enroll in such a program, but the school may make this an admission requirement.

A student may not receive FSA funds for the program, and a school cannot include the cost of the program in a student’s cost of attendance.

## “TWO-YEAR” RULE FOR NEW PROPRIETARY OR VOCATIONAL SCHOOLS

To be eligible as a proprietary institution or a postsecondary vocational institution, a school must be legally authorized to give (and have continuously been giving) the same postsecondary instruction for at least two consecutive years prior to its application. The educational program(s) offered must remain substantially the same in length and subject matter except for changes made because of new technology or requirements of other federal agencies. A school subject to the two-year rule may not award FSA funds to a student in a program that is not included in the school’s approval documents.

If a school is subject to the two-year rule, during the school’s initial period of participation in the FSA programs, the Department will not approve additional programs that would expand the institution’s eligibility. An exception would be considered if the school demonstrates that the program has been legally authorized and continuously provided for at least two years prior to the date of the request.

A branch campus of an eligible proprietary institution or postsecondary vocational institution seeking status as a main campus or freestanding institution is subject to the two-year rule. It must be designated as a branch campus for two years after certification as such by the Department before it can seek certification as a main or freestanding school.

An additional location must obtain approval from the Department to become a branch campus. A branch campus then must satisfy the two-year rule before it may be considered for status as a freestanding institution. Time at an additional location of an eligible proprietary institution or postsecondary vocational institution does not count toward the two years.

### Branch campus

A branch campus is geographically apart from and independent of the school’s main campus. It is considered to be independent of the main campus if it

- is permanent in nature;
- offers educational programs leading to a degree, certificate, or other recognized credential;
- has its own faculty and administrative or supervisory organization; and
- has its own budgetary and hiring authority.

Branch campus  
34 CFR 600.2 and 600.8  
Additional location  
34 CFR 600.32

### Notifying ED of changes to school’s E-App information

If there is a change to any of a school’s answers to the Yes/No questions in Section G of a submitted Electronic Application (E-App), which deal with enrollment thresholds for the limitations below, the school must notify the Department via the E-App (see *Chapter 5*). The Department will advise the school of its options, including whether the school might be eligible for a waiver. Waivers are available for the correspondence student limitation, the incarcerated student limitation, and the limitation on students without a high school diploma or equivalent.

34 CFR 600.7(h)

## Conditions of institutional ineligibility

34 CFR 600.7

### Prohibition on employment of individuals who have misused government funds

A school may not have as principals or employ or contract with other organizations that employ individuals who have engaged in the misuse of government funds. See *Chapter 3* for details.

## FACTORS LEADING TO LOSS OF ELIGIBILITY

### Limitations

An otherwise eligible institution becomes ineligible if it violates, among other requirements,

- ◆ the 50% limit on students without a high school diploma or equivalent (for schools that don't offer a 4-year bachelor's degree program or a 2-year associate degree program),
- ◆ the incarcerated student limitation (25%), or
- ◆ the correspondence course limitation (50%) or correspondence student limitation (50%).

The school must demonstrate compliance with these limitations, and its calculations must be attested to by the independent auditor. *Chapter 4*, which describes FSA audit requirements, discusses the calculations in more detail and how the school must notify the Department of a failure to meet any of these requirements.

### Bankruptcy or crimes involving FSA programs

A school is not eligible if it files for relief in bankruptcy or has entered against it an order for bankruptcy. The school is also ineligible if either of these circumstances apply to an affiliate of the school that has the power, by contract or ownership interest, to direct or cause the direction of the management of policies of the school.

A school also loses eligibility if it, its owner, or its executive officer has

- ◆ pled guilty or *nolo contendere* to, or is found guilty of, a crime involving the acquisition, use, or expenditure of FSA program funds; or
- ◆ been judicially determined to have committed fraud involving FSA program funds.

If a school becomes ineligible for any of these reasons, it must notify the Department of the change within 10 days. A school that becomes ineligible because of one of these factors must immediately stop awarding FSA funds and must follow the requirements for a school that has lost its FSA participation (see *Chapter 8*). The loss of eligibility is effective as of the date of the bankruptcy or the date the school or individual pleads guilty to, or is found responsible for, the crime, as applicable. A loss of eligibility for these two reasons is permanent—the school's eligibility cannot be reinstated.

## PARTICIPATING IN THE TEACH GRANT PROGRAM

Eligibility for the Teacher Education Assistance for College and Higher Education (TEACH) Grant program is not automatically extended to an FSA-eligible postsecondary school. A school qualifies as a “TEACH Grant-eligible institution” if it offers a high-quality teacher preparation program at either the baccalaureate or master’s level that provides supervision and support services to teachers (or assists in the provision of such services). The teacher preparation program must also be accredited by a specialized accrediting agency recognized by the Department for the accreditation of professional teacher education programs (see the margin note) or be approved by a state and meet certain other requirements.

If a school does not have a teacher preparation program, it can qualify as a TEACH Grants-eligible institution if it

- ◆ provides one or more 2-year programs of study that are acceptable for full credit to either a baccalaureate teacher preparation degree program or a baccalaureate degree program in a high-need field at another TEACH-eligible school with which it has an agreement;
- ◆ offers a baccalaureate degree that, in combination with other training or experience, will prepare a student to teach in a high-need field and has an agreement with another institution that offers a teacher preparation program or a post-baccalaureate program that prepares students to teach; or
- ◆ offers a postbaccalaureate program.

## APPLYING AS AN ELIGIBLE NONPARTICIPATING SCHOOL

Some schools choose to establish their eligibility for FSA programs but elect not to participate in them because designation as an eligible institution qualifies a school or its students to take advantage of non-FSA programs or benefits, such as the American Opportunity and Lifetime Learning tax credits. In addition, only students attending eligible institutions qualify for in-school deferments of payments on their federal education loans.

A school wishing to be designated an eligible nonparticipating institution may submit an E-App to the Department at any time. The application must be materially complete.

### TEACH Grant Program

34 CFR Part 686

#### Accreditation of teacher preparation programs

At the present time there are no agencies for the accreditation of high-quality teacher preparation programs that are recognized by the Department. Thus, a school that offers a high-quality teacher preparation program at the baccalaureate or master’s degree level can only qualify as a TEACH Grant-eligible institution if the teacher preparation program is approved by a state, includes a minimum of 10 weeks of full-time pre-clinical experience, or its equivalent, and provides either pedagogical coursework or assistance in the provision of such coursework.

DC-GEN-08-07

34 CFR 686.2(d), definition of “TEACH Grant-eligible institution”

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**“Enrolled” for the purpose of withdrawal rates**

Students enroll when they complete the school’s registration requirements (except payment of tuition and fees).

Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

The Department will contact the school, generally within 90 days of receiving the application, if it has additional questions. If it approves the school’s application, it will send an electronic notice to the president and financial aid officer stating that the school is eligible and that its approval letter and ECAR must be printed and maintained. If the Department does not approve the school’s application, it will tell the school why.

**WITHDRAWAL RATES**

Students are considered to have withdrawn if they officially withdraw, unofficially drop out, are expelled from the school, or receive a 100% refund of their tuition and fees. Those who withdraw from one or more courses or programs but do not withdraw entirely from the school (e.g., the students reduced their credit hours from 12 to 6) do not meet the definition of withdrawn. Instead, this action is considered a change in enrollment status.

New schools (those seeking to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% during the last completed award year.

When calculating the withdrawal rate, the school must include all regular, enrolled students. The definition of enrolled does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or begun attending classes.

## THE PROGRAM PARTICIPATION AGREEMENT

To participate in the FSA programs, a school must have a current Program Participation Agreement (PPA), signed by the school's president, chief executive officer, or chancellor and an authorized representative of the Secretary of Education.

### *Purpose and scope of the PPA*

With the PPA the school agrees to comply with the laws, regulations, and policies governing the FSA programs. After being certified for FSA program participation, the school must administer FSA program funds in a prudent and responsible manner. A PPA contains critical information: in addition to the effective date of a school's approval, the date by which the school must reapply for participation, and the date on which the approval expires, the PPA lists the FSA programs in which the school is eligible to participate.

### *Beginning to disburse funds when first signing the PPA*

A school may make Pell and TEACH Grant disbursements to students for the payment period in which the PPA is signed by the Secretary. Schools receiving initial certification can participate in the Campus-Based programs in the next award year that funds become available. Direct Loan program disbursements may begin in the loan period that the PPA is signed.

### *Expiration or termination of the agreement*

Either the school or the Department may terminate the PPA. The agreement automatically terminates if the school loses eligibility.

A school's Program Participation Agreement expires on the date that

- ◆ the school changes ownership that results in a change in control (see *Chapter 5*),
- ◆ the school closes or stops offering educational programs for a reason other than a normal vacation period or natural disaster that directly affects it or its students (see closure procedures in *Chapter 8*),
- ◆ the school ceases to meet the eligibility requirements (see *Chapter 4* and "Factors Leading to Loss of Eligibility" in this chapter),
- ◆ the school's period of participation expires, or
- ◆ its provisional certification is revoked (*Chapters 4, 5, and 8*).

A school's PPA no longer covers an additional location as of the date on which that location ceases to be a part of the school.

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### **Program Participation Agreement**

Sec. 487 of the HEA  
34 CFR 668.14  
20 U.S.C. 1085, 1088, 1091, 1092, 1094,  
1099a-3, 1099c, and 1141

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### **Programs covered by the PPA**

An eligible school must enter into a PPA with the Department to participate in the following programs:

- Federal Pell Grant
- Iraq and Afghanistan Service Grant\*
- TEACH Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study (FWS)
- Federal Direct Loan Program (DL)

\* A school that is certified for Pell Grant purposes is considered to be certified for the Iraq and Afghanistan Service Grant program.

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### **Experimental sites**

The Experimental Sites Initiative permits statutory and regulatory flexibility for schools participating in the experiments. This gives the Department data for judging the effectiveness of certain laws and regulations and whether they should change. For example, the Dual Enrollment Experiment allows participating colleges to award Pell grants to students for their Title IV-eligible college program while still being enrolled in high school. For more information and other experiments, see the website at (<https://experimentalsites.ed.gov>).

## Selected Provisions of the PPA

Most of the provisions of the Program Participation Agreement (PPA) are discussed in detail in *Volume 2* and other volumes of the *Federal Student Aid Handbook*. In this section, we highlight some of the general school requirements in the PPA that may not be as familiar to financial aid professionals.

Note that the PPA may list additional requirements that are school-specific; schools must carefully review all of the requirements listed on their PPA.

### General Terms & Conditions

- The school certifies that it will comply with
  - a. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
  - b. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
  - c. The Family Rights and Privacy Act of 1974 (see *Chapter 7*);
  - d. Sections 501 and 505(b)(2) of the Gramm-Leach-Bliley Act, on safeguarding information (see *Chapter 7*);
  - e. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap (34 CFR Part 104); and
  - f. The Age Discrimination Act of 1975 (34 CFR Part 110).
- The school acknowledges that the Department, states, and accrediting agencies may share information about the school without limitation.
- The school acknowledges that the school must, prior to any other legal action, submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration.

### General Provisions

- The school will use funds received under any FSA program, as well as any interest and other earnings thereon, solely for the purposes specified for that program.
- If the school is permitted to request FSA program funds under an advance payment method, the school will time its requests for funds to meet only the school's immediate FSA program needs (see *Volume 4, Chapter 2*).
- The school will not charge for processing or handling any application, form, or data used to determine a student's FSA eligibility (see *Chapter 3*).
- The school will establish administrative/fiscal procedures and reports that are necessary for the proper and efficient management of FSA funds, and it will provide timely information on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see *Chapter 6*).
- The school must acknowledge the authority of the Department and other entities to share information regarding fraud, abuse, or the school's eligibility for participation in the FSA programs (see *Chapter 8*).
- The school must, in a timely manner, complete reports, surveys, and any other data collection effort of the Department including surveys under the Integrated Postsecondary Education Data System (see *Chapter 6*).
- The school cannot penalize in any way a student who is unable to pay school costs due to compliance with the FSA program requirements or due to a delay in an FSA loan disbursement caused by the school.
- The school must comply with the program integrity requirements established by the Department, state authorizing bodies, and accrediting agencies (see *Chapter 8*).
- The school is liable for all improperly administered funds received or returned under the FSA programs, including any funds administered by a third-party servicer (see *Chapter 3*).

## Selected Provisions of the PPA, continued

- If the program offered by the school is preparing students for gainful employment in a recognized occupation, the school will
  - a. demonstrate a reasonable relationship [as defined in 34 CFR 668.14(b)(26)(i)] between the length of the program and entry level requirements for the recognized occupation, and
  - b. establish the need for the training for students to obtain employment in the recognized occupation.

### Certifications

Three certifications are included in the PPA:

- Lobbying; Debarment, Suspension, and other responsibility matters; and Drug-Free Workplace Requirements (see *Chapter 6*).
- Drug Prevention Certification (see *Chapter 6*).
- Certification regarding Debarment, Suspension, Eligibility, and Voluntary Exclusion—lower-tier covered transactions.

### Direct Loans

- The school will not charge any fees of any kind to student or parent borrowers for loan application, origination activities, or the provision and processing of any information needed to receive a Direct Loan.
- The note or evidence of obligation of the loan shall be the property of the Secretary.
- The school accepts responsibility and financial liability stemming from its failure to perform its functions under this Program Participation Agreement.

### Additional requirements

In addition to the requirements listed on the PPA, a school must meet any requirements for participation in the General Provisions (34 CFR Part 668), as well as those specific to an individual FSA program.

FEDERAL PELL GRANT PROGRAM, 20 USC 1070a et seq; 34 CFR Part 690.

FEDERAL DIRECT STUDENT LOAN PROGRAM, 20 USC 1087a et seq; 34 CFR Part 685.

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM,  
20 USC 1070b et seq; 34 CFR Part 676.

FEDERAL WORK-STUDY PROGRAM, 42 USC 2751 et seq; 34 CFR Part 675.

These requirements are discussed in the *Application and Verification Guide* and volumes 1–6 of this *Federal Student Aid Handbook*.



# Program Eligibility, Written Arrangements, & Distance Education



Many of the program eligibility requirements are derived from the institutional definitions that we discussed in Chapter 1. However, bear in mind that institutional eligibility does not mean that all programs at the school are eligible. A financial aid office should have a process to confirm the eligibility of an educational program before paying any FSA funds to students enrolled in that program and should promptly report changes to the Department following the procedures in Chapter 5.

## DETERMINING PROGRAM ELIGIBILITY

A school's eligibility does not necessarily extend to all its programs, so the school is responsible for ensuring that a program is eligible before awarding FSA funds to students in that program.

In addition to determining that the program meets the eligible program criteria given in this chapter, the school should make certain that the program is included under the notice of accreditation from a nationally recognized accrediting agency (unless the agency does not require that particular program be accredited).

The school should also make certain that it is authorized by the appropriate state to offer the program (if the state licenses individual programs at postsecondary institutions). In some instances a school or program may need a general authorization as well as licensure for a specific program approval. (See the chart on eligible institutions and the discussion under *Legal Authorization By a State* in Chapter 1.)

A school's eligibility extends to all eligible programs and locations on its E-App, unless the school participation division (SPD) determines that certain programs or locations did not meet the eligibility requirements or it has not approved the expansion's FSA eligibility. Generally, the school's eligible nondegree programs and locations are specifically named on the *Eligibility and Certification Approval Report* (ECAR). Additional locations and programs may be added later. Once the SPD has approved the program/location, it will notify the school and an updated ECAR can be printed. See the discussion under *Changes to Educational Programs* in Chapter 5 for a discussion of when and how a school must notify the Department when adding programs and when the school must wait for approval from the Department. Note that all GE programs must be reported to ED and all direct assessment programs, comprehensive transition and postsecondary programs, and short-term programs must be reported to and approved by ED.

### Program eligibility

34 CFR 668.8  
§ 691.2(b)  
§ 232(a)  
§ 600.10  
§ 668.232

### Related topics

- Eligibility requirements for specific educational programs—*Volume 1, Chapter 1*
- Types of educational programs defined for eligible institutions—*Volume 2, Chapter 1*
- Updating the E-App to change programs and locations—*Volume 2, Chapter 5*

### School, program, and student eligibility

To qualify as an eligible institution, a school must offer at least one eligible program. Not all programs at an eligible institution must be eligible, but at least one of the programs at the school must meet the eligible program requirements.

Except for students enrolled in certain preparatory or teacher certification courses, a student must be enrolled in an eligible program to receive FSA funds (see *Volume 1, Chapter 1* for more information).

**Reminder****Schools Must Accurately Report Their Programs' Published Length** 

The Department's regulations require each school to have established a normal time for completion for each of its academic programs. 34 CFR 668.41 (a) defines normal time as *the amount of time necessary for a student to complete all requirements for a degree or certificate according to the school's catalog*. The definition goes on to say, *This is typically four years for a bachelor's degree . . . two years for an associate degree . . . and the various scheduled times for certificate programs*. **Therefore, a school must have established a program's published length in time (years, months, or weeks), not just in credit or clock hours** to comply with 34 CFR 668.41(d)(4) and 668.45 and must report that published length in time to COD and NSLDS.

- If the school has published, in its catalog, on its website, or in any promotional materials, the length of the program in weeks, months, or years, the program length to be reported to COD and NSLDS must be the same as the program length that the school has published. Note: For gainful employment programs, the school must have published the program's length in weeks, months, or years on the school's website.
- If the school has not published a program length and the program is an associate or bachelor's degree program, the program length to be reported should be 2 years or 4 years, respectively, unless the academic design of the program makes it longer or shorter than the typical, 2-year associate degree program or 4-year bachelor's degree program.
- For all other programs for which the school has not published a program length, the program length is based on the school's determination of how long, in weeks, months, or years, the program is designed for a full-time student to complete.

EA 2015-04-20, Direct Subsidized Loan Limit: Electronic Announcement #17 – School Misreporting of Data to COD and NSLDS

If a program offered through distance or continuing education meets the definition of an eligible program, students enrolled in that program must be considered for FSA program assistance on the same basis as students enrolled in eligible programs offered through traditional modes. With some limitations, if a correspondence program meets the definition of an eligible program, students enrolled in that program are considered eligible (see *Distance Education & Correspondence Study* in this chapter).

**BASIC TYPES OF ELIGIBLE PROGRAMS**

There is a wide variety of programs that are eligible for Title IV aid. This section explains some of the most common for each type of institution. Later in the chapter we explain others, such as direct assessment programs and comprehensive transition and postsecondary programs.

***Eligible programs at an institution of higher education***

At a public or private nonprofit institution of higher education, the following types of programs are Title IV-eligible:

- a program that leads to an associate, bachelor's, professional, or graduate degree,
- a transfer program of at least two academic years in duration that does not award a credential and is acceptable for full credit toward a bachelor's degree,
- a program of at least one academic year in duration that leads to a certificate or other nondegree recognized credential and prepares students for gainful employment in a recognized occupation,
- a program consisting of courses required for elementary or secondary teacher certification or recertification in the state where the student plans to teach that is offered in credit or clock hours, or
- a certificate or diploma training program that is less than one year and prepares students for gainful employment in a recognized occupation (if the school also meets the definition of a postsecondary vocational institution).

Note that with a few exceptions detailed later in this chapter, a nondegree program at a public or private nonprofit institution is subject to the rules for a gainful employment program.

### **Eligible programs at a proprietary or postsecondary vocational institution**

There are several types of eligible programs at a proprietary institution or a postsecondary vocational institution. Generally these programs must have a specified number of weeks of instruction and must provide training that prepares a student for gainful employment in a recognized occupation.

- The program provides at least 600 clock hours, 16 semester or trimester hours, or 24 quarter hours of undergraduate instruction offered during a minimum of 15 weeks of instruction. The program may admit as regular students persons who have not completed the equivalent of an associate degree.
- The program provides at least 300 clock hours, 8 semester hours, or 12 quarter hours of instruction offered during a minimum of 10 weeks of instruction. The program must be a graduate or professional program or must admit as regular students only persons who have completed the equivalent of an associate degree.
- The program is known as a short-term program, which qualifies for the Direct Loan program only. This type of program must provide at least 300 but less than 600 clock hours of instruction offered during a minimum of 10 weeks of instruction. The program must admit as regular students some persons who have not completed the equivalent of an associate degree. It must also have been in existence for at least one year, have verified completion and placement rates of at least 70% (see below), and not be more than 50% longer than the minimum training period required by the state or federal agency, if any, for the occupation for which the program of instruction is intended.

Lastly, a program that leads to a baccalaureate degree in liberal arts at an accredited proprietary institution is an eligible (non-GE) program. The school must have been continuously accredited by a recognized regional accrediting agency or association since at least October 1, 2007, and have provided the program continuously since January 1, 2009.

### **PROGRAMS LEADING TO GAINFUL EMPLOYMENT**

To be eligible for Title IV funding, an educational program at a postsecondary school must lead to a degree—associate, bachelor’s, graduate, or professional degree from a public or non-profit institution—or prepare students for “gainful employment in a recognized occupation.” We refer to the latter as “gainful employment programs” or “GE programs” for short. They include nondegree programs offered by public and private nonprofit institutions and almost all academic programs offered by proprietary institutions; see below for details. They are subject to the Department’s regulations on disclosures (see *Chapter 6*).

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#### **Definition**

A program leading to a baccalaureate degree in liberal arts is one that the school’s recognized regional accreditation agency determines is a general instructional program in the liberal arts, the humanities, or the general curriculum, falling within one or more of the following categories:

1. A program that is a structured combination of the arts, biological and physical sciences, social sciences, and humanities, emphasizing breadth of study.
2. An undifferentiated program that includes instruction in the general arts or general science.
3. A program that focuses on combined studies and research in the humanities subjects as distinguished from the social and physical sciences, emphasizing languages, literatures, art, music, philosophy, and religion.
4. Any single instructional program in liberal arts and sciences, general studies, and humanities not listed in 1 through 3 above.

Instruction must be in a regular program, not an independently designed or individualized program or unstructured studies.

34 CFR 600.5(e)

## Completion and Placement Rates for Short-Term Programs

For the purpose of demonstrating compliance with the standards for short-term (at least 300 but less than 600 clock hours), a school must calculate the completion and placement rates for the award year. The independent auditor who prepares the school's compliance audit report must attest to the accuracy of the school's calculation of completion and placement rates. See 34 CFR 668.8(e), (f), and (g).

Number of regular students who earned credentials for successfully completing the program within 150% of its length

**= Completion Rate**

Number of regular students enrolled in the program for the award year, including the number of regular students who withdrew with a 100% refund of tuition and fees and the number of regular students enrolled at the end of the award year

Number of students who obtained employment\* within 180 days of receiving credential and who are employed (or have been employed) for at least 13 weeks following receipt of credential

**= Placement Rate**

Number of regular students who received credential for successfully completing the program during the award year

\*in the recognized occupation for which they were trained or in a related comparable occupation

The school must document the employment of any student it includes as employed in the placement rate calculation. Examples of such documentation include but are not limited to a written statement from the employer, signed copies of state or federal income tax forms, or written evidence of payment of Social Security taxes.

The school must reasonably determine whether a related occupation is comparable. For instance, for a student who was trained as an auto mechanic, it is reasonable to determine that a job as a boat mechanic is comparable. However, for a person trained in retail sales management, a counter-service job at a fast-food restaurant is not comparable.

An auditor may use his or her discretion to choose the award year used to calculate a program's completion and placement rates under 34 CFR 668.8(e), (f), and (g) based on the circumstances and appropriate audit standards, with these caveats:

- The auditor must use the same procedure from year to year; and
- The auditor may not use the rates from award years that ended more than two years prior to the institution's fiscal year end date.

For example, for a fiscal year that ends on 8/31/16, the auditor could calculate rates from the 2015-2016 award year or the 2014-2015 award year, but not from the 2013-2014 award year or any award year prior to that.

### Programs offered by for-profit institutions

All educational programs offered by for-profit (proprietary) institutions are GE programs with the following three exceptions:

1. Preparatory coursework necessary for enrollment in a Title IV-eligible program [34 CFR 668.32(a)(1)(ii)];
2. Approved Comprehensive Transition and Postsecondary (CTP) programs for students with intellectual disabilities [34 CFR 668.231]; and
3. A limited number of bachelor degree programs in liberal arts if offered by the school since January 2009 and if the school has been regionally accredited since October 2007 [34 CFR 600.5(a)(5)(i)(B)].

### Programs offered by public and private nonprofit institutions

All **non-degree** educational programs offered by public or private non-profit institutions are GE programs with the following four exceptions:

1. Preparatory coursework as noted under (1) above;
2. Approved CTP programs as noted under (2) above;
3. Programs that are at least two years long and are designed to be fully transferable to a bachelor's degree program and for which the school does not confer a credential [34 CFR 668.8(b)(1)(ii)]; and
4. Teacher certification programs the institution does not award a credential for [34 CFR 668.32(a)(1)(iii)].

See also the margin note on embedded programs.

A student who is concurrently enrolled in a GE and a non-GE program must be included as an enrolled student in the former for purposes of GE reporting and in the calculation of information for disclosures.

### State requirements and program length

The institution must demonstrate a reasonable relationship between the length of the GE program and entry level requirements for which the program prepares the student. The Secretary considers the relationship to be reasonable if the number of clock hours provided in the program does not exceed by more than 50% the minimum number of clock hours required for training in the recognized occupation for which the program prepares the student, as established by the State in which the program is offered, or as established by any federal agency (if applicable). See 34 CFR 668.14(b)(26).

### Recognized occupation

34 CFR 600.2

All non-degree programs must prepare students in that program for gainful employment in a specific recognized occupation. This requirement also applies to degree programs at proprietary schools.

A recognized occupation is one that is

- identified by a Standard Occupational Classification (SOC) code established by the Office of Management and Budget or an Occupational Information Network O\*NET–SOC code established by the Department of Labor and available at O\*NET OnLine at ([www.onetonline.org](http://www.onetonline.org)) or its successor site, or
- considered by ED, in consultation with the Department of Labor, to be a recognized occupation.

If the title of the program does not clearly indicate the specific occupation that the program prepares the student for, that information must appear on the E-App.

### Gainful employment guidance

Gainful Employment Electronic Announcement #53 on May 20, 2015, explains GE program identification.

### Embedded programs

Some public and private nonprofit institutions offer degree programs in which students may also be awarded a non-degree credential (e.g., certificate, diploma) after completing a portion of the degree program. These are **not** GE programs as long as a significant number of the students enrolled in the program earn the degree rather than withdraw after obtaining the certificate. If a significant number of students enrolled in the program do not earn the degree, all of the students are considered to be enrolled in a non degree program, that is, a GE program.

### State process for complaints

Note that under 34 CFR 668.43(b) you must provide state contact information to students or prospective students for filing complaints in each state in which you operate. (See *Chapter 6* for the school consumer information requirement.)

## Fulfilling GE Certification Requirements when Updating the E-App

Gainful Employment Electronic Announcement #77

### GE programs at foreign colleges

The only programs at foreign proprietary institutions that are eligible for FSA loan funds are degree programs in medicine, nursing, and veterinary science. All Title IV-eligible programs at these institutions are GE programs.

The determination if a program is a GE program at a foreign public or nonprofit institution is the same as for domestic public and nonprofit institutions.

This limitation applies to both clock-hour and credit-hour GE programs. If a school's credit-hour program is subject to the clock-to-credit hour conversion, the school must include all the hours used in the conversion calculation (both in-class and out-of-class) when determining whether the hours in the program exceed state requirements by more than 50%. If a school's credit hour GE program is not subject to the conversion, but is still subject to the limitation because its state has established a minimum number of clock hours required for training, the school must multiply the number of credit hours in the program by 37.5 (if a semester hour program) or 25 (if a quarter hour program) to determine the maximum number of credit hours that may be offered in such a program.

**Clarification**

### Certification requirements for GE programs

When providing updated GE Program information to the Department, institutions must provide a new GE Certification to cover the updated list of GE Programs. Updates that require a new certification include establishing or re-establishing the eligibility of a program, or changing the name, CIP code, or credential level of a currently-approved GE Program.

The institution certifies that

- ◆ each eligible GE program included on the attached ECAR or E-App is approved by a recognized accrediting agency or is otherwise included in the institution's accreditation by its recognized accrediting agency, or, if the institution is a public postsecondary vocational institution, the program is approved by a recognized State agency for the approval of public postsecondary vocational education in lieu of accreditation;
- ◆ each eligible GE program included on the attached ECAR or E-App is programmatically accredited, if such accreditation is required by a Federal governmental entity or by a governmental entity in the State in which the institution is located or in which the institution is otherwise required to obtain State approval under 34 CFR 600.9;
- ◆ for the State in which the institution is located or in which the institution is otherwise required to obtain State approval under 34 CFR 600.9, each eligible GE program included on the attached ECAR or E-App satisfies the applicable educational prerequisites for professional licensure or certification requirements in that State so that a student who completes the program and seeks employment in the State qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter; and

- ◆ for a gainful employment program for which the institution is establishing initial eligibility for Title IV, HEA program funds, the program is not substantially similar to a program offered by the institution that in the prior three years, became ineligible for Title IV, HEA program funds under the debt-to-earnings rates measure or was failing, or in the zone with respect to, the debt-to-earnings rates measure and was voluntarily discontinued by the institution.

A school may not include in its list of eligible GE programs a failing or zone GE program that it voluntarily discontinued, a program that became ineligible due to D/E rates, or a program that is substantially similar to a discontinued or ineligible program until three years have passed.

## ADDITIONAL ELIGIBILITY REQUIREMENTS

There are additional FSA program eligibility requirements for specific educational programs. For example, only undergraduate educational programs are eligible under the Pell Grant and FSEOG programs. Correspondence programs are not eligible unless they meet the general requirements for an eligible program and are required for the student's regular program of study leading to a degree.

### *TEACH Grant eligible programs*

One of the eligibility requirements for a student to receive a TEACH Grant is that the student must be enrolled in a TEACH Grant-eligible program. A TEACH Grant-eligible program is an eligible program that is

- ◆ designed to prepare an individual to teach as a highly qualified teacher in a high-need field and lead to a baccalaureate or master's degree (including 2-year programs of study that are acceptable for full credit toward a baccalaureate degree), or
- ◆ post-baccalaureate program of study for students who have completed a baccalaureate degree.

A postbaccalaureate program consists of courses required by a state for a student to receive a professional certification or licensing credential that is needed for employment as a teacher in an elementary or secondary school in that state. It must be a program that is treated as an undergraduate program for FSA purposes and may not lead to a graduate degree. Note that the program cannot be considered a postbaccalaureate program if the school offers a baccalaureate degree in education.

For additional TEACH grant student eligibility requirements, see *Volume 1, Chapter 6*.

## *Programs for students with intellectual disabilities*

### **Applying for eligibility for a CTP program**

When applying to the Department for eligibility for a CTP program, a school must follow the procedures in 34 CFR 600.20 and provide the information described in 34 CFR 668.232. See the electronic announcement dated 6/21/10 on the IFAP website.

### **Definition of intellectual disability**

*A student with an intellectual disability* means a student with mental retardation or a cognitive impairment characterized by significant limitations in—

- (i) Intellectual and cognitive functioning; and
  - (ii) Adaptive behavior as expressed in conceptual, social, and practical adaptive skills; and
- (2) Who is currently, or was formerly, eligible for special education and related services under the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. 1401), including a student who was determined eligible for special education or related services under the IDEA but was homeschooled or attended private school.

A student with an intellectual disability who enrolls in a comprehensive transition and postsecondary (CTP) program at a school that participates in the FSA programs is eligible for non-loan assistance (Pell Grants, FSEOG, and Federal Work-Study). As discussed in *Volume 1*, the student is exempt from some student eligibility requirements.

A CTP program is a degree, certificate, non-degree, or non-certificate program that is designed to support students with intellectual disabilities who want to continue their instruction (academic, career and technical, and independent living) at a postsecondary school to prepare for gainful employment. Schools must apply to the Department to have such a program judged eligible.

The program must be delivered to students physically attending the institution, include an advising and curriculum structure, and provide students with intellectual disabilities opportunities to participate in coursework and other activities with students without disabilities.

Such programs must require that at least half of the students' participation in the program, as determined by the school, focuses on academic components through one or more of the following activities:

- taking credit-bearing courses with students without disabilities,
- auditing, or otherwise participating in, courses the student does not receive regular academic credit for with students without disabilities,
- taking non-credit-bearing, nondegree courses with students without disabilities, and
- participating in internships or work-based training in settings with individuals without disabilities.

## ESL programs

Students enrolled in a program that consists solely of English as a second language (ESL) instruction are only eligible for Pell Grants. An ESL program must meet the general requirements for eligible programs (e.g., it must lead to a degree or other credential), and a school must request an eligibility determination for it from the Department. The program may admit only students who need instruction in English to be able to use the knowledge, training, or skills they already have. The school must document its determination that the ESL instruction is necessary for each student enrolled.

**TIP**

Schools should pay attention to the effect that awarding Pell Grants for more than one academic year of attendance in an ESL program has on a student's Pell LEU (See *Volume 3*).

See *Chapter 3* for a discussion of the requirement that schools define the effect of non-credit remedial courses (including ESL on a student's academic progress).

## Competency-based education programs

Competency-based education (CBE) is an innovative approach in higher education that organizes academic content according to competencies—what a student knows and can do—rather than follow a more traditional scheme, such as by course.

As with all Title IV-eligible programs (except correspondence programs), CBE programs must be designed to ensure that there is regular and substantive interaction between students and instructors. Interaction that is wholly optional, initiated primarily by the student, or occurring only upon the request of the student is not sufficient.

Some schools use a CBE model where instructors perform different roles and no single faculty member is responsible for all aspects of a course or competency. Such a model may be used, but schools must ensure that regular and substantive interaction between students and instructors occurs, that instructors meet accrediting agency standards for instruction in their subject, and that the faculty resources dedicated to the program are sufficient for the accrediting agency. Interactions between students and personnel who don't meet accrediting agency standards for providing instruction in the subject area would not be considered substantive interaction with an instructor.

FSA funds may be awarded only for learning that results from instruction provided or overseen by the school. FSA funds cannot be awarded for any portion of the program based on study or life experience prior to enrollment in the program or based on tests of learning that are not associated with educational activities overseen by the school.

A school must ensure that the instructional materials and faculty support necessary for academic engagement are available to students every week that the school counts toward its defined payment period or academic year. Educational activity in a CBE program includes but is not limited to

- participating in regularly scheduled learning sessions (where there is an opportunity for direct interaction between the student and the faculty member);
- submitting an academic assignment;
- taking an exam, an interactive tutorial, or computer-assisted instruction;
- attending a study group that is assigned by the institution;
- participating in an online discussion about academic matters;
- consultations with a faculty mentor to discuss academic course content; and
- participation in faculty-guided independent study (as defined in 34 CFR 668.10(a)(3)(iii)).

For direct assessment programs only, educational activity also includes development, in consultation with a qualified faculty member, of an academic action plan that addresses competencies identified by the school.

As with other types of eligible programs, CBE programs may be offered as nonterm or as standard or nonstandard term programs. Such programs may also last less than a year if all applicable requirements are met. See DCL GEN-14-23 for more information, including guidance about CBE programs and cost of attendance, satisfactory academic progress, return of Title IV funds, and direct assessment programs.

## Types of CBE programs

There are two types of CBE programs: those that measure progress using clock or credit hours and direct assessment programs.

**Credit- or clock-hour CBE programs** are organized by competency but measure student progress using clock or credit hours. In such programs, Title IV aid must be administered under normal statutory and regulatory provisions for credit- or clock-hour programs.

An institution offering a CBE program using credit hours must ensure that for Title IV purposes each credit hour in the program requires sufficient educational activity to fulfill the federal definition of a credit hour (See the discussion under *Determining program eligibility and Clock-Hour to Credit-Hour Conversions* later in this chapter.) and must reasonably approximate not less than one hour of classroom instruction and two hours of out-of-class work each week. A credit hour in a CBE program might not require structured class sessions but must still require sufficient academic activity—for instance, reading and writing assignments with feedback from an instructor—to reasonably approximate three hours of expected academic engagement per week for each credit hour. The CBE program could allow this work to be completed more flexibly and at the student's pace as long as he is making satisfactory academic progress.

**Direct assessment programs** are a type of CBE program that does not use credit or clock hours. Progress in a direct assessment program is measured solely by assessing whether students can demonstrate that they have a command of a specific subject, content area, or skill or can demonstrate a specific quality associated with the subject matter of the program. Therefore, unlike a CBE program measured in credit hours, a direct assessment program does not specify the level of educational activity in which a student is expected to engage in order to complete the program.

Because direct assessment programs do not use credit or clock hours, schools must establish credit- or clock-hour equivalencies for the programs and provide a factual basis for that to the Department as part of the application process for direct assessment programs. The equivalencies must be approved by a school's accrediting agency, and the school must document that approval. See GEN-14-23 for more about equivalencies.

The entire program must be provided by direct assessment—one offered partly with credit or clock hours is not Title IV-eligible—and the assessment must be consistent with the accreditation of the institution or program.

A direct assessment program may use learning resources (e.g., courses or portions of courses) that are provided by entities other than the school providing the direct assessment program without regard to the limitations on contracting for part of an educational program (see *Written Arrangements Between Schools* later in this chapter).

Several types of programs and coursework that might otherwise be eligible for FSA purposes are not eligible if they involve direct assessment:

- Programs at foreign schools.
- Preparatory coursework required for entry into an eligible program (*see Volume 1, Chapter 6*).
- Courses necessary for an elementary or secondary school teaching credential or certificate (*see Volume 1, Chapter 6*).
- Remedial coursework measured through direct assessment.

However, note that remedial instruction offered in credit or clock hours in conjunction with a direct assessment program is eligible for FSA funds.

A school that wishes to award FSA funds for a program using direct assessment must submit an updated E-App at (<https://eligcert.ed.gov/>) to the Department to apply for approval of the program. In addition to updating the E-App, the school will email to the case teams (at [CaseTeams@ed.gov](mailto:CaseTeams@ed.gov)) supporting documentation: a detailed program description (recommended length not to exceed 20 pages), a detailed description of financial aid administration (not to exceed 5 pages), and documentation that the school's accrediting agency has evaluated and approved the program and agrees with the school's credit- or clock-hour equivalency. See DCL GEN-13-10 for complete instructions.

The detailed program description will be a succinct narrative clearly indicating the name of the program and how it meets the regulatory requirements of 34 CFR 668.10(b). Each requirement must be specifically identified in the narrative; for example, there must be a description of how the assessment of learning is done [668.10(b)(2)].

The detailed description of financial aid administration for the program explains how the program meets the Title IV requirements. For example, the school must provide a basis for its credit- or clock-hour equivalent for the program or portion thereof (the clock or credit hours will be used as the basis for the FSA award calculations described in *Volume 3, Chapter 1*).

If a school plans to change any aspect of the program, it must obtain prior approval from the Department by reapplying.

### Direct assessment programs

34 CFR 668.10

For more information, including step-by-step instructions on how to apply for Title IV approval of a direct assessment program, see DCL GEN-13-10.

### Direct assessment definitions

An **academic year** in a direct assessment program consists of a minimum of 30 weeks of instructional time, during which a full-time student is expected to complete the equivalent of at least 24 semester or trimester credit hours or 36 quarter credit hours for an undergraduate program.

A **week of instructional time** is any seven-day period in which at least one day of educational activity occurs.

**Educational activity** includes assessments, regularly scheduled learning sessions, faculty-guided independent study, consultations with a faculty mentor, and development of an academic action plan addressed to the competencies identified by the school.

**Independent study** occurs when a student follows a course of study and works with a faculty member to decide how the student will meet defined course objectives. Both agree on what the student will do (e.g., readings, research, and work products), how the student's work will be evaluated, and the time frame for completion. The student must interact with the faculty member on a regular and substantive basis to assure progress within the course or program.

A **full-time student** is one carrying a full-time academic workload, as determined by the school, that is the standard for all students in the program. For undergraduate students, the school's standard must equal or exceed the minimum requirements in the definition of full-time student in 34 CFR 668.2, based on the credit- or clock-hour equivalency for the program.

## Apprenticeships

An apprenticeship combines job-related instruction with on-the-job experience. Postsecondary schools may provide related classroom instruction, technical training, or other certified training. If all or part of an apprenticeship meets an academic requirement of a Title IV-eligible educational program, students enrolled in that program may receive Title IV aid for the entire program, including for the apprenticeship portion.

Since student aid is partly determined by the number of credit or clock hours in the program, the structured on-the-job portion must be associated with a defined number of credit or clock hours. For clock-hour educational programs, students' completion of the clock hours associated with the on-the-job training must be under the supervision of school faculty.

Except as may be required by the accrediting agency or state, there is no limit on the percentage of the program that consists of on-the-job training as long as the school provides the training. Note that schools must report to the Department any location at which 50% or more of an educational program is provided, including any on-the-job component. If an entity other than the school provides the on-the-job training, that component must be 25% of the program or less or, with specific permission of the institution's accrediting agency, over 25% but less than 50% of the program.

In such contracted situations, the school must enter into a written arrangement with the entity providing the on-the-job training. If the program is offered in credit hours, the written arrangement should establish the equivalent credit hours for the non-coursework portion of the program. A school's policies for establishing credit hours must meet all requirements and standards set by its accrediting agency. See the discussion under *Written Arrangements Between Schools* later in this chapter for additional information.

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### Apprenticeships

For more information see Dear Colleague Letter GEN-14-22 and *Volume 6, Chapter 2*, of the Handbook.

**Study abroad references**

Arrangements with a study-abroad organization

34 CFR 668.5(b)

Student eligibility in study-abroad programs

34 CFR 668.39

FSEOG Maximum Awards

34 CFR 676.20

The maximum FSEOG for a full academic year is usually \$4,000. However, a school may award as much as \$4,400 to a student participating in a study-abroad program that is approved for credit by the home school.

**Written arrangements between domestic and foreign schools**

An eligible U.S. school may have a written arrangement with a foreign school or organization that is acting on behalf of a foreign school, but such an arrangement is always considered to be one between an eligible domestic school where the student enrolls and an ineligible foreign school, even if the latter is otherwise Title IV-eligible. Therefore, these arrangements are considered contractual agreements that must follow the rules that apply to such. See DCL GEN-11-18 for more information about Title IV eligibility of programs offered through written arrangements between U.S. and foreign schools.

**Study-abroad programs**

A participating institution may establish study-abroad programs for which students are eligible to receive FSA funds. The study-abroad program does not have to be a *required* part of the eligible program at the home school for the student to be eligible to receive FSA funds, but the credits earned through the study-abroad or exchange program must apply toward graduation in the student's program at the home school. In addition, students in the study-abroad program must remain concurrently enrolled at their home school. Moreover, the school must mention the availability of FSA funds in the information it provides to students about the study-abroad program.

**Types of study-abroad programs**

Study-abroad program configurations include the following:

- A home school sends students to a study-abroad program at an eligible or ineligible foreign host school. The home school must have a contractual agreement with the foreign school. A written arrangement between a domestic institution and one in another country is always considered a contractual agreement in which the domestic institution is the home school.
- A home school has, instead of a separate agreement with each foreign school, a written arrangement with a study-abroad organization that represents one or more foreign schools. The arrangement must adequately describe the duties and responsibilities of each entity and meet the requirements of the regulations.
- A variant of the study-abroad program occurs when a home school sends faculty and students to a foreign site. This is not a consortium or contractual study-abroad program; rather, the foreign site is considered an additional location under 34 CFR 600.32.

A study-abroad program must be part of a written contractual agreement between two or more schools. If a study-abroad program has higher costs than the home school, those should be reflected in the student's cost of attendance. This may result in the student being eligible for additional FSA funds.

Some eligible students have had problems receiving FSA funds for study-abroad programs because neither their home school nor the school they were temporarily attending documented that they were enrolled in an eligible program of study. The Program Participation Agreement requires participating schools to establish procedures that ensure that students participating in study-abroad programs receive the FSA funds to which they are entitled.

**Flight school program**

34 CFR 668.8(i)

**Written arrangements**

34 CFR 668.5

**Definitions**

**Consortium agreement**—a written agreement between two or more eligible schools.

**Contractual agreement**—a written agreement between an eligible school and an ineligible school.

**Home school**—the school where the student is enrolled in a degree or certificate program.

**Host school**—the school where the student is taking part of his or her program requirements through either a consortium or contractual agreement.

**Two plus two program**—a partnership between a two-year and a four-year school that facilitates a student's completing the last two years of the student's four-year degree.

**Flight school programs**

A flight school program must maintain current valid certification by the Federal Aviation Administration to be eligible.

**WRITTEN ARRANGEMENTS BETWEEN SCHOOLS**

Under a consortium or contractual agreement (including those for study-abroad programs), the home school must give credit for courses taken at the other schools on the same basis as if it provided the training itself. The underlying assumption of such an agreement is that the home school has found the other school's or organization's academic standards equivalent to its own and the instruction an acceptable substitute for its own.

A home school may decline to give credit for courses in which a student earns a grade that is not acceptable at the home school even though the host school has a policy of accepting that grade for its resident students. Also, although grades received through consortium or contractual agreements do not have to be included in a student's grade point average, they must be included when calculating the quantitative component (the percentage of credits earned vs. attempted) of her satisfactory academic progress.

If not written for an individual student or group of students, agreements between schools can go on indefinitely. These agreements do not have to be renewed unless the terms of the agreement change.

A school must provide enrolled and prospective students with a description of the written arrangements it has entered into, including

- the portion of the educational program that the school that grants the degree or certificate is not providing,
- the name and location of the other schools or organizations that are providing that portion of the educational program,
- the method of delivery of that part of the educational program, and
- estimated additional costs students may incur by enrolling in an educational program provided under the written arrangement.

## Requirement to inform students of an arrangement

34 CFR 668.43(a)(12)

### Contents of a consortium agreement

The Department does not dictate the format of the agreement (which can be executed by several different offices) or where the agreement is kept. However, the following information should be included in all agreements:

- The school that will grant the degree or certificate
- The student's tuition, fees, and room and board costs at each school
- The student's enrollment status at each school
- The school that will be responsible for disbursing aid and monitoring student eligibility
- The procedures for calculating awards, disbursing aid, monitoring satisfactory progress and other student eligibility requirements, keeping records, and returning funds when the student withdraws

## Consortium agreement

A consortium agreement can apply to all FSA programs. Under a consortium agreement, students may take courses at a school other than the home school and have those courses count toward the degree or certificate at the home school. A student can only receive FSA assistance for courses that are applicable to the student's certificate or degree program.

A consortium agreement can be a blanket agreement between two or more eligible schools, or it can be written for a specific student. Such an agreement is often used when a student takes related courses at neighboring schools or when a student is enrolled in an exchange program with another eligible school for a term or more. A school could have one agreement for each student, a separate agreement with each host school, or a blanket agreement with a group of schools.

In a consortium agreement there is no limit on the portion of the eligible program that may be provided by eligible schools other than the home school. Agreement contents can vary widely and will depend upon the interests of the schools involved and the accrediting or state agency standards. (See sidebar for required contents of an agreement.)

Usually the home school is responsible for disbursing funds, but if the student is enrolled for a full term or academic year at the host school, it may be easier for the host school to monitor his eligibility and make payments.

When there is a written arrangement between eligible schools, any of the schools participating in the written arrangement may make FSA calculations and disbursements without that school being considered a third-party servicer. This is true even if the student is not currently taking courses at the school that is calculating and disbursing the aid.

The school that disburses an FSA award is responsible for maintaining information on the student's eligibility, how the award was calculated, what money has been disbursed, and any other documentation associated with the award, even if some of that documentation comes from other schools. Moreover, the school paying the student must return FSA funds if required, for example, in refund/return or overpayment situations. For determining enrollment status under a consortium agreement, see *Volume 3, Chapter 3*.

## Contractual agreement

If the limitations in the following paragraphs are adhered to, an eligible school may enter into a contractual agreement with an ineligible school or organization that provides part of the educational program of students enrolled at the eligible school.

Such a contract is prohibited with an ineligible school or organization whose

- eligibility or certification to participate in the FSA programs has been terminated or revoked by the Department or
- application for certification or recertification to participate in the FSA programs was denied by the Department.

Similarly, an eligible school is prohibited from entering into a contract with an ineligible school or organization that has voluntarily withdrawn from participation in the FSA programs under a termination, show-cause, suspension, or similar type of proceeding initiated by the Department or the school's state licensing agency, accrediting agency, or guarantor.

Under a contractual agreement, the eligible school is always the home school. It performs all the aid processing and disbursement for students attending the ineligible school and is responsible for maintaining all records necessary to document student eligibility and receipt of aid (see *Chapter 7*).

With a contractual agreement, the ineligible school can in general provide no more than 25% of the educational program. However, it may provide more than 25% but less than 50% of the program as long as (1) the home and ineligible schools are **not** owned or controlled by the same individual, partnership, or corporation; and (2) the home school's accrediting agency or state agency (in the case of a public postsecondary vocational institution) determines and confirms in writing that the agreement meets its standards for contracting out education services.

Schools sometimes contract with providers of software platforms designed to support distance education programs. When such a contractor provides only the software or platform for coursework and instruction in the program is still performed by the school's own faculty under the school's supervision, such an arrangement is not considered a written arrangement under 34 CFR 668.5. However, if the contractor's staff provides instruction as part of its provision of software or other services, the school must have a contractual agreement in place that establishes the proportion of the program provided by the contractor and ensures it does not exceed the legal limits.

### Written arrangements between schools under same ownership or control

If the written arrangement is between two or more eligible institutions that are owned or controlled by the same individual, partnership, or corporation, the Department considers the educational program to be an eligible program if

- the educational program offered by the school that grants the degree or certificate otherwise satisfies the requirements of an eligible program (described in this chapter), and
- the school that grants the degree or certificate provides more than 50% of the educational program.

### Internships and externships

Internships and externships that are part of a program and are provided by organizations other than the institution are subject to the written arrangement requirements. However, an internship or externship portion of a program does not have to meet the written arrangement requirements if the internship or externship is governed by explicit accrediting agency standards that require the oversight and supervision of the institution, where the institution is responsible for the internship or externship and students are monitored by qualified institutional personnel.

### Contracts for online program management

Schools sometimes contract with providers of software and other services designed to support distance education programs. When such a contractor is only providing a service or a software platform but instruction in the program is still performed by the school's own faculty under the school's supervision, such an arrangement is not considered a written arrangement under 34 CFR 668.5. However, if the contractor's staff provides instruction as part of its provision of software or other services, the school must have a contractual agreement in place that establishes the proportion of the program provided by the contractor and ensures it does not exceed the legal limits.

## DISTANCE EDUCATION AND CORRESPONDENCE STUDY

### Accreditation for distance education

Distance education programs must be evaluated by an accrediting agency that is recognized by ED for the purpose of evaluating distance education, just as an agency must be specifically reviewed and recognized for the evaluation of correspondence education. Dear Colleague Letter GEN-06-17 includes specific instructions on notifying ED if the school intends to seek new accreditation and updating the E-App to reflect changes to the school's accreditation.

Schools use distance education and correspondence courses to respond to students' needs for alternatives to the schedules and locations at which courses traditionally have been offered. A school may not refuse to provide FSA funds to a student because she is enrolled in correspondence or distance education courses unless the courses are not part of an eligible program.

Some participating institutions contract with distance education providers that are not eligible to participate in the FSA programs. These participating institutions must ensure that they do not exceed the limitations on contractual arrangements (see previous section).

### *Distance education*

A distance education program at a domestic school is considered an eligible FSA program if it has been accredited by an accrediting agency recognized by the Department for accreditation of distance education. It is not subject to the rules that apply to correspondence coursework, which are discussed in the next section.

Distance education means education that uses certain technologies to deliver instruction to students who are separated from the instructor and **to support regular and substantive interaction between the students and the instructor**. The interaction may be synchronous (student and instructor are in communication at the same time) or asynchronous. The technologies may include the Internet; audio conferencing; or one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices.

A course taught through video cassettes or discs is also considered a distance education course but only if one of the three technologies listed is used to support interaction between the students and the instructor.

## Correspondence courses

Unlike distance education courses, which are treated the same as all other eligible programs, some restrictions apply to correspondence courses. A correspondence program at a domestic school is considered an eligible FSA program if it has been accredited by an accrediting agency recognized by the Department for accreditation of correspondence education.

A correspondence course is a home-study course for which the school provides instructional materials, including examinations on the materials, to students who are not physically attending classes at the school. Interaction between the instructor and student is limited, not regular and substantive, and primarily initiated by the student.

Correspondence courses are typically self-paced. When a student completes a portion of the instructional materials, the student takes the examinations that relate to that portion of the materials and returns the examinations to the school for grading.

If a course is part correspondence and part residential training, the course is considered to be a correspondence course.

If a school adds distance education technology, such as electronic delivery of course materials or an online discussion board, to a correspondence course, the school must ascertain the predominant method of instruction (correspondence or distance education), keeping in mind that a distance education course must use technology to support regular and substantive interaction between the students and instructor. The school must use the rules for the predominant method in administering the FSA programs.

If a school offers more than 50% of its courses by correspondence or if 50% or more of its students are enrolled in its correspondence courses, the school loses its eligibility to participate in the FSA programs (see *Chapter 1*).

Note that correspondence students enrolled in certificate programs are not eligible for FSA funds. For a full discussion of when a school may pay a student for correspondence study, see *Volume 1, Chapter 1*. Also see *Volume 3, Chapter 2* for limitations on the cost of attendance for correspondence students and *Volume 3, Chapter 1* for the timing of disbursements to correspondence students.

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### Correspondence courses and institutional eligibility

34 CFR 600.2, "Correspondence course"

34 CFR 600.7(a)(1)(i) and (ii)

34 CFR 602.3, "Correspondence education"

HEA Sec. 102(a)(3)(A) and (B)

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### A combined correspondence and residential program example

A school offers a truck driving program, the first part of which is offered via correspondence. After completing that part of the program, the student has to attend a residential site where he learns how to drive trucks. This is a correspondence program.

## DETERMINING PROGRAM ELIGIBILITY AND CLOCK-HOUR TO CREDIT-HOUR CONVERSIONS

### Clock-hour to credit-hour conversions

34 CFR 668.8(k) & (l)

See the Program Integrity Q&As at [www2.ed.gov/policy/highered/reg/hearulemaking/2009/credit.html#credit](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/credit.html#credit).

### Definitions of clock hour and credit hour

34 CFR 600.2

### Measuring attendance in clock hours

A student's period of attendance is measured according to one of several commonly accepted academic standards. A clock hour is based on an actual hour of attendance (though each hour may include a 10-minute break). Credit hours are typically based on two hours of homework for each hour of class attendance.

A school is not permitted to count more than one clock hour per 60-minute period; in other words, a school may not schedule several hours of instruction without breaks and then count clock hours in 50-minute increments. For instance, a school could not consider seven consecutive hours of instruction to be 8.4 hours by dividing 50 minutes into 420 minutes. Seven 60-minute periods of instruction may not count for more than seven clock hours.

### Exemption if ED determines that the program offers "equivalent degree"

The regulations also stipulate that the school is exempted from using the clock-hour/credit-hour formulas if the Department determines that the program provides a degree equivalent to an associate degree, a bachelor's degree, or a professional degree. This does not permit a school to ask for a determination that a nondegree program is equivalent to a degree program.

The credit hour definition and the clock-hour to credit-hour conversion rules serve two purposes: to determine program eligibility and to determine the award amount for certain FSA programs.

In this section, we discuss the first of these topics—the use of the **clock-hour to credit-hour** conversion rules in determining if a program meets the minimum program length requirements discussed earlier in the chapter.

### *Definition of a clock hour*

A clock hour is defined as a period of time consisting of

1. a 50- to 60-minute class, lecture, or recitation in a 60-minute period;
2. a 50- to 60-minute faculty-supervised laboratory, shop training, or internship in a 60-minute period; or
3. sixty minutes of preparation in a correspondence course.

### *Definition of a credit hour*

A credit hour is an amount of work that reasonably approximates not less than

1. one hour of classroom or direct faculty instruction and a minimum of two hours of out-of-class work each week for approximately 15 weeks for one semester or trimester hour of credit, or 10 to 12 weeks for one quarter hour of credit, or at least the equivalent amount of work over a different amount of time; or
2. at least an equivalent amount of work as required in paragraph (1) of this definition for other academic activities as established by the institution including laboratory work, internships, practica, studio work, and other academic work leading to the award of credit hours.

The regulations make an exception to this definition in the case of programs that are subject to one of the clock-hour/credit-hour conversion formulas, as described in the following text.

## *Clock-hour to credit-hour conversions in determining program eligibility*

If your school offers an undergraduate educational program in credit hours that is considered a GE program, it must use one of the following conversion formulas unless

- the program is at least two academic years in length and provides an associate degree, a bachelor's degree, a professional degree, or an equivalent degree as determined by the Department; or
- each course within the program is acceptable for full credit toward a single associate degree, bachelor's degree, professional degree provided by that institution, or equivalent degree as determined by the Department, provided that 1) the school's degree requires at least two academic years of study; and 2) the school demonstrates that students enroll in, and graduate from, the degree program.

The formula will determine if after the conversion the program includes the minimum number of credit hours to qualify as an eligible program for FSA purposes.

For determining the number of credit hours in that educational program

- a semester hour must include at least 37.5 clock hours of instruction,
- a trimester hour must include at least 37.5 clock hours of instruction, and
- a quarter hour must include at least 25 clock hours of instruction.

For more information on how to perform the clock-hour/credit-hour conversion, see the *Clock-Hour to Credit-Hour Conversion Example* at the end of this chapter.

### **Rounding**

#### **Clarification**

A school must have a policy that specifies the number of decimal places it will use in the steps of its calculation, and round at each of the steps in the calculation to that number of significant figures.

Because the results of these formulas determine the eligibility of a program, the resulting number of credit hours both in each step and final result may not be rounded up.

Since the E-app accepts whole numbers only, when reporting on the E-app, a school must round down to the whole number.

In determining the enrollment level of a student, a school must use the exact number of significant figures (decimals places) specified in its policy on rounding.

### **Exception example**

Although for a program to be eligible for the clock-hour to credit-hour conversion exception all of the classes must be acceptable for full credit toward a degree program at the school, only a majority need to actually be accepted into the program. For example, a school has a two-year program in plumbing and a bachelor's degree program in construction technology. Any of the five plumbing courses taken by a student in the two-year plumbing program may be used to satisfy the plumbing requirement in construction technology. However, that requirement is only for three plumbing courses, and no more than that can be accepted toward the construction technology degree. But since all of the plumbing courses that are part of the two-year program are acceptable in the bachelor's program and a majority (three out of five or 60%) will be accepted, the plumbing program qualifies for the exception.

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**State/crediting agency criteria**

The regulations for state and accreditation agencies explain how an agency reviews a school's assignment of credit hours.  
34 CFR 602.24 and 603.24

**Credits approved by state and accrediting agencies**

When states and accrediting agencies approve programs, they sometimes also approve the number of credits in those programs. The credits approved by states and accrediting agencies are not necessarily the credits that will be approved if the program becomes eligible for Title IV aid. For Title IV purposes, the number of credits in the program will be those determined by the clock-hour to credit-hour conversion formula, but they will never be more than those approved by a state or accrediting agency.

**State requirements and credit-hour to clock-hour conversions**

If a state requires that a program that prepares students for a recognized occupation be composed of a minimum number of hours of training and a school offers a GE program that prepares a student for that occupation, the number of hours in the program cannot exceed the state minimum by more than 50%. For example, if Alaska requires that students preparing for a career in air conditioning and refrigeration repair complete 1,000 hours of training, the Department will not approve Title IV participation for any GE program (clock hour or credit hour) in air conditioning and refrigeration repair that is composed of more than 1,500 hours (150% X 1,000).

If a school provides a credit-hour GE program that is subject to the clock-hour to credit hour conversion, and the school includes out-of-class hours in the conversion calculation (using the “Full Formula” described at the end of this chapter), the school must include those out-of-class hours when determining whether the hours in the program exceed the minimum hours required by the state by more than 50%.

If a school applies the appropriate formula and finds that a program is eligible, the converted credit hours are used to determine the amount of FSA funds that a student who is enrolled in the program is eligible to receive as explained in *Volume 3, Chapter 1*.

### *Out-of-class student work*

The school's minimum number of clock hours of instruction per credit may be less if its designated accrediting agency or recognized state agency for the approval of public postsecondary vocational institutions for participation in the FSA programs has not identified any deficiencies with the school's policies and procedures for determining the credit hours that the school awards for programs and courses. In such cases student work outside of class combined with the clock hours of instruction must meet or exceed the numeric requirements (37.5 or 25), and

- a semester hour must include at least 30 clock hours of instruction,
- a trimester hour must include at least 30 clock hours of instruction, and
- a quarter hour must include at least 20 hours of instruction.

Merely having coursework that is outside of class does not mean a school can automatically divide by 30 or 20. The minimum may be higher than 20 or 30 depending on the amount of out-of-class work that is expected in the different educational activities of a program and may vary depending on the particular activity. The case study that follows illustrates a method for accurately accounting for any out-of-class work a student may have in a course.

Also, the amount of out-of-class work in a particular course or activity in a program does not carry over to other courses or activities.

### Clock-Hour to Credit-Hour Conversion Example

Prejean Community College (PCC), a public institution located in Louisiana that offers its courses in a semester format, has been told by the state that it must begin offering a 27 semester-hour career-training program previously offered in a clock-hour format by a post-secondary vocational-technical school. The program does not lead to a degree, and all of its courses do not transfer into a single degree program at the institution. Therefore, the program is subject to the clock-hour to credit-hour conversion.

Alice Defontes, PCC's financial aid officer discovers that a school has two options when performing a clock-hour/credit-hour conversion—a Default Formula and a Full Formula. Alice decides to perform the calculation both ways in order to determine which option would most benefit students, and that she will ultimately select.

Neither the state or PCC's accrediting agency specifies rounding rules, but PCC's policies and procedures state that PCC performs calculations to 2 decimal points and awards credits using whole credit hours.

The program's information is as follows:

Course	Hours of Classroom Instruction	Out-of-Class Hours in Course	Credits assigned by school
1	105	30	4
2	83	18	4
3	78	25	4
4	111	35	2
5	195	45	6
Externship	375	0	7
Total	947	153	27

*The first four courses are offered in the first semester, and the fifth course and the externship are offered in the second semester.*

To apply the Default Formula, Alice ignores the out-of-class hours and simply divides the number of hours of in-class instruction by 37.5 and rounds down to the nearest whole number. As she performs the calculation using the Default Formula, Alice must keep in mind the following rules:

- A school must perform the calculations on each individual component (course) in the program.
- Regardless of the results of the conversion calculation, a school cannot award more credit for Title IV purposes than the academic credit assigned to a course by the school and/or approved by its state or accrediting agency.
- A school must have a policy that specifies the number of decimal places (fractions of credit hours) it will use in its calculation.
- A school that elects to round its calculations, when determining student eligibility, must round down at the level of each individual course or educational activity. The school must not wait until the last step and round the total.

**Clock-Hour to Credit-Hour Conversion Example (Continued)**

Default Formula			
Semester 1			
Course	Hours of Classroom Instruction	Credits assigned by school	Conversion Calculation
1	105	4	$105/37.5 = 2.80$ rounded to 2
2	83	4	$83/37.5 = 2.21$ rounded to 2
3	78	4	$78/37.5 = 2.08$ rounded to 2
4	111	2	$111/37.5 = 2.96$ rounded to 2
<b>Totals</b>	<b>377</b>	<b>14</b>	<b>8</b>
Semester 2			
5	195	6	$195/37.5 = 5.20$ rounded to 5
Externship	375	7	$375/37.5 = 10.0$ limited to 7 <sup>1</sup>
<b>Totals</b>	<b>570</b>	<b>13</b>	<b>12</b>
<b>Program Totals</b>	<b>947</b>	<b>27</b>	<b>20</b>

<sup>1</sup> Regardless of the results of the conversion calculation, a school cannot award more credit for Title IV purposes than the academic credit assigned to a course by the institution, and/or approved by a state or accrediting agency.

After applying the Default Formula, Alice finds that during the first semester of the program, students are eligible to be paid for only 8 credit hours of instruction. Because this is less than the full-time student minimum of 12 credit hours, students who attend the first semester are eligible to be paid for only half-time attendance. In the second semester of the program, students are eligible to be paid for 12 credit hours of instruction. Students attending the second semester can be paid as full-time students.

Including the two previous rules, Alice must now follow some additional rules when applying the Full Formula. Since Alice cross trains her staff, she gathers Barry, Jack, Lucille, Agnes and Miles, and together they make the following list of the rules.

**Performing the Clock-Hour to Credit-Hour Conversion using the Full Formula**

- A school must perform the calculations on each individual component (course) in the program.
- Regardless of the results of the conversion calculation, a school cannot award more credit for Title IV purposes than the academic credit assigned to a course by the school and/or approved by its state or accrediting agency.
- A school must satisfy the requirement that a credit hour must include at least 30 in-class hours of instruction for a program offered in semesters or trimesters or 20 clock-hours of instruction for a program offered in quarters.
- A school may include in the conversion calculation only 7.5 out-of-class hours for every 30 in-class hours for a semester program, and 5 out-of-class hours for every 20 in-class hours in a quarter hour program.

### Clock-Hour to Credit-Hour Conversion Example (Continued)

- A school must have a policy that specifies the number of decimal places (fractions of credit hours) it will use in its calculation.
- A school that elects to round its calculations, when determining student eligibility, must round down at the level of each individual course or educational activity. The school must not wait until the last step and round the total.

As Alice calculates the program’s eligibility using the Full Formula, she will proceed through the following steps:

- Step 1 For each course, calculate the **maximum number of credits** your course could be eligible for by dividing the hours of classroom instruction by 30 if the course is offered in semester or trimesters and 20 if the course is offered in quarters.
- Step 2 Multiply the **maximum number of credits** by 7.5 to find the **number of out-of-class hours required** for the course to be worth that maximum number of credit hours.
- Step 3 If, after rounding, the number of out-of-class hours is equal to or greater than the **number of out-of-class hours required**, then the course is worth the number of credits established in Step 1. If not, go to Step 4.
- Step 4 Sum the in-class hours and out-of-class hours and divide by 37.5 hours (for a program offered in semesters or trimesters) or 25 hours (for a course offered in quarters) and go to step 5.
- Step 5 Apply school’s rounding policy—either one mandated by the state or the accrediting agency or otherwise chosen by the school and included in its policies and procedures. You must round down to the whole number or decimal specified in your school’s policies.

Full Formula					
Semester 1					
Course	Hours of Classroom Instruction	Out-of-Class Hours in Course	Out-of class hours after limit applied	Credits assigned by school	Conversion Calculation
1	105	30	26.25 <sup>1</sup>	4	$(105 + 26.25) / 37.5 = 3.50$ rounded to 3
2	83	18	18.00	4	$(83 + 18) / 37.5 = 2.69$ rounded to 2
3	78	25	19.50 <sup>1</sup>	4	$(78 + 19.5) / 37.5 = 2.60$ rounded to 2
4	111	35	27.75 <sup>1</sup>	2	$(111 + 27.75) / 37.5 = 3.7$ limited to 2 <sup>2</sup>
<b>Totals</b>	<b>377</b>	<b>108</b>	<b>91.50<sup>1</sup></b>	<b>14</b>	<b>9 credit hours</b>
Semester 2					
5	195	45	45.00	6	$(195 + 45) / 37.5 = 6.4$ rounded to 6
Externship	375	0	n/a	7	$(375 + 0) / 37.5 = 10$ limited to 7 <sup>2</sup>
<b>Totals</b>	<b>570</b>	<b>45</b>	<b>45.00</b>	<b>13</b>	<b>13</b>
<b>Program Totals</b>	<b>947</b>	<b>153</b>	<b>136.5</b>	<b>27</b>	<b>22</b>

<sup>1</sup>The rules permit an institution to include in the conversion calculation only 7.5 out-of-class hours for every 30 in-class hours. For example, 105 in-class hours divided by 30 equals 3.5, which multiplied by 7.5 equals 26.25. For this class, the maximum number of out-of-class hours that may be considered is 26.25.

<sup>2</sup>Regardless of the results of the conversion calculation, a school cannot award more credit for Title IV purposes than the academic credit assigned to a course by the institution, and/or approved by a state or accrediting agency.

### Clock-Hour to Credit-Hour Conversion Example (Continued)

For the first semester of the program, students are eligible for payment for only 9 credit hours of instruction. Because this is less than the full-time student minimum of 12 credit hours, students who attend the first semester are eligible to be paid for only 3/4-time attendance.

In the second semester of the program, students are eligible to be paid for 13 credit hours of instruction. Students attending the second semester can be paid as full-time students.

The state of Louisiana requires 700 clock hours for employment in the occupation for which the program prepares students. Therefore, **the maximum number of hours included in the conversion calculation cannot be more than 150% of 700 or 1,050 hours.**

Since the sum of the number of classroom hours and out-of-class hours (after the limits are applied) in the Full Formula is 1,065.5 (377 + 91.5 + 570 + 45) and that total exceeds 1,050, Alice cannot use the Full Formula results unless the school reduces the number of in-class or out-of-class hours in the program to the point at which the sum of the number of classroom hours and out-of-class hours (after the limits are applied) is less than or equal to 1,050.

#### References

34 CFR 668.8(k)

34 CFR 668.8(l)(1)(i), (ii), and (iii)

34 CFR 668.14(b)(26)



# FSA Administrative & Related Requirements

## CHAPTER 3

*This chapter describes aid-related requirements a school must meet to participate in the Federal Student Aid programs. Many of these requirements require coordination with other school offices. For instance, the requirements for adequate staffing, the incentive compensation prohibition, and hiring restrictions related to the misuse of government funds might apply to your school's human resources office. Similarly, your school's academic divisions and its business office will need to be aware of the standards for satisfactory progress policies, readmission of service members, and in-state tuition rates for service members and their families.*

### ADMINISTRATIVE REQUIREMENTS FOR THE FINANCIAL AID OFFICE

#### *Consistency of information and conflicting information*

A school must have a system of identifying and resolving discrepancies in all FSA-related information received by any school office. A school must resolve discrepancies for all students, not just those selected for verification. Resolution includes determining what information is correct and documenting the school's findings in the student's file.

Such a system must include a review of:

- ◆ All student aid applications, need analysis documents, multiple reporting records, potential overawards from COD, statements of educational purpose, statements of registration status, and eligibility notification documents presented by or on behalf of each applicant.
- ◆ The Student Aid Report/ISIR for a student. Even if a school has already verified the information on a student's SAR/ISIR, it must review all information on subsequent SARs/ISIRs.
- ◆ Any documents, including copies of federal tax return and tax account transcripts, that are normally collected by the school to verify information received from the student or other sources.
- ◆ Any other information submitted or normally available to the school regarding a student's citizenship, previous educational experience, or Social Security number or other factors relating to the student's eligibility for FSA funds.

For instance, if a student receives an academic scholarship through one school office, that office must notify the aid administrator of these benefits to ensure that the amounts are correctly reported on the student's aid application and are counted as estimated financial assistance for the Campus-based and Direct Loan programs.

#### Related information

- Financial Standards, *Chapter 4*
- Consumer Information, Campus Safety, Reports, & Other Requirements, *Chapter 6*
- Records, Electronic Processes, *Chapter 7*

#### Audit Guide

**Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs. U.S. Department of Education, Office of the Inspector General, 2016.**

<https://www2.ed.gov/about/offices/list/oig/nonfed/schoolservicerauditguide.pdf>

#### Administrative capability

To participate in the FSA programs, a school must demonstrate that it is administratively capable of providing the education it promises and of properly managing the FSA programs.  
34 CFR 668.16

#### FSA Assessments

To assess your school's compliance with these requirements, see Activity 1 under "Conflicting Information" in the "Verification Assessment" at <https://ifap.ed.gov/ifap/FSAAssessments.jsp>

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### Students who turn out to be ineligible

Sometimes resolving conflicting information will reveal that a previously eligible student who received Title IV aid was actually ineligible, for example, a student who indicated on his FAFSA that he had a high school diploma when he really did not. In such cases the student must return\* all the Title IV aid he received (except earned FWS wages) while ineligible, even if it was in a previous award year. Also, you are required to update COD data to reflect the adjustments. If you suspect that the student intended to deceive rather than made a mistake, see “OIG referrals” later in this chapter.

\* While the student is generally responsible for repaying aid in such cases, there might be situations where the school is responsible. See DHC-Q4 at ([www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html)).

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### Death of a student

If a student dies during the award year, the school isn’t required to resolve conflicting information.

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### OIG referrals

34 CFR 668.16(g)

Other examples include:

- ◆ A school’s admissions or registrar’s office must provide the aid office with any information it has that might affect a student’s eligibility, such as the student’s enrollment in an ineligible program or in summer classes immediately preceding a fall term of enrollment.
- ◆ A school’s business office must inform the aid office whenever it receives information about a student receiving an outside scholarship.

There is a distinction between how long you need to be alert for conflicting information and how long you have to actually resolve a conflict. Even if the processing year has ended, you must continue to resolve conflicting information unless

- ◆ all aid for the period of enrollment has been disbursed,
- ◆ at the time of disbursement there was no conflicting information, and
- ◆ the student is no longer enrolled at the school (and is not intending to reenroll).

You may not ignore a document in your files unless a student is no longer enrolled. If you have conflicting information in your files, you must resolve it as expeditiously as possible. If you become aware of conflicting information for a student who is no longer enrolled and there is aid to be disbursed, you must resolve the conflict before making the late or post-withdrawal disbursement.

If aid that the school was unaware of is received after the end of a period of enrollment for a student who is intending to re-enroll, that aid must be treated as estimated financial assistance for either the period of enrollment just completed or for the subsequent period of enrollment. See the discussion of estimated financial assistance and packaging in *Volume 3*.

Remember, if any office at your school has information that might affect a student’s eligibility for FSA funds, it must provide that information to the school’s designated coordinating official (described later). That person must forward it to the financial aid office, where procedures must be in place to ensure that any conflicting information is resolved and documented before the student receives any (or any additional) FSA funds.

## Sources and Examples of Conflicting Information

### Sources of conflicting information include:

- tax returns or schedules,
- Federal tax transcripts,
- other information provided by the student to the financial aid office,
- supplemental financial aid applications,
- other offices within the school,
- offices at other educational institutions (not just aid offices),
- the Department,
- scholarships and information from outside sources,
- state agencies such as scholarship and vocational rehabilitation agencies, Workforce Investment Act offices, etc.,
- tips from outside sources,
- transcripts from other colleges,
- SARs or ISIRs,
- verification,
- C flags,
- reject codes,
- comment codes.

### Examples of conflicting information include:

- citizenship status,
- accuracy of SSN,
- default or overpayment status,
- changes in student's academic status (including grade level progression),
- elements considered in determining Cost of Attendance
- other student financial assistance or resources, and
- inconsistent information used in calculating the student's EFC.

### Conflicting information does not include such things as

- a household size that differs from the number of exemptions on a tax return;
- dependency under IRS rules vs. ED definition of dependency;
- a roster of candidates for an outside scholarship, as opposed to a list of recipients;
- privacy-protected information, such as information from professional counselors, chaplains, doctors, etc.;
- assumptions made by the Central Processing System; and
- a student who has an expired immigration document but whose secondary confirmation match is successful.

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**Coordinating official—definition of capable individual**

34 CFR 668.16(b)(1)

An individual is “capable” if he or she is certified by the state in which the school is located, if state certification is required. Other factors affecting capability include the individual’s successful completion of FSA program training provided or approved by the Department and previous experience and documented success in FSA program administration.

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**Separation of function**

For further guidance on the separation of functions, contact the appropriate school participation division.

**OIG referrals**

A school must refer to the Department’s Office of Inspector General (OIG) any credible information indicating that an applicant for federal student aid may have engaged in fraud or other criminal misconduct in connection with his or her application.

Common misconduct includes false claims of independent student status, false claims of citizenship, use of false identities, forgery of signatures of certifications, and false statements of income. Remember that fraud is the intent to deceive as opposed to a mistake. If you suspect such intent on the part of a student, report it to the OIG by phoning 1-800-MISUSED.

Schools must also refer to the OIG any third-party servicer who may have engaged in fraud, breach of fiduciary responsibility, or other illegal conduct involving the FSA Programs.

It is always appropriate for a financial aid administrator to consult with a school’s legal counsel prior to referring suspected cases of fraud or misconduct to an agency outside of the school. Referrals to the IG are also mentioned in the *Application and Verification Guide*.

**Coordinating official**

A school must designate a capable individual to be the coordinating official. This person performs a key role in demonstrating the school’s administrative capability. She administers the FSA programs and coordinates the aid from those programs with that from all other sources (federal, state, school, and private). As noted earlier, all the information the school receives and any changes processed by an office of the school that might affect a student’s FSA eligibility are communicated to the coordinating official and by her to the financial aid office.

For example, when aid administrators create a student’s financial aid package, they must consider financial assistance (scholarships, grants, awards, etc.) the student is receiving from external and internal sources to ensure that he is not overawarded. Therefore, any information the school’s admissions office or an academic department gets about financial assistance a student is receiving must be made available to the coordinating official. Another example is that the financial aid office must be informed of any changes in a student’s enrollment status. Therefore, whenever he adds or drops a class, changes from credit to audit, or withdraws from school, the change must be communicated to the coordinating official.

## Counseling

Schools must provide adequate financial aid counseling to all enrolled and prospective students and their families. In addition, schools must also provide entrance and exit counseling for student borrowers in the Direct Loan programs and exit counseling for borrowers in the Perkins Loan Programs. For a complete discussion of Direct Loan counseling requirements, see *Chapter 6*. For a discussion of Perkins counseling and disclosure requirements, see *Volume 6*.

## Adequate staffing

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional and clerical personnel. The number of staff that is adequate depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be insufficient at another. The Department will determine on a case-by-case basis whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the FSA programs.

## System of checks and balances

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of authorizing payment and disbursing or delivering funds so that no single person or office exercises both functions for any student receiving FSA funds.

Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well but not both authorization and disbursement. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

While electronic processes enhance accuracy and efficiency, they also can blur separation of functions so the awarding and disbursement occur virtually simultaneously. Schools must set up controls that prevent an individual or an office from having the authority or the ability to perform both functions.

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### Family definition and example

A member of a person's family is a parent, sibling, spouse, child, spouse's parent or sibling, or sibling's or child's spouse.

Example: Charlie works in the financial aid office at Krieger University, and he notices that there is an opening in the business office. He thinks of telling his daughter Sarah about the job but then realizes that because the business office disburses student aid, she would not be able to work there while he is responsible for awarding aid in the financial aid office.

34 CFR 668.15(f)(3)

### Debarment and suspension

To protect the public interest, it is the policy of the federal government to conduct business only with responsible individuals. To implement this policy, the government takes debarment and suspension actions against individuals whom it determines constitute a current risk to federal agencies.

Executive Order 12549  
Federal Acquisition Regulations  
(48 CFR Part 9, Subpart 9.4)  
34 CFR Part 85

Similar debarment and suspension limitations apply to lenders, third-party servicers, loan servicers, and any individuals who provide services described in 34 CFR 668.2 or 682.200 to an FSA recipient whether or not they are employed by the school.

#### Covered transactions

For purposes of the debarment/suspension rules, covered transactions include:

- disbursement of FSA funds to a student or borrower,
- certification by an educational institution of eligibility for an FSA loan, and
- acquisition or exercise of any servicing responsibility for a grant, loan, or work study assistance under an FSA program.

#### Checking debarment/suspension status online

You can search for entity registration and exclusion records on the System for Award Management (SAM) at

<https://www.sam.gov/portal/SAM/##11>

In addition, your system also should have controls that prevent cross-functional tampering. For example, financial aid office employees should not be able to change data elements that are entered by the registrar's office. Finally, your system should only allow individuals with special security classifications to make changes to the programs that determine student need and awards, and it should be able to identify the individuals who make such changes.

## OWNERSHIP, EMPLOYEES, AND CONTRACTORS

### *Debarment of school owners or staff*

If one of the principals of a school is debarred or suspended by a federal agency, that person is prohibited from participating in any FSA program as long as the agency's procedures include due process protections that are equivalent to those provided by ED.

The principals of a school include its owners, directors, officers, partners, employees, and anyone else with management or supervisory responsibilities. A principal may also be someone who is not employed by the school but who has critical influence on or substantive influence over a covered transaction (such as the receipt of Pell Grant or Campus-Based funds). For example, a principal may be someone, employed by the school or not, who

- ◆ is in a position to handle federal funds,
- ◆ is in a position to influence or control the use of those funds, or
- ◆ occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction.

Schools participating in the FSA programs have a fiduciary responsibility to safeguard FSA funds and ensure those funds are used for the benefit of the students for whom they are intended. We expect participating institutions to thoroughly examine the background of individuals they employ (or are considering employing) in management or supervisory positions. If a school discovers that a person employed in a management or supervisory capacity has been suspended or debarred by a federal agency, the school must remove that person from such a position or risk losing its FSA eligibility. Moreover, a school may not enter into a relationship (and must terminate an ongoing relationship) with a lender, third-party servicer, or loan servicer the school determines has been debarred or suspended.

## **Certifying current or prospective employees or contractors**

Before a school may receive FSA funding, it must certify that neither the school nor its employees have been debarred or suspended by a federal agency. You can find this certification in the Program Participation Agreement and in the web-based FISAP package available to schools participating in the Campus-Based programs.

The certification provided by the school is a material representation of fact relied upon by the Department when it enters into a participation agreement with the school. Moreover, a school is expected to have knowledge and information normally possessed by a prudent person in the ordinary course of business dealings. Although the Department doesn't dictate how a school must ensure that its principals/employees have not been debarred or suspended by a federal agency, we do hold the school responsible for any information it could reasonably have been expected to know in the course of ordinary operations. In addition, we expect the school to expend a reasonable amount of effort ensuring that it and its employees are in compliance. If the Department learns that a prospective participant knowingly rendered an erroneous certification, in addition to other remedies available, the Department may terminate the participation of the institution.

A school chooses the method and frequency for making a determination about the eligibility of its principals. This might include asking current and prospective employees and contractors, in person or in writing, about their debarment or suspension histories. In addition, a school might also examine the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* to find out if an individual or organization is debarred or suspended. A school should discuss with its attorney the procedures appropriate to its circumstances.

The employees who award FSA funds and those who disburse them should always be included in those whose backgrounds are examined. In addition, employees who participate in other transactions from which the regulations exclude individuals who have been debarred or suspended should be included. A school should consult with its attorney on the individuals it must certify.

The debarment or suspension of a person who is not a principal of the school and who does not work in the financial aid office will not affect the school's FSA eligibility so long as that person is not involved in any covered transactions.

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### **Control and ownership interest**

Definition of control

34 CFR 600.31(b)

Ownership interest

34 CFR 668.15(f)

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### **Notifying the Department of change of control**

A school must report any changes of control under which a person acquires the ability to affect substantially the actions of the school. Such changes in control trigger a review to determine if the school is financially responsible (see *Chapter 5*).

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### **Disqualified individuals & PPA**

34 CFR 668.14(b)(18)(i)

### Lower-tier transactions

Examples of common lower-tier covered transactions are a school's contracts with a financial aid consultant service or with a loan collection or billing agency.

### Sample certification statement from lower-tier organization

The Department disseminated the following language in April 1989 as a model that schools may use to obtain the required certification statement from a lower-tier organization.

"The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participating in this transaction by any Federal department or agency.

Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal."

*Federal Register*, May 26, 1988, page 19211, disseminated in Dear Colleague Letter GEN-89-21.

### Referring criminal conduct to OIG

The regulations provide the following examples of criminal misconduct:

- False claims by the school for FSA program assistance
- False claims of independent student status
- False claims of citizenship;
- Use of false identities
- Forgery of signatures or certifications;
- False statements of income and
- Payment of any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid to any person or entity engaged in any student recruitment or admission activity or in making decisions regarding the award of FSA program funds. See the next section on incentive compensation.

### Lower-tier covered transactions

A school must not enter into lower-tier covered transactions with a debarred or suspended individual or organization. A lower-tier covered transaction is any transaction between a participant in a covered transaction (such as the school) and another individual or organization, if that transaction stems from a covered transaction. A school must obtain a certification from any lower-tier organization if the amount of the lower-tier transaction is \$25,000 or more. The lower-tier organization must inform the school in writing if the organization or its principals are debarred or suspended. Therefore, the certification does not need to be renewed from year to year.

### Crimes involving FSA program funds

Schools are prohibited from having as principals those who have engaged in the misuse of government funds or from employing or contracting with other organizations that employ such persons. Specifically, a school must not knowingly

- ♦ employ, in a capacity that involves the administration of the FSA programs or the receipt of funds under those programs, an individual who has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving the acquisition, use, or expenditure of federal, state, or local government funds, or has been administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds;
- ♦ contract with a school or third-party servicer that has been limited, suspended, or terminated by the Department within the preceding five years; or terminated from the FSA programs for a reason involving the acquisition, use, or expenditure of federal, state, or local government funds or that has been administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds;
- ♦ contract with a school or third-party servicer that has had, during the servicer's two most recent audits, a finding that resulted in the servicer being required to repay an amount greater than five percent of the funds that the servicer administered under the Title IV programs for any year; or has been cited during the preceding five years for failure to submit audit reports required under Title IV in a timely fashion.
- ♦ contract with or employ any individual, agency, or organization that has been, or whose officers or employees have been: (1) convicted of, or pled *nolo contendere* or guilty to, a crime involving the acquisition, use, or expenditure of federal, state, or local government funds; or (2) administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds.

## Code of conduct

If a school participates in an FSA loan program, it must publish and enforce a code of conduct that includes bans on the following:

- ◆ revenue-sharing arrangements with any lender,
- ◆ steering borrowers to particular lenders or delaying loan certifications, and
- ◆ offers of funds for private loans to students in exchange for providing concessions or promises to the lender for a specific number of FSA loans, a specified loan volume, or a preferred lender arrangement.

The code of conduct applies to the officers, employees, and agents of the school and must also prohibit employees of the financial aid office from receiving gifts from a lender, guaranty agency, or loan servicer.

The code must also prohibit financial aid office staff (or other employees or agents with responsibilities with respect to education loans) from accepting compensation for

- ◆ any type of consulting arrangement or contract to provide services to or on behalf of a lender relating to education loans; and
- ◆ service on an advisory board, commission, or group established by lenders or guarantors, except for reimbursement for reasonable expenses.

## Compensation for serving on an advisory board

A person employed in a financial aid office who serves on an advisory board established by a lender or group of lenders cannot receive anything of value from the lender but can receive reimbursement for reasonable expenses associated with participation. A school must report annually to ED any such reasonable expenses paid or provided to any employee who is employed in the financial aid office or who otherwise has responsibilities with respect to education loans or other financial aid of the institution.

The report must include the following:

- ◆ the amount of each specific instance of reasonable expenses paid or provided;
- ◆ the name of the financial aid official, other employee, or agent to whom the expenses were paid or provided;
- ◆ the dates of the activity for which the expenses were paid or provided; and
- ◆ a brief description of the activity for which the expenses were paid or provided.

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### Advisory board compensation

HEOA Section 1011

Section 140 of the Truth in Lending Act  
Disclosures of Reimbursements for Service  
on Advisory Boards

HEOA section 1011 HEA section 485(m)

## CONTRACTS WITH THIRD-PARTY SERVICERS

### Third-party servicer

34 CFR sections 668.1, 2, 11, 14–16, 23, 25, 81–84, 86–89, and Subpart H.  
DCL GEN-12-08 and GEN-15-01 Revised August 30, 2016

### Annual compliance audit

A third-party servicer must submit a compliance audit each year. If the servicer contracts with several schools, a single audit can be submitted that covers its administrative services for all those schools. For more information, see [www2.ed.gov/about/offices/list/oig/nonfed/sfa.html](http://www2.ed.gov/about/offices/list/oig/nonfed/sfa.html).  
34 CFR 668.23



### Third-Party Servicer Reporting Requirement

Entities that meet the definition of a Third Party Servicer, as defined in 34 CFR 668.2 and GEN-15-01 (Revised August 30, 2016), are required to update their Third Party Servicer Data Form within 10 days of the date, that one of the following occurs:

- The servicer changes its name;
- The servicer changes the address or contact information for its primary location or additional location;
- The servicer adds or terminates a contract with an eligible Title IV institution; or
- The servicer buys, sells, or merges with another third party servicer.

§ 668.25(e)(1)(i).

### Contact Information

If you have questions about this announcement or the attached Third Party Servicer Data Form, contact the Third Party Servicer Oversight Group (816) 268-0543. You may also e-mail [fsapc3rdpartyserviceroversight@ed.gov](mailto:fsapc3rdpartyserviceroversight@ed.gov).

Questions and Answers about and Examples of Third-Party Servicer Activities are available in the attachment to DCL-GEN-16-15 at

<https://ifap.ed.gov/dpclatters/GEN1615.html>

Schools are permitted to contract with consultants for assistance in administering the FSA programs. However, the school ultimately is responsible for the use of FSA funds and will be held accountable if the consultant mismanages the programs or program funds.

A third-party servicer administers any aspect of the school's FSA participation. Examples of functions that third-party servicers perform include the following:

- ◆ processing student financial aid applications, performing need analysis, and determining student eligibility or related activities;
- ◆ certifying loans, servicing loans, or collecting loans;
- ◆ processing output documents for payment to students, and receiving, disbursing, or delivering FSA funds;
- ◆ conducting required student consumer information services;
- ◆ preparing and certifying requests for cash monitoring or reimbursement funding;
- ◆ preparing and submitting notices and applications required of eligible and participating schools, or preparing the *Fiscal Operations Report and Application to Participate* (FISAP);
- ◆ performing default prevention/aversion activities, such as contacting student loan borrowers to discuss repayment options or borrower account history, assisting with completion and/or collection of borrower deferment or forbearance forms, performing entrance/exit loan counseling, implementation and oversight of a written default management plan, and /or accessing borrower information contained in Department systems;
- ◆ accessing Department systems (NSLDS, COD, CPS, etc.) that contain personally identifiable student information, and/or accessing personally identifiable student information downloaded from a Department system to perform any Title IV function or service on behalf of an eligible institution;
- ◆ determining student eligibility and related activities, such as completing verification, performing satisfactory academic progress evaluations, determining award amounts, performing Return of Title IV aid calculations, and/or reconciling Title IV program accounts; and
- ◆ processing enrollment verification for deferment forms or NSLDS enrollment reporting.

For more examples of Third-Party Servicer Activities see DCL GEN 15-01, January 9, 2015, and DCL GEN-16-15, August 18, 2016.

**TIP**

## Requirements of a third-party servicer contract

Under a contract with a school, a third-party servicer agrees to comply with all Title IV provisions, which includes those that refer solely to schools as well as to servicers, and to be jointly and severally liable with the school for a violation by the servicer of any of those provisions.

A school must ensure that its contracts accurately and specifically detail the functions that the servicer (or its subcontractor(s), if applicable) performs on behalf of the institution, and those functions that are required to be completed by the institution. The contract must identify the third-party servicer by its legal name and include any other name the servicer does business as (d/b/a). The contract must provide the physical address and primary phone number of the servicer's primary location, as well as the name, title, phone number, and e-mail address of the president or chief executive officer of the entity. If a third-party servicer subcontracts any of its contractual responsibilities, the contract must identify the subcontractor and clearly describe the functions performed on behalf of the servicer and institution by the subcontractor.

The servicer agrees to use any Title IV funds (and interest or earnings on them) in accordance with the regulations and, if it disburses those funds, to confirm student eligibility and make the required returns to Title IV funds (see *Volume 5*) when a student withdraws.

A third-party servicer must refer to the Department's inspector general any suspicion of crime relating to FSA program administration, including any information that there is reasonable cause to believe the school might have engaged in fraud or other criminal misconduct pertaining to the FSA programs (see the examples in the margin).

If the contract is terminated or the servicer files for bankruptcy or ceases to perform any functions prescribed under the contract, the servicer must return to the school all unexpended FSA funds and records related to the servicer's administration of the school's participation in the FSA programs.

### TIP

For more information about elements to include in Third-Party Servicer contracts see DCL GEN 15-01, January 9, 2015, and DCL GEN-16-15, August 18, 2016.

### Reminder

All contracts between schools and their third-party servicers must contain specific language under which the servicer agrees to

- ◆ comply with all applicable statutory, regulatory, and other Title IV requirements;
- ◆ refer any suspicion of fraudulent or criminal conduct in relation to the school's Title IV program administration to the Department's Office of the Inspector General;
- ◆ return all records related to the servicer's administration of the school's participation in the Title IV programs to the school;

### Third-party servicer definition

An individual or a state or a private, profit or nonprofit organization that enters into a contract with an eligible school to administer, through manual or automated processing, any aspect of the school's participation in any Title IV program.  
34 CFR 668.2

### Notifying ED of third-party servicer contracts

Schools must notify the Department of new third-party servicer contracts, changes to and termination of existing contracts, as described in *Chapter 5*.

No additional submission is required if a school has already submitted the same information as part of a recent application for certification or recertification.

### Institutional liability

Both the school and third-party servicer remain liable for any and all FSA-related actions taken by the servicer on the school's behalf.

### Third-Party Servicers and Information Security

Institutions are subject to the information security requirements established by the Federal Trade Commission (FTC) for financial institutions. Third-party servicers must provide the same security.

### Third-Party Servicers and Privacy

Third-party servicers must comply with all aspects of the Family Educational Rights and Privacy Act (FERPA) with regard to their receipt and use of any education records provided by the institution.

- ◆ confirm student eligibility and if the servicer disburses funds return Title IV funds (if required) when a student withdraws;
- ◆ if the servicer disburses or releases Title IV funds, return all unexpended Title IV funds to the institution if the contract with the school is terminated or the servicer ceases to perform any functions prescribed under the contract;
- ◆ be jointly and severally liable with the institution for any violation of Title IV requirements resulting from the functions performed by the servicer.

### *Excluded functions*

Examples of functions that are not considered administering the participation in a Title IV program include:

- ◆ performing lockbox processing of loan payments,
- ◆ performing normal electronic fund transfers (EFTs) after being initiated by the school,
- ◆ acting as a Multiple Data Entry Processor (MDE),
- ◆ financial and compliance auditing,
- ◆ mailing documents prepared by a school or warehousing school records,
- ◆ participating in a written arrangement with other eligible schools to make eligibility determinations and FSA awards for certain students (see *Chapter 2*), and
- ◆ providing computer services or software.

A person or organization performing these functions is not considered to be a third-party servicer and is not subject to third-party servicer requirements.

### *Excluded entities*

An employee of a school is not a third-party servicer. For this purpose, an employee is one who: is paid directly by the school; works full or part time or on a temporary basis; performs all duties under school supervision, whether on site or remotely; is not employed by or associated with a third-party servicer; and is not a third-party servicer for any other school.

A school may not have as a third-party servicer one that

- ◆ has been limited, suspended, or terminated by the Department within the preceding five years;
- ◆ has had, during the servicer's two most recent audits, a finding that resulted in the servicer being required to repay an amount greater than five percent of the funds that the servicer administered under the Title IV programs for any year; or

- ◆ has been cited during the preceding five years for failure to submit audit reports required under Title IV in a timely fashion.

## INCENTIVE COMPENSATION PROHIBITION

Schools may not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any individual or entity engaged in recruiting or admission activities or in making decisions about awarding FSA program funds.

As stated previously, only two types of activities are subject to the incentive compensation ban: securing enrollment (recruitment) and securing financial aid. No other activities are subject to the ban.

The incentive compensation prohibition applies to all individuals with responsibility for recruitment or admission of students or making decisions about awarding FSA funds. As shown in Table 1, the Department draws a distinction between recruitment activities that involve working with individual students and policy-level determinations that affect recruitment, admission, or the awarding of FSA funds. The Department expects that employees who have titles such as enrollment counselors, recruitment specialists, recruiters, and enrollment managers have sufficiently direct involvement in recruitment that the incentive compensation ban applies to them. Senior managers and executive level employees who are only involved in the development of policy and do not engage in individual student contact or the other covered activities listed in Table 1 will not generally be subject to the incentive compensation ban.

When other activities are coupled with recruitment or securing financial aid, a school must consider how they compensate persons or entities to avoid payments that are prohibited. Table 1 illustrates how these principles would be applied to activities that schools carry out in support of recruitment and financial aid. Payments to persons or entities that undertake or have responsibility for recruitment and decisions related to securing financial aid are subject to the incentive compensation ban even if their work also includes other activities.

Schools may use factors such as seniority or length of employment as a basis for compensating employees covered by the incentive compensation prohibition. Many other qualitative factors may also be used so long as they are not related to the employee's success in securing student enrollments or the award of financial aid. These factors may include such things as job knowledge and professionalism; skills such as analytic ability, initiative in work improvement, clarity in communications, and use and understanding of technology; traits such as accuracy, thoroughness, dependability, punctuality, and adaptability; peer rankings; student evaluations; and interpersonal relations.

### Incentive compensation in the law and regulations

The prohibition of incentive compensation appears in Section 487(a)(20) of the HEA and in the Student Assistance General Provisions regulations at 34 CFR 668.14(b)(22).

On March 22, 2013, the Department published a revision to the preamble of the October 29, 2010, final regulations in accordance with the remand in "Association of Private Sector Colleges and Universities v. Duncan" 683F.3d 427 (D.C. Cir. 2012).

#### Incentive compensation

On March 17, 2011, the Department issued additional guidance on incentive compensation. In addition to the tables included in this text, that Dear Colleague Letter provided examples of how the incentive compensation rules are applied, as well as guidance on "tuition sharing" and "profit sharing" and other forms of compensation. Since that time, the Department posted additional related questions and answers to address study abroad situations for Title IV-eligible students and to clarify when bundled services provided by a third party are subject to the incentive compensation ban.

See GEN-11-05 and the webpage at ([www2.ed.gov/policy/highered/reg/hearulemaking/2009/compensation.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/compensation.html)).

#### "Safe harbors" exceptions

Regulations issued on October 29, 2010, eliminated the safe harbors effective July 1, 2011.

#### Definitions

See Table 3 for regulatory definitions of

- commission, bonus, or other incentive payment
- securing enrollments or the award of financial aid
- entity or person engaged in any student recruitment or admission activity or in making decisions about the award of financial aid, and
- enrollment.

**Two-part test to evaluate if a payment is incentive compensation**

1. Is the payment a commission, bonus, or other incentive payment, defined as an award of a sum of money or something of value paid to or given to a person or entity for services rendered?
2. Is the commission, bonus, or other incentive payment provided to any person based, in any part directly or indirectly, upon success in securing enrollments or the award of financial aid?

If the answer to each question is “yes,” the payment would be prohibited.

See *Session 25: General Provisions and Non-Loan Program Issues—Institutional*, FSA Conference, December 2010.

Table 1 : Activities covered by prohibition on incentive compensation	
Covered Activities	Exempt Activities
<p><i>Activities that are ALWAYS subject to the ban on incentive compensation</i></p>	<p><i>Activities NOT subject to the ban on incentive compensation include the following, unless the activities of the employee or entity also involve a covered activity</i></p>
<p>Recruitment activities, including:</p> <ul style="list-style-type: none"> <li>• Targeted information dissemination to individuals;</li> <li>• Solicitations to individuals;</li> <li>• Contacting potential enrollment applicants; aiding students in filling out enrollment application information</li> </ul>	<p>Marketing activities, including:</p> <ul style="list-style-type: none"> <li>• Broad information dissemination;</li> <li>• Advertising programs that disseminate information to groups of potential students;</li> <li>• Collecting contact information;</li> <li>• Screening pre-enrollment information to determine whether a prospective student meets the requirements that an institution has established for enrollment in an academic program;</li> <li>• Determining whether an enrollment application is materially complete, as long as the enrollment decision remains with the institution</li> </ul>
<p>Services related to securing financial aid, including completing financial aid applications on behalf of prospective applicants (including activities that are authorized by the Department, such as the FAA Access tool, which can be used to enter, correct, verify, or analyze financial aid application data)</p>	<p>Student support services offered after the point at which financial aid is allowed to be disbursed for a payment period, including:</p> <ul style="list-style-type: none"> <li>• General student counseling;</li> <li>• Career counseling;</li> <li>• Financial aid counseling, including loan management;</li> <li>• Online course support—both professional services and computer hardware and software;</li> <li>• Academic support services, including tutoring, aimed at student retention, whether that support is provided prior to attendance in classes or after attendance has begun.</li> </ul>
	<p>Policy decisions made by senior executives and managers related to the manner in which recruitment, enrollment, or financial aid will be pursued or provided, such as decisions to admit only high school graduates</p>

Table 2 : Types of payments covered by prohibition on incentive compensation	
Types of payments that are direct or indirect payment of incentive compensation	Types of payments that are not direct or indirect payment of incentive compensation
"Tuition sharing" as a measure of compensation when based on a formula that relates the amount payable to the entity to the number of students enrolled as a result of the activity of the entity	Tuition as a source of revenue from which compensation is paid to an unrelated third party for a variety of bundled services (Example 2-B in GEN-11-05)
Profit sharing plans from which distributions are made to individuals based on the number of students enrolled by virtue of covered activities by the recipient [668.14(b)(22)(ii)(B)]	Profit sharing plans, including 401(k) type plans, from which distributions are made to individuals on a basis that is neutral with respect to the role the recipient plays in student recruitment or the securing of financial aid
Salary adjustments that take the form of incentive payments based directly or indirectly on success in securing enrollments or financial aid	Employee benefits plans offered to all employees on a basis that is neutral with respect to the role the recipient plays in student recruitment or the securing of financial aid
Payments based on the application of an admissions policy	Cost of living adjustments (COLAs)
Bonus or other payments based on success in securing enrollments or financial aid	Compensation adjustments based upon seniority
	Payments to faculty based upon student class size or academic achievement
	Payments to senior executives with responsibility for the development of policies that affect recruitment, enrollment, or financial aid
	Payments based upon securing student housing or other student services, including career counseling
	Volume-driven arrangements based on services that are not recruitment or securing of financial aid

<b>Table 3 : Definitions</b>	
<p><b>Commission, bonus, or other incentive payment</b> A sum of money or something of value, other than a fixed salary or wages, paid to or given to a person or an entity for services rendered.</p> <p><b>Securing enrollments or the award of financial aid</b> Activities that a person or entity engages in at any point in time through completion of an educational program for the purpose of the admission or matriculation of students for any period of time or the award of financial aid to students.</p> <p>( 1 ) These activities include contact in any form with a prospective student, such as, but not limited to, contact through preadmission or advising activities, scheduling an appointment to visit the enrollment office or any other office of the institution, attendance at such an appointment, or involvement in a prospective student’s signing of an enrollment agreement or financial aid application.</p> <p>( 2 ) These activities do not include making a payment to a third party for the provision of student contact information for prospective students provided that such payment is not based on</p> <p>( i ) Any additional conduct or action by the third party or the prospective students, such as participation in preadmission or advising activities, scheduling an appointment to visit the enrollment office or any other office of the institution or attendance at such an appointment, or the signing, or being involved in the signing, of a prospective student’s enrollment agreement or financial aid application; or</p> <p>( ii ) The number of students (calculated at any point in time of an educational program) who apply for enrollment, are awarded financial aid, or are enrolled for any period of time, including through completion of an educational program.</p>	<p><b>Entity or person engaged in any student recruitment or admission activity or in making decisions about the award of financial aid</b> ( 1 ) With respect to an entity engaged in any student recruitment or admission activity or in making decisions about the award of financial aid, any institution or organization that undertakes the recruiting or the admitting of students or that makes decisions about and awards FSA funds; and</p> <p>( 2 ) With respect to a person engaged in any student recruitment or admission activity or in making decisions about the award of financial aid, any employee who undertakes recruiting or admitting of students or who makes decisions about and awards FSA funds, and any higher level employee with responsibility for recruitment or admission of students, or making decisions about awarding FSA funds.</p> <p><b>Enrollment</b> The admission or matriculation of a student into an eligible institution.</p>

## REQUIRED ELECTRONIC PROCESSES

Schools must be able to use the FSA electronic processes to be considered administratively capable of participating in the FSA programs.

For a school to exchange data with the FSA systems, it must have Internet access through its network or through an Internet service provider. Your school will also need to enroll in the Student Aid Internet Gateway (SAIG) and establish a data mailbox. (Doing this and other tasks related to electronic processing is the most frequent duty for third-party servicers.) Most schools prepare student data records in a software package such as EDEXpress and transmit the records as batch files to the SAIG mailbox. The Department's systems send edited records back to the SAIG mailbox, where the school downloads the records and uses its software to update the records in its own database.

Schools must use COD's common record format, complying with the published schema for the corresponding award year, to send and receive origination and disbursement data for Pell Grants, TEACH Grants, and Direct Loans. This format uses Extensible Markup Language (XML).

To create and edit student records, your school may use the Department's EDEXpress software, develop its own software, or rely on a third-party software vendor. If you are not using EDEXpress software to prepare your records, it is your responsibility to ensure that the software you use is capable of generating COD records in XML format.

As an alternative, you can now create and edit student records directly on many of our websites, such as COD, CPS, and NSLDS. When creating and editing records on the Web, you do not use PC software and you do not have to transmit the changes through your SAIG mailbox.

### Electronic processes

34 CFR 668.16 (o)

DCL GEN-04-08, September 2004

*Federal Register*, 9/14/04, 55418–55420

### Systems help

For help with questions about specific systems, such as application processing and software (CPS/SAIG), COD, and NSLDS, see the "Help" link on the Information for Financial Aid Professionals site:

<https://ifap.ed.gov>.

### Two-factor authentication (TFA)

For greater security FSA systems use TFA, which employs a token to generate single-use passwords. We encourage users to download the new "soft" token, which is an application for their mobile device, but the "hard" token or key fob is also still available. See the December 29, 2014, electronic announcement. For questions about TFA and tokens, you can contact the CPS/SAIG Technical Support and the TFA Support Center at (800) 330-5947 or by email at [TFASupport@ed.gov](mailto:TFASupport@ed.gov).



### Validation of TG Numbers Required by December 14, 2018

Every organization enrolled for a Student Aid Internet Gateway (SAIG) account is required to review and validate its assigned TG numbers and Electronic Services user accounts by December 14, 2018. This includes TG numbers (SAIG mailboxes) with access to the NSLDS Professional Access website, the COD Web Site, and all FAA Access to CPS Online and EDconnect user accounts. It also includes TG numbers enrolled for SAIG batch services for the National Student Loan Data System (NSLDS®), the Central Processing System (CPS), the Common Origination and Disbursement (COD) System, and the Financial Management System (FMS). Failure to accurately complete this process by December 14, 2018 will result in loss of access to Federal Student Aid data systems, including services such as Institutional Student Information Record (ISIR) deliveries, ISIR requests, Free Application for Federal Student Aid (FAFSA®) corrections, and NSLDS enrollment reporting and updates.

For detailed instructions, see the EA of 10/22/18 on Active Confirmation of TG Numbers (SAIG Mailboxes) and Electronic Services User Accounts at

<https://ifap.ed.gov/eannouncements/102218ActiveConfirmationRequiredByDec14.html>

### Summary of Required Electronic Processes

To be in compliance with the administrative capability requirements of 34 CFR 668.16(o), a school must

- use the E-App to submit and update the school's eligibility information: (<https://eligcert.ed.gov/>).
- enroll in the Student Aid Internet Gateway (SAIG): (<https://fsawebenroll.ed.gov/>).
- use *FAA Access* or its SAIG mailbox to exchange FAFSA or ISIR data with the Department's Central Processing System: (<https://faaaccess.ed.gov/FOTWebApp/faa/faa.jsp>) or (<https://saigportal.ed.gov/tdcm>).
- use the COD website or its SAIG mailbox to exchange award and disbursement data for Pell Grants, TEACH grants, and Direct Loans: (<https://cod.ed.gov/cod/>) or (<https://saigportal.ed.gov/tdcm>).
- use the Common Origination and Disbursement (COD) website at: (<https://cod.ed.gov/cod/>) to file the FISAP application and report, the Work Colleges application and report, and the report of disbursements made to students with intellectual disabilities in approved Comprehensive Transition and Postsecondary (CTP) programs (see *Volume 6*).
- use the National Student Loan Data System (NSLDS) at <https://www.nslsdfap.ed.gov> to submit student enrollment records, FSA program overpayments, NSLDS transfer student monitoring records, and Gainful Employment program records (if applicable).
- electronically submit the school's annual compliance and financial statement audits and any other required audits: (<https://ezaudit.ed.gov>).
- use the Default Management website to receive its draft and official cohort default rate data electronically: ([ifap.ed.gov/DefaultManagement](http://ifap.ed.gov/DefaultManagement)).
- use the Information for Financial Aid Professionals (IFAP) website to review Dear Colleague Letters, announcements, or Federal Registers: ([ifap.ed.gov](http://ifap.ed.gov)).

Several of Federal Student Aid's systems, such as COD, eCB, and NSLDS, are located behind the Access and Identity Management System (AIMS), for which users have a single ID and password. From March 7, 2014, on, an ID that has not been used within 90 days will be suspended or, after 365 days, deactivated. See the electronic announcement from 1/24/14 for more information and instructions how to reinstate a suspended or deactivated user ID.

### ***Information for Financial Aid Professionals (IFAP)***

Program information is communicated through our IFAP website ([ifap.ed.gov](http://ifap.ed.gov)) in the form of electronic announcements, Dear Colleague letters, and Federal Registers. One of the most useful features of this website is its notification service, which sends you daily or weekly emails that summarize recent postings to IFAP. (Go to “My IFAP” on the website and select “New User Registration.”)

Even if you use a third-party servicer to manage your student aid activities, you are responsible for knowing about all new statutory, regulatory, and procedural requirements. The IFAP website is a convenient and comprehensive place to get that information.

The IFAP site also has links to all major FSA websites and services and a “Help” link that includes contact information for FSA call centers and customer service offices.

### ***Minimum system requirements***

In the past ED has issued the minimum system requirements schools must meet to participate in the Department’s electronic processes. (The most recent issuance was for 2005–2006 and gave an optimal configuration of a 2.8 GHz/333 MHz processor and 80 GB hard drive with a high-speed Internet connection.) When reviewing your office’s computer needs, you should be aware that its system requirements (processor speed, RAM, hard-drive storage, etc.) will depend on which FSA functions the school uses, the number of records processed, and school database interfaces.

## SHARING INFORMATION WITH NSLDS, FEDERAL LOAN SERVICERS, AND GUARANTORS

### Enrollment reporting

34 CFR 682.610(c) FFEL

34 CFR 685.309(b) Direct Loans

DCLs GEN-12-06 and GEN-14-07

34 CFR 674.16(j) Perkins

Go to iLibrary > NSLDS Reference Materials on the IFAP website for NSLDS newsletters, updates, and other information. Click on NSLDS User Documentation to get the *Enrollment Reporting Guide*, which has more on reporting enrollment information to NSLDS, including record layouts, error codes, etc.

### Reach FSA

A single toll-free number, 1-855-FSA-4-FAA (1-855-372-4322), allows access to FSA's contact centers such as CPS/SAIG technical support, the COD School Relations Center, and the NSLDS Customer Support Center. At this single number you can get more information about the various call centers or connect to the center you need. The individual phone numbers for all the centers remain available, and you can use those to call the centers directly.

### Reminder

#### Enrollment To NSLDS During The Summer

A student is considered to be continuously enrolled at least half time during the summer, or in another period in which students are not generally expected to attend classes, as long as

- there is no reason for the school to believe that the student will not enroll on an at least half time basis for the next regularly scheduled term; and
- the student was enrolled at least half time at the end of the previous regularly scheduled term.

Therefore, a student should not be reported to NSLDS as "Withdrawn" as of the end of the spring term if the student was enrolled at least half time during the spring term and is expected to enroll at least half time for the upcoming fall term.

### Reporting student enrollment data to NSLDS

Student enrollment information is important, and all schools participating or approved to participate in the FSA programs must have online enrollment access and have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through an enrollment roster file. Enrollment information is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. Program-level enrollment data is also used to determine a student's eligibility for Direct Subsidized Loans. For students moving into repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. You're required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date.

You must report enrollment status at both the school and program level. For this purpose an academic program is defined as the combination of your school's Office of Postsecondary Education Identification (OPEID) number and the program's Classification of Instructional Program (CIP) code, credential level, and published program length. When a student is enrolled in more than one major (or comparable designation under your school's academic policies), each is considered an academic program and is reported separately whether the student receives separate degrees or certificates for each major or only receives one for completing the requirements for all majors. Enrollment in a minor is not a separate program and therefore would not be reported as such. Report a student's "active enrollment status" (full-time, three-quarter time, half-time, and less than half-time) based on the total number of credit or clock hours in which he or she is enrolled at the institution, regardless of whether specific credits apply to the academic program being reported. See DCL GEN-14-17 for examples and more information.

NSLDS will send a roster file electronically to your school or its designated servicer every 60 days (or more frequently depending on your schedule) through its SAIG mailbox. The file includes all of the school's students who are identified in NSLDS as Pell recipients, Stafford (Direct and FFEL) Loan borrowers or the beneficiaries of a PLUS loan. The file is not necessarily connected to loans made at your school—it may also report information for students who received some or all of their FSA loans at other schools but are currently attending your school.

Your school or servicer must certify the information and return the roster file within 15 days of receiving it. You may also go to ([www.nslidsfap.ed.gov](http://www.nslidsfap.ed.gov)) and update information for your students online. As already noted, you must report enrollment changes within 30 days; however, if a roster file is expected within 60 days, you may provide the updated data on that roster file.

If the roster file that you are returning contains records that don't pass the NSLDS enrollment reporting edits, you will receive a response file with the records that didn't pass. Within 10 days you'll need to make the necessary corrections to these records and resubmit them. If you are using a servicer, you may need to assist the servicer in correcting these errors. Please remember that your school is ultimately responsible for notifying NSLDS of student enrollment changes.

When your school reports enrollment data to the NSLDS, it does not have to complete enrollment reporting rosters received directly from guaranty agencies. Additionally, your school may request that a lender confirm a borrower's enrollment status using NSLDS rather than completing an in-school deferment form.

### Updating borrower information at separation

Schools that conduct their own exit counseling rather than have students complete it on [studentloans.gov](http://studentloans.gov) must, within 60 days after the exit counseling session, provide the appropriate federal loan servicer or the guaranty agency for FFEL that is listed in the borrower's student aid records any updated information about: her name, address, references, future permanent address, Social Security number, the identity and address of her expected employer, the address of her next of kin, and her driver's license number and state of issuance. This information may be uploaded with the NSLDS Exit Counseling Submittal template at (<https://fsadownload.ed.gov/>). NSLDS will then provide the data to the appropriate loan holders.

### Sharing information about delinquent and defaulted borrowers

To promote loan repayment, schools are encouraged to notify the appropriate Direct Loan servicer with new information about a delinquent borrower's location or employment and to work with defaulted borrowers to bring their loans out of default.

The Direct Loan servicers send electronic reports to participating schools listing all delinquent and defaulted Direct Loan borrowers who took out loans while attending the school. The report, which contains the borrowers' names, addresses, and phone numbers, is organized by the number of days past due so that schools can contact and counsel borrowers to avoid default. Schools can also request delinquency reports through NSLDS (viewable online or for delivery to their TG mailbox) for all their borrowers with any of the DL servicers.

A former FFEL school may agree to provide the holders of delinquent loans information about delinquent borrowers' location or employment. The school may also try to contact borrowers and counsel them to avoid default.

#### Receiving roster files

A school or its servicer must sign up to receive roster files through the SAIG Enrollment site (<https://fsaweбенroll.ed.gov/>).

#### Updating enrollment information on the Web

You can create or update student enrollment status by using the "Enroll" tab on the NSLDS Professional Access site (<https://www.nslsdfap.ed.gov/>).  
Phone support: 1-800-999-8219

#### Accurate program-level reporting

It is critical to completely and accurately report students' program-level enrollment information to NSLDS. This information is used to determine the subsidy status of loans under the 150% Direct Subsidized Loan Limit and for other purposes. Pay particular attention to correctly reporting published program length, the field for which is a six-digit number with an implied decimal after the third digit. See the electronic announcements from December 23, 2014, and May 13, 2016.

#### Enrollment status codes

These codes are used for enrollment reporting and are listed in the *Enrollment Reporting Guide*:

F = Full time  
Q = At least three-quarter time but less than full time  
H = At least half time but less than three-quarter time  
L = Less than half time  
G = Graduated  
W = Withdrawn (voluntary or involuntary)  
A = Approved Leave of Absence  
D = Deceased  
X = Never attended  
Z = Record not found

### Privacy: sharing student records with lenders

A student authorizes his school to release information to lenders by signing the promissory note as part of the loan application process. This authorization covers information relevant to the student's or parent's eligibility to borrow as well as locating the borrower. Examples of such information are enrollment status, financial assistance, and employment records. See *Chapter 7* for more information about recordkeeping and privacy.

### Loan information from the guarantor

Upon request, the guarantor must inform the school of students in default on FFELs. 34 CFR 682.401(b)(24)

If the lender requests preclaims assistance, the guarantor must inform the school of this request if the school has requested such notification.

34 CFR 682.404(a)(4)  
Sec. 428(c)(2)(H) of the HEA

The guarantor must notify the school when a loan made at that school changes hands if the school requests such information.

Sec. 428(b)(2)(F) of the HEA  
34 CFR 682.401(b)(25)

### Financial aid history

34 CFR 668.19  
DCL GEN-00-12  
DCL GEN-01-09, July 2001 (including July 16, 2001, update)

### Transfer student monitoring

You must verify the eligibility of transfer students for FSA funds. You may either check the student's financial aid history on the NSLDS Professional Access site or wait seven days after you've submitted the student's information for monitoring to receive a response from NSLDS.

To begin using the "inform" feature, you must designate a contact on the "School Transfer Profile" page at [www.nslidsfap.ed.gov](http://www.nslidsfap.ed.gov).

Former FFEL schools may ask a guaranty agency to provide information about students who were enrolled at the school who have defaulted on their Stafford loans. The guarantor may not charge for this information. The school may also ask the guarantor to notify the school whenever a lender requests default aversion assistance on a loan made at your school, and provide the borrower's name, address, and Social Security number. The guaranty agency may charge a reasonable fee for this service. Your school may only use the information to remind the borrower to repay her loan(s).

If you've requested it, the guaranty agency must also notify your school when loans to its students are sold, transferred, or assigned to another holder. The notification must include the address and telephone number of the new loan holder. This notification requirement only applies to loans that are in the grace period or repayment and only if your school was the last the borrower attended before the loan entered repayment. For instance, if a student received Stafford Loans earning a bachelor's degree at your school but pursued a master's degree at another school before those loans entered repayment, the guarantor is not required to notify you if the loans are sold.

## FINANCIAL AID HISTORY AND TRANSFER MONITORING

A school must consider a student's financial aid history in making FSA program awards. The regulations require that schools use NSLDS data to obtain information about a student's financial aid history.

To receive a student's financial aid history, your school must register for the Transfer Student Monitoring Process. Through this process, NSLDS will monitor a transfer student's financial aid history and alert you to any relevant changes—other than the default and overpayment information reported in the postscreening process—that may affect the student's current award(s).

You must send NSLDS identifying information (or enter it online) for students transferring to your school so that NSLDS can use transfer monitoring to notify you of changes to their financial aid history. You may send information for students who have expressed an interest in attending your school even if they have not yet formally applied for admission.

You can find a complete discussion of this requirement and the transfer student monitoring process in *Volume 1, Chapter 3*.

## SATISFACTORY ACADEMIC PROGRESS (SAP)

To be considered administratively capable, a school must have a satisfactory academic progress policy that is the same as or more strict for an FSA recipient as the school's standards for a student enrolled in the same educational program who is not receiving FSA funds.

Because satisfactory academic progress issues are most often raised in specific student eligibility cases, we discuss the details of SAP standards in *Volume 1, Chapter 1*, of the FSA Handbook. You should carefully review that discussion if your school is developing or amending its SAP policy.

### *Basic elements of an SAP policy*

As discussed in *Volume 1*, a school's policy must include evaluations at least annually for programs longer than one year and every payment period for programs of one year or less. There must be a qualitative component consisting of a minimum grade point average or comparable factor that is measurable against a norm. For programs longer than two academic years, the policy must stipulate that a student must have at the end of the second year a GPA of at least a "C" or its equivalent or have an academic standing consistent with the school's requirements for graduation. There must also be a quantitative component that consists of a maximum time frame in which a student must complete her educational program and a pace of completion that ensures she will complete the program within the time frame.

In addition, your school's policy must explain

- ◆ the effect of ESL and remedial courses on progress,
- ◆ how progress is measured if a student changes majors or seeks to earn additional degrees,
- ◆ how course repetitions are handled,
- ◆ whether you have appeals for an adverse SAP determination and the procedures for any such appeals, and
- ◆ the procedures for otherwise re-establishing satisfactory progress.

The policy must include provisions for consistent application of the standards to all students within categories (e.g., full-time, part-time, undergraduate, and graduate students) and educational programs established by the school. Generally, the quantitative and qualitative standards used to judge academic progress include all periods of the student's enrollment. Even periods in which the student did not receive FSA funds must be counted.

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### Satisfactory academic progress

School policy:  
34 CFR 668.16(e)  
Student eligibility:  
34 CFR 668.32(f)  
34 CFR 668.34

### Definitions for readmission

For purposes of this discussion:

**Military service** (or service in the uniformed services)—service, whether voluntary or involuntary, in the armed forces, including service by a member of the National Guard or Reserve on active duty, active duty for training, or full-time National Guard duty under federal authority, for a period of more than 30 consecutive days under a call or order to active duty of more than 30 consecutive days. This does not include National Guard service under state authority.

**Service member**—someone who is a member of, applies to be a member of, performs, has performed, applies to perform, or has an obligation to perform, service in the uniformed services on the basis of that membership, application for membership, performance of service, application for service, or obligation to perform service.

**Appropriate officer**—A warrant, commissioned, or noncommissioned officer authorized to give such notice by the military service concerned.

### Definitions for tuition rates for military families

**Armed Forces**—the U.S. Army, Navy, Air Force, Marine Corps, and Coast Guard.

**Active duty**— full-time duty in the active military service of the United States. Active duty includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. Active duty does not include full-time National Guard duty.

## PROVISIONS FOR U.S. ARMED FORCES MEMBERS AND FAMILY

### *In-state tuition rates for active duty service members and family attending public institutions*

A public postsecondary school may not charge a member of the armed forces who is on active duty for a period of more than 30 days more than the school's tuition rate for residents of the state. Similarly, the service member's spouse and dependent children are entitled to the in-state tuition rate.

In addition, if the service member, spouse, or dependent child pays the in-state tuition rate, the public institution must allow the person to continue to pay such a rate as long as the individual is continuously enrolled, even if there is a subsequent change in the permanent duty station of the service member to a location outside of the state.

### *Readmission of service members*

A school must promptly readmit a service member with the same academic status as he had when last attending the school or accepted for admission to the school. This requirement applies to any student who cannot attend school due to military service (see the definition in the margin).

The student must notify the school of his military service and intention to return to school as follows:

- ◆ *Notification of military service.* The student (or an appropriate officer of the armed forces or official of the Department of Defense) must give oral or written notice of such service to the school as far in advance as is reasonable under the circumstances. This notice does not have to indicate whether the student intends to return to the school and may not be subject to any rule of timeliness. (Timeliness must be determined by the facts in each case.) Alternatively, at the time of readmission, the student may submit an attestation of military service that necessitated the student's absence from the school. No notice is required if precluded by military necessity, such as service in operations that are classified or would be compromised by such notice.

- ◆ *Notification of intent to return to school.* The student must also give oral or written notice of her intent to return to the school within three years after the completion of the period of service. A student who is hospitalized or convalescing due to an illness or injury incurred or aggravated during the performance of service must notify the school within two years after the end of the period needed for recovery from the illness or injury. A student who fails to apply for readmission within these periods does not automatically forfeit eligibility for readmission but is subject to the school's established leave of absence policy and general practices.

A school must designate one or more offices that a student may contact to provide notification of service and notification of intent to return. The school may not require that these notices follow any particular format.

The school must promptly readmit the student into the next class or classes in the program beginning after he provides notice of intent to reenroll, unless he requests a later date or unusual circumstances require the school to admit him at a later date. This requirement supersedes state law—for example, a school must readmit a qualifying service member to the next class even if that class is at the maximum enrollment level set by the state.

The school must admit the student with the same academic status, which means

- ◆ to the same program to which the student was last admitted or, if that exact program is no longer offered, the program that is most similar to that program, unless she chooses a different program;
- ◆ at the same enrollment status, unless the student wants to enroll at a different enrollment status;
- ◆ with the same number of credit hours or clock hours previously completed, unless the student is readmitted to a different program to which the completed credit hours or clock hours are not transferable, and
- ◆ with the same academic standing (e.g., with the same satisfactory academic progress status) the student previously had.

### Termination for bad conduct

A student's readmission rights terminate in the case of a dishonorable or bad conduct discharge, general court-martial, federal or state prison sentence, or other reasons as described in 34 CFR 668.18(h).

### Reasonable efforts to help prepare student

If the school determines that the student is not prepared to resume the program with the same academic status at the point where she left off or will not be able to complete the program, the school must make reasonable efforts at no extra cost to help her become prepared or to enable her to complete the program. This includes providing refresher courses and allowing the student to retake a pretest at no extra cost.

The school is not required to readmit the student if it determines

- that there are no reasonable efforts it can take to prepare her to resume the program at the point where she left off or to enable her to complete the program, or
- that after it makes reasonable efforts (those that do not place an undue hardship on the institution), the student is not prepared to resume or complete the program.

"Undue hardship" means an action requiring significant difficulty or expense when considered in light of the overall financial resources of the institution and the impact otherwise of such action on the operation of the institution.

The school has the burden to prove by a preponderance of the evidence that the student is not prepared to resume the program with the same academic status at the point where she left off or that she will not be able to complete the program.

If the student is readmitted to the same program, for the first academic year in which he returns, the school must assess the tuition and fee charges that he was or would have been assessed for the academic year during which he left the school. However, if his veterans education benefits or other service member education benefits will pay the higher tuition and fee charges that other students in the program are paying for the year, the school may assess those charges to the student as well.

If the student is admitted to a different program, and for subsequent academic years for a student admitted to the same program, the school must assess no more than the tuition and fee charges that other students in the program are assessed for that academic year.

The cumulative length of the absence and of all previous absences from the school for military service may not exceed five years. Only the time the student spends actually performing service is counted. See the next page for additional rules pertaining to cumulative length of absence.

## Readmission for Service Members—Additional Information

### 34 CFR 668.18 (a) General

(3) This section applies to an institution that has continued in operation since the student ceased attending or was last admitted to the institution but did not begin attendance, notwithstanding any changes of ownership of the institution since the student ceased attendance.

(4) The requirements of this section supersede any State law (including any local law or ordinance), contract, agreement, policy, plan, practice, or other matter that reduces, limits, or eliminates in any manner any right or benefit provided by this section for the period of enrollment during which the student resumes attendance, and continuing so long as the institution is unable to comply with such requirements through other means.

### 668.18 (e) Cumulative length of absence.

For purposes of paragraph (c)(1)(ii) of this section, a student's cumulative length of absence from an institution does not include any service—

- (1) That is required, beyond five years, to complete an initial period of obligated service;
- (2) During which the student was unable to obtain orders releasing the student from a period of service in the uniformed services before the expiration of the five-year period and such inability was through no fault of the student; or
- (3) Performed by a member of the Armed Forces (including the National Guard and Reserves) who is—
  - (i) Ordered to or retained on active duty under—
    - (A) 10 U.S.C. 688 (involuntary active duty by a military retiree);
    - (B) 10 U.S.C. 12301(a) (involuntary active duty in wartime);
    - (C) 10 U.S.C. 12301(g) (retention on active duty while in captive status);
    - (D) 10 U.S.C. 12302 (involuntary active duty during a national emergency for up to 24 months);
    - (E) 10 U.S.C. 12304 (involuntary active duty for an operational mission for up to 270 days);
    - (F) 10 U.S.C. 12305 (involuntary retention on active duty of a critical person during time of crisis or other specific conditions);
    - (G) 14 U.S.C. 331 (involuntary active duty by retired Coast Guard officer);
    - (H) 14 U.S.C. 332 (voluntary active duty by retired Coast Guard officer);
    - (I) 14 U.S.C. 359 (involuntary active duty by retired Coast Guard enlisted member);
    - (J) 14 U.S.C. 360 (voluntary active duty by retired Coast Guard enlisted member);
    - (K) 14 U.S.C. 367 (involuntary retention of Coast Guard enlisted member on active duty); or
    - (L) 14 U.S.C. 712 (involuntary active duty by Coast Guard Reserve member for natural or man-made disasters);

(ii) Ordered to or retained on active duty (other than for training) under any provision of law because of a war or national emergency declared by the President or the Congress, as determined by the Secretary concerned;

(iii) Ordered to active duty (other than for training) in support, as determined by the Secretary concerned, of an operational mission for which personnel have been ordered to active duty under section 12304 of title 10, United States Code;

(iv) Ordered to active duty in support, as determined by the Secretary concerned, of a critical mission or requirement of the Armed Forces (including the National Guard or Reserve); or

(v) Called into Federal service as a member of the National Guard under chapter 15 of title 10, United States Code, or section 12406 of title 10, United States Code (i.e., called to respond to an invasion, danger of invasion, rebellion, danger of rebellion, insurrection, or the inability of the President with regular forces to execute the laws of the United States).

### 668.18 (g) Documentation.

(1) A student who submits an application for readmission to an institution under paragraph (c)(1)(iii) of this section shall provide to the institution documentation to establish that—

- (i) The student has not exceeded the service limitation in paragraph (c)(1)(ii) of this section; and
- (ii) The student's eligibility for readmission has not been terminated due to an exception in paragraph (h) of this section.

(2)(i) Documents that satisfy the requirements of paragraph (g)(1) of this section include, but are not limited to, the following:

- (A) DD (Department of Defense) 214 Certificate of Release or Discharge from Active Duty.
- (B) Copy of duty orders prepared by the facility where the orders were fulfilled carrying an endorsement indicating completion of the described service.
- (C) Letter from the commanding officer of a Personnel Support Activity or someone of comparable authority.
- (D) Certificate of completion from military training school.
- (E) Discharge certificate showing character of service.
- (F) Copy of extracts from payroll documents showing periods of service.
- (G) Letter from National Disaster Medical System (NDMS) Team Leader or Administrative Officer verifying dates and times of NDMS training or Federal activation.
- (ii) The types of documents that are necessary to establish eligibility for readmission will vary from case to case. Not all of these documents are available or necessary in every instance to establish readmission eligibility.

(3) An institution may not delay or attempt to avoid a readmission of a student under this section by demanding documentation that does not exist, or is not readily available, at the time of readmission..

**Executive Order 13607**

For the text of the executive order, see

<https://www.dodmou.com/>

See also DCLs GEN-12-10, 12-12, 12-17, and 13-05 and the electronic announcements issued September 11, 2012, and January 18, 2013.

***Executive Order 13607: Principles of Excellence***

On April 27, 2012, the White House issued EO 13607, which created the Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members. The principles apply to all postsecondary schools that receive funding from federal military and veterans educational benefits programs. They strengthen consumer protections for students who receive these benefits and provide access to information to help them make informed choices about their college education. Adoption of the principles is voluntary but encouraged.

The principles describe requirements in the following key areas: (1) providing a standardized cost form, (2) providing federal aid information, (3) aggressive and fraudulent recruiting, (4) state authorization, (5) misrepresentation, (6) incentive compensation, (7) accreditation, (8) readmission, (9) refunds, (10) individual education plans, and (11) academic and financial counseling points of contact.

Title IV schools are likely already complying with many of the principles through their participation in the Title IV programs (for example, the refund requirement). One principle requires institutions to provide affected students with a personalized and standardized form describing the students' educational costs and how those may be covered by financial aid. The Financial Aid Shopping Sheet, released by the Department in July 2012, helps institutions satisfy that principle.

# Audits, Standards, Limitations, & Cohort Default Rates



## CHAPTER 4

*Schools that participate in the FSA programs are generally required to have annual compliance and financial statement audits. This chapter will discuss the audit requirement and the financial standards and limitations that apply to a school's FSA eligibility. In addition, we will discuss the annual calculation of a school's cohort default rate.*

### FSA AUDIT REQUIREMENTS FOR SCHOOLS

A school that participates in any FSA program, including a participating foreign school, generally must have an independent auditor conduct an annual audit of the school's compliance with the laws and regulations that are applicable to the FSA programs in which the school participates (a compliance audit) and an audit of the school's financial statements (a financial statement audit).

While a compliance audit covers the school's administration of the FSA programs, a financial statement audit provides the Department with information necessary to evaluate a school's status *vis-a-vis* the financial standards that are discussed later in this chapter.

The type of compliance audit a school or servicer must undergo depends on its type of control: public, for-profit, or nonprofit.

- ◆ All for-profit schools must have an FSA compliance audit conducted under the Inspector General's *Audit Guide* (for FSA school audits), which is available on the IFAP website.
- ◆ Public and nonprofit schools must comply with the Single Audit Act. The Single Audit Act requires these schools to have an audit conducted in accordance with the Office of Management and Budget's (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. (Circular A-133 allows an FSA compliance audit under the criteria of the *Audit Guide* under limited circumstances.)

The Office of Inspector General (OIG) also conducts audits, usually in cases where there is concern over a school's administration of the FSA programs. An OIG or other federal audit does not satisfy the requirement that a school have annual compliance and financial statement audits performed by an independent public accountant.

Note that audit requirements also apply to third-party servicers. However, a school may never use a third-party servicer's audit in place of its own required audit because the school is ultimately liable for its own violations as well as those incurred by its third-party servicers.

#### Related information

- Administrative requirements, Chapter 3
- Program reviews, Chapter 8

#### School participation divisions

For information regarding accounting and compliance issues, a school should contact the school participation division for its region. Go to the IFAP website ([ifap.ed.gov](http://ifap.ed.gov)) > Help > Contact Information > Federal Student Aid Offices > School Participation Division

#### Single Audit Act Not Applicable

The Higher Education Act and the implementing regulations require annual submissions of the audit of a school's financial statements and the compliance audit of its administration of the Title IV aid programs. Therefore, a submission prepared under the Single Audit Act provisions that does not include a compliance audit does not meet the HEA audit requirement. [Read the announcement](#) from August 5, 2016.

#### Audit requirements & waiver

HEA: Sec. 487(c)  
20 USC 1094  
34 CFR 668.23(a)(1) to (5)  
Waiver: 34 CFR 668.27

**Independent CPA/auditor**

An independent certified public accountant or government auditor, except that a government auditor must meet the Government Auditing Standards qualification and independence standard, including standards related to organizational independence.

**Opportunity to send comments to Small Business Ombudsman**

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about federal agency enforcement actions. The Ombudsman annually will evaluate the enforcement activities and rate each agency’s responsiveness to small business. If you wish to comment on the enforcement actions of the Department of Education, call 1-888-REG-Fair (1-888-734-3247).

**Fiscal year for 2018–2019**

For schools using a calendar year as their fiscal year, the most recently completed one is the fiscal year that ends on December 31, 2018. For those schools using the award year as their fiscal year, the most recently completed one will be the fiscal year that ends on June 30, 2019.

**Audit Requirements for Federal Awards**

Title 2, Subpart A, Part 200, Subpart F

**Requirements**

200.501

**Relation to other audit requirements**

200.503

Note that the full reference is Title 2 (Grants and Agreements), Subtitle A (OMB Budget Guidance for Grants and Agreements), Chapter II (OMB Guidance), Part 200 (200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards), Subpart F (Audit Requirements).

**TIMING OF AUDIT SUBMISSIONS**

*Simultaneous FSA audit submissions*

A school that has an audit performed under the *Audit Guide* for FSA schools must submit both the compliance audit and the audited financial statements within six months of the end of the school’s fiscal year. Both audits must be prepared by an independent public accountant in accordance with the Generally Accepted Accounting Principles (GAAP) and audited in accordance with the Generally Accepted Government Auditing Standards (GAGAS). The compliance audit and financial statement audit may be performed by different auditors. However, the audits must be submitted as one package.

Both the compliance audit and the financial statement audit must be performed on a fiscal-year basis. In cases where the school’s fiscal year does not coincide with an award year, the school’s compliance audit will cover parts of two award years (see example).

**Example: school’s fiscal year ≠ FSA award year**

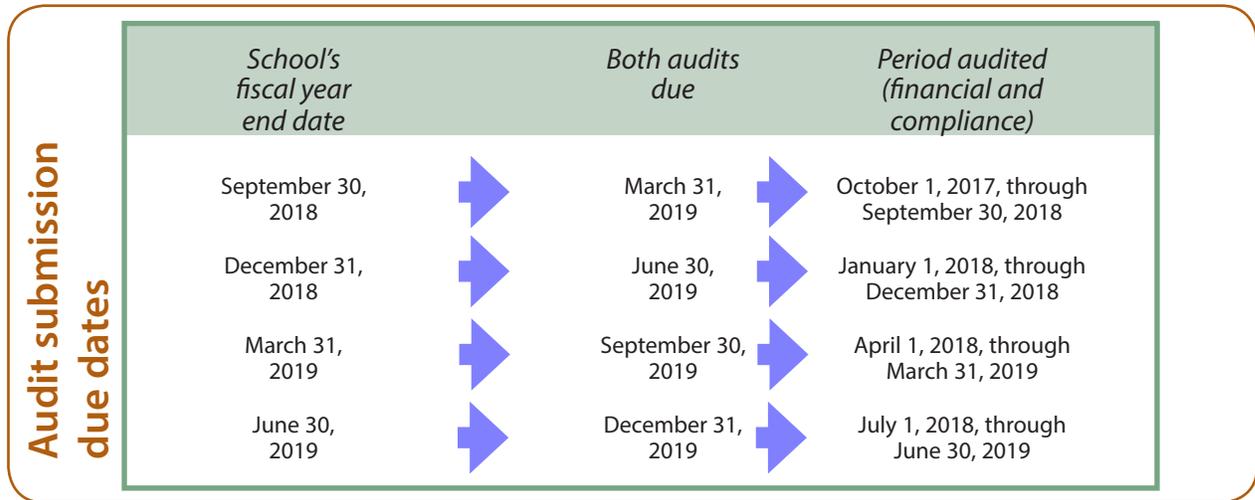


*Submission dates for FSA audits*

A school’s or servicer’s annual compliance and financial statements audits performed under the *Audit Guide* must be based upon the fiscal year and submitted to the Department within six months after the end of the school’s or servicer’s fiscal year. (These requirements do not apply to audits performed under the Single Audit Act that are due as specified in OMB Circular A-133.)

The chart on the next page lists audit due dates and the period the audit must cover. (The chart provides information for the most common institutional fiscal-year-end dates.)

Generally, a school’s first audit performed under these requirements must cover the entire period of time since the school began to participate in the FSA programs. Each subsequent audit must cover the period since the end of the period covered by the preceding audit that is accepted by the Department.



### Waivers of requirement for an annual FSA audit

A school may request a waiver of the requirement for an annual audit for up to three years. A proprietary school must have disbursed less than \$200,000 in each of the two most recently completed award years to be eligible for the waiver, and the school must also meet the other regulatory conditions in 34 CFR 668.27.

A public or private nonprofit institution that expends less than \$750,000 in federal funds in a fiscal year is exempt from filing compliance audits after the school gains initial eligibility.

If a waiver is approved, at the end of the waiver period, the school must submit a compliance audit covering each individual fiscal year in the waiver period and a financial statement audit for the last year of the waiver period.

This exception to the annual audit requirement may not be granted for the award year preceding a school’s required recertification.

### Audits required at end of waiver period

The regulations do not waive the requirement that a school audit its administration of the FSA programs; they waive the requirement that these audits be submitted on an annual basis. Therefore, if a school is granted a waiver for three years, when the waiver period expires and the school must submit its next compliance audit, that audit must cover the school’s administration of the FSA programs since the end of the period covered by its last submitted compliance audit.

The auditor for a proprietary school must audit, and attest to, the school’s annual 90/10 determination for each individual year in the waiver period (in accordance with 34 CFR 668.23(d)(4)).

### Criteria for granting waiver

34 CFR 668.27(c)

### Waiver for Public or Nonprofit Institution

Title 2, Subpart A, 200.501(d)

**Rescinding the waiver**

The Department rescinds a waiver if the school

- disburses \$200,000 or more of FSA program funds for an award year;
- undergoes a change in ownership resulting in a change of control; or
- becomes the subject of an emergency action or a limitation suspension, fine, or termination action initiated by the Department or a guaranty agency.

If the Department grants the waiver, the school does not have to submit its compliance or audited financial statement until six months after

- ♦ the end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement, or
- ♦ the end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits if the award year in which the school will apply for recertification is part of the third fiscal year.

A school's waiver request may include the fiscal year in which that request is made, plus the next two fiscal years.

A school remains liable for repaying any FSA funds it improperly expends during the waiver period. A compliance audit is the vehicle for discovering improper expenditures. Therefore, a school will be required to pay any liabilities when the school eventually submits a compliance audit for the fiscal years in which it made improper expenditures.

## Qualifying for and Effects of Waivers

### Qualifying for a waiver

To qualify for a waiver, a school must demonstrate that it

- is not a foreign school;
- disbursed less than \$200,000 in FSA program funds during each of the two completed award years prior to the audit period;
- agrees to keep records relating to each award year in the unaudited period for two years after the end of the regular record retention period for the award year;
- has participated in the FSA programs under the same ownership for at least three award years preceding the school's waiver request;
- is financially responsible under the general requirements of financial responsibility and does not rely on the alternative standards and requirements of exceptions to participate in the FSA programs;
- is not receiving funds under the reimbursement or cash monitoring system of payment;
- has not been the subject of a limitation, suspension, fine, or termination proceeding, or emergency action initiated by the Department or a guaranty agency in the three years preceding the school's waiver request;
- has submitted its compliance audits and audited financial statements for the previous two fiscal years, and no individual audit disclosed liabilities in excess of \$10,000; and
- submits a letter of credit in the amount as determined below, which must remain in effect until the Department has resolved the audit covering the award years subject to the waiver. For purposes of this section, the letter of credit amount is 10% of the total FSA program funds the school disbursed to or on behalf of its students during the award year preceding the school's waiver request.

### Effects of waivers—examples

Example 1: The school is still required to have its administration of the FSA programs audited for the waiver period. If a school is granted a waiver for three years, when the waiver period expires, the next audit must cover the school's administration of the FSA programs since the end of the period covered by its last submitted compliance audit. For example, if a school's fiscal year coincides with an award year (July 1–June 30) and it submits a compliance audit for its fiscal year that ends on June 30, 2017, and then receives a waiver, its next compliance audit is due six months after the end of its 2019–2020 fiscal year. When it submits that audit, it must cover the 2017–2018, 2018–2019, and 2019–2020 fiscal years.

Example 2: If a school's fiscal year ends June 30, 2017, and the school receives a waiver on May 1, 2017, that includes the 2017–2018, 2018–2019, and 2019–2020 fiscal years, the next compliance audit is due six months after the end of the school's 2019–2020 fiscal year.

## STANDARDS AND GUIDELINES FOR FSA AUDITS

### *Audited financial statement requirement*

#### **Audit guide (for FSA programs)**

The official title of the Inspector General's audit guide for the FSA programs is *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*.

The audit guide is available on the IFAP website ([ifap.ed.gov](http://ifap.ed.gov)) under "Publications."

The G5 Users Guide is available at ([www.g5.gov](http://www.g5.gov)).

A school's audited financial statement must cover the school's most recently completed fiscal year. The Department uses the information in a school's audited financial statement to evaluate the school's status *vis-a-vis* the financial standards discussed in this chapter. In addition to a school's audited financial statement, the Department may require that the school submit additional information. For example, the Department may require a school to submit or provide access to the auditor's work papers. Also, if the Department finds it necessary to evaluate a particular school's financial condition, the Department can require a school to submit audited financial statements more frequently than once a year.

### *FSA compliance audits*

Compliance audits must be conducted in accordance with the general standards and the standards for compliance audits contained in the U.S. Government Accountability Office's (GAO's) Government Auditing Standards. In addition, the auditor should use the following guidance, based on school type:

- ◆ OMB Circular A-133 for public and private nonprofit schools audited under the Single Audit Act
- ◆ the latest *Audit Guide* for the FSA programs (see sidebar) for for-profit schools, foreign schools, and third-party servicers

In conducting an audit, the auditor may also find it useful to consult the accounting and record keeping guidance in the FSA Handbook and the *G5 Users Guide*, as applicable.

A school (or third-party servicer) may use the same independent auditor or auditing firm for its required nonfederal audit as the one that usually audits its fiscal transactions. To produce unbiased conclusions, the auditor must be independent of those authorizing the expenditure of FSA funds.

The Department may require a school to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, other federal agencies, or accrediting agencies.

#### **Financial statements, accrual basis, and GAAP standards**

Financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) and audited by an independent auditor in accordance with GAGAS and other guidance contained in OMB Circular A-133, or in the Department's *Audit Guide* (for FSA school audits).

## Single Audit Act (A-133 audit) guidelines

Nonprofit and public schools are required to have audits performed under the guidelines of the Single Audit Act. (These audits are also known as “A-133 audits” because the audit guidelines are established in OMB Circular A-133). A-133 audits satisfy the Department’s audit requirements.

A-133 audits have distinct auditing and submission requirements and must be submitted to the Federal Audit Clearinghouse. (A copy of the audit must also be submitted to the Department through the eZ-Audit website.) A school submitting an audit under the guidelines of the Single Audit Act must use the submission deadlines established by the Single Audit Act.

### Exemptions

A school that expends less than \$750,000 of federal funds during a fiscal year is exempt from submitting an annual A-133 audit. However, a school that spends less than \$750,000 in all federal funds is still required to submit a financial statement to the Department within six months after the close of its fiscal year. The financial statement does not have to be audited by a CPA and may be created as compiled or reviewed statements. If the school has prepared a set of audited financial statements for its own use or for another entity, the school must submit those audited financial statements to the Department no later than six months after the end of the institution’s fiscal year.

Circular A-133 permits the submission of program-specific audits if an entity expends funds in only one federal program *and* the program’s regulations do not require a financial statement audit. The FSA program regulations require a financial statement audit. Therefore, a school may not submit a program-specific audit to satisfy the Department’s audit submission requirements.

Circular A-133 also now allows an independent auditor to use professional judgment to determine whether certain federal programs must be included in the scope of an audit. An independent auditor can exclude certain program components, such as FSA program funds, if they fall below a predetermined dollar and risk threshold.

The independent auditor must make an annual assessment of the dollar and risk conditions and determine whether such exclusions are appropriate and whether any FSA programs must be included within the scope of the audit. You can find additional information on this topic in the latest Compliance Supplement to Circular A-133.

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### Submitting A-133 audits

The Form SF-SAC and the Single Audit Reporting packages for fiscal periods ending on or after January 1, 2008, must be submitted online to the Federal Audit Clearinghouse.

[harvester.census.gov/facweb/](http://harvester.census.gov/facweb/)

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### Annual financial statement

Section 487(c) of the HEA provides that all schools participating in the Federal Student Aid programs must submit *annual financial statements* to the Department. This applies to all schools, including nonprofit schools that are otherwise exempt from submitting annual audited financial statements under the A-133 standards.

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### Circular A-133 and the Single Audit Act

Office of Management and Budget (OMB) Circular A-133 was issued pursuant to the Single Audit Act of 1984. The Single Audit Act was amended in 1996—the current requirements are found in Chapter 75 of title 31, U.S. Code.

Circular A-133 is titled “Audits of States, Local Governments, and Nonprofit Organizations” and is applicable to nonprofit postsecondary schools, states, local governments, and Indian tribal governments. For many schools, this is a combined audit of all the federal programs at that school. OMB circular A-133 is available through the OMB homepage at

<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/a133.pdf>.

**90/10 Rule**

Guidance on footnote disclosures can be found in the *FSA Audit Guide*, in 34 CFR 668.23(d)(4), and in appropriate accounting references.

See DCL GEN-08-12 for changes made by the *Higher Education Opportunity Act of 2008* (section 493), moving 90/10 rule to the Program Participation Agreement (from the definition of a proprietary institution of higher education).

Earlier guidance on 90/10 and institutional loans and scholarships can be found in Dear Partner Letter GEN-99-33 and Dear CPA Letters CPA-99-01 and CPA-99-02.

HEA section 487

34 CFR 668.14(b)(16)

34 CFR 668.28

**FSA consolidated statements**

In some cases, a school's relationship with another entity may cause the Department to require a school to submit additional financial statements both of the school and the entity, such as audited consolidated financial statements; audited full consolidated financial statements; audited combined financial statements; or, under certain circumstances, audited financial statements of one or more related parties. This occurs when the Department determines that the activities or financial health of another entity may impact the school's total financial health. So that the Department can make this determination, a school must include in its audited financial statements a detailed description of related entities based on the definition of a related entity in the *Statement of Financial Accounting Standards No. 57*. In addition, the description must include all related parties and a level of detail that would enable the Department to easily identify them. This information may include but is not limited to the name, location, and description of the related entity, including the nature and amount of any transaction between the entity and the school, financial or otherwise, regardless of when it occurred.

**90/10 REVENUE TEST**

To be eligible for FSA participation, a proprietary school must derive at least 10% of its revenues for each fiscal year from sources other than the FSA programs or be subject to sanctions. The calculation of this percentage and the funds included must be arrived at using the cash basis of accounting. A school must determine its revenue percentages using the formula described on the following pages each fiscal year.

A proprietary school must report as a footnote to its audited financial statements the percentage of its revenues derived from the FSA programs for the fiscal year covered by the audit. The school must also report in the footnote the dollar amount of the numerator and denominator of its 90/10 ratio as well as the individual revenue amounts identified in section 2 of appendix C to subpart B of part 668 (see the margin).

Proprietary schools have 45 days after their most recent fiscal year has ended to report to the Department if they did not satisfy the 90/10 rule for that period.

- ◆ If a school fails to satisfy the 90/10 rule for any fiscal year, it becomes provisionally certified for up to two fiscal years after the fiscal year it failed to satisfy the revenue requirement. (Among other factors, the provisional certification is limited by the expiration date of the school's program participation agreement.)
- ◆ If a school fails to satisfy the 90/10 rule for two consecutive fiscal years, it loses its eligibility to participate in the FSA programs for at least two fiscal years.

If the school loses eligibility, it must immediately stop awarding FSA funds and follow the closeout procedures described in *Chapter 8*.

**Notifying ED—90/10**

A school must send notice of its failure to satisfy the 90/10 rule to the Department by U.S. mail or commercial overnight to the following address:

U.S. Department of Education,  
Federal Student Aid  
School Eligibility Service Group  
830 First Street, NE  
Washington, DC 20202-5403

General e-mail: [Caseteams@ed.gov](mailto:Caseteams@ed.gov)  
Contact phone numbers for the teams are provided at <https://eligcert.ed.gov/>.

A school that converts from a proprietary to a nonprofit or public status for Title IV purposes must continue to report its compliance with the 90/10 revenue test for at least one complete fiscal year after the change in status has been approved by the Department. For example, a change in status is approved with an effective date of 10/31/18 for a school whose fiscal year ends on December 31. The school would be required to report the 90/10 revenue attestation for the complete 2018 fiscal year, and it would also be required to report its 90/10 compliance for its first complete fiscal year (2019) of participation as a nonprofit school. If the school failed the test for that first year under the new status, it would need to report an additional year. If there were other problems with the attestation, the school could also be required to report one more year.

## Counting Revenues for the 90/10 Rule

Section 668.28(a) of the Student Assistance General Provisions provides the following explanation of how to count revenue from FSA vs. non-FSA sources: See Appendix C of Subpart B of the Student Assistance General Provisions for calculation procedures.

...

### (3) Revenue generated from programs and activities.

The institution must consider as revenue only those funds it generates from—

- (i) Tuition, fees, and other institutional charges for students enrolled in eligible programs as defined in §668.8;
- (ii) Activities conducted by the institution that are necessary for the education and training of its students provided those activities are—
  - (A) Conducted on campus or at a facility under the institution’s control;
  - (B) Performed under the supervision of a member of the institution’s faculty; and
  - (C) Required to be performed by all students in a specific educational program at the institution; and
- (iii) Funds paid by a student, or on behalf of a student by a party other than the institution, for an education or training program that is not eligible under §668.8 if the program—
  - (A) Is approved or licensed by the appropriate state agency;
  - (B) Is accredited by an accrediting agency recognized by the Secretary under 34 CFR part 602;
  - (C) Provides an industry-recognized credential or certification, or prepares students to take an examination for an industry-recognized credential or certification issued by an independent third party;
  - (D) Provides training needed for students to maintain state licensing requirements; or
  - (E) Provides training needed for students to meet additional licensing requirements for specialized training for practitioners that already meet the general licensing requirements in that field.

### (4) Application of funds.

The institution must presume that any Title IV, HEA program funds it disburses, or delivers, to or on behalf of a student will be used to pay the student’s tuition, fees, or institutional charges, regardless of whether the institution credits the funds to the student’s account or pays the funds directly to the student, except to the extent that the student’s tuition, fees, or other charges are satisfied by—

- (i) Grant funds provided by non-federal public agencies or private sources independent of the institution;

- (ii) Funds provided under a contractual arrangement with a federal, state, or local government agency for the purpose of providing job training to low-income individuals who need that training;

- (iii) Funds used by a student from a savings plan for educational expenses established by or on behalf of the student if the saving plan qualifies for special tax treatment under the Internal Revenue Code of 1986; or

- (iv) Institutional scholarships that meet the requirements in paragraph (a)(5)(iv) of this section.

### (5) Revenue generated from institutional aid.

The institution must include the following institutional aid as revenue:

- (i) For loans made to students and credited in full to the students’ accounts at the institution on or after July 1, 2008, and prior to July 1, 2012, include as revenue the net present value of the loans made to students during the fiscal year, as calculated under paragraph (b) of this section, if the loans—

- (A) Are bona fide as evidenced by standalone repayment agreements between the students and the institution that are enforceable promissory notes;

- (B) Are issued at intervals related to the institution’s enrollment periods;

- (C) Are subject to regular loan repayments and collections by the institution; and

- (D) Are separate from the enrollment contracts signed by the students.

[For rules on calculating the net present value of these loans, see 34 CFR 668.28(b) and Appendix C to Subpart B.]

- (ii) For loans made to students before July 1, 2008, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year.

- (iii) For loans made to students on or after July 1, 2012, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year.

- (iv) For scholarships provided by the institution in the form of monetary aid or tuition discount and based on the academic achievement or financial need of its students, include as revenue the amount disbursed to students during the fiscal year. The scholarships must be disbursed from an established restricted account and only to the extent that the funds in that account represent designated funds from an outside source or income earned on those funds.

## Counting Revenues for the 90/10 Rule, continued

### (7) Funds excluded from revenues.

For the fiscal year, the institution does not include—

(i) The amount of Federal Work-Study (FWS) wages paid directly to the student. However, if the institution credits the student's account with FWS funds, those funds are included as revenue;

(ii) The amount of funds received by the institution from a state under the LEAP, SLEAP, or GAP programs;

(iii) The amount of institutional funds used to match Title IV, HEA program funds;

(iv) The amount of Title IV, HEA program funds refunded or returned under §668.22. If any funds from the loan disbursement used in the return calculation under §668.22 were counted as non-title IV revenue under paragraph (a)(6) of this section, the amount of Title IV, HEA program funds refunded or returned under §668.22 is considered to consist of pre-ECASLA loan amounts and loan amounts in excess of the loan limits prior to ECASLA in the same proportion to the loan disbursement; or

(v) The amount the student is charged for books, supplies, and equipment unless the institution includes that amount as tuition, fees, or other institutional charges.

because they are not an inflow of cash to the school. Institutional scholarships are not revenues generated by the school unless they are donated by an unrelated or outside party. An exception is permitted for schools to use donations from a related party to create restricted accounts for institutional scholarships, but only the amount earned on the restricted account and used for scholarships would count as revenue in the denominator of the calculation.

Funds held as credit balances in institutional accounts cannot be counted in the 90/10 formula. However, once funds held as credit balances are used to satisfy institutional charges, they would be counted in both the numerator and the denominator of the formula.

### Revenues from loans

When a school makes a loan to a student, it does not receive cash from an outside source. Accordingly, cash revenue from institutional loans is recognized only when those loans are repaid, because that is when there is an inflow of cash from an outside source. Loan proceeds from institutional loans that were disbursed to students may not be counted in the denominator of the fraction, because these proceeds neither generate nor represent actual inflows of cash. The school may include only loan repayments it received during the appropriate fiscal year for previously disbursed institutional loans.

Loans made by a private lender that are in any manner guaranteed by the school are known as recourse loans. The proceeds from recourse loans may be included in the denominator of an institution's 90/10 calculation for the fiscal year in which the revenues were received, provided that the institution's reported revenues are also reduced by the amount of recourse loan payments made to recourse loan holders during that fiscal year. Note that recourse loan payments may be for recourse loans that were made in a prior fiscal year. Under the cash basis of accounting, the reductions to total revenues in the denominator of the 90/10 calculation are reported in the fiscal year when the payments are made.

The nonrecourse portion of a partial recourse loan may be included in a 90/10 calculation. In order to include a partial recourse loan in a 90/10 calculation, the contract must identify the percentage of the sale that is nonrecourse; only that percentage may be included. Furthermore, no after-the-fact adjustments may be provided for. Revenue generated from the sale of nonrecourse institutional loans to an unrelated third party may be counted as revenue in the denominator of the 90/10 calculation to the extent that the revenues represent actual proceeds from the sale.

The sale of institutional loan receivables is distinguishable from the sale of a school's other assets because receivables from institutional loans are produced by transactions that generate tuition revenue. Tuition revenue represents income from the major service provided by a school. That would not be true in the case of the sale of other school assets.

## Other 90/10 guidance

### Cash basis of accounting

Except for institutional loans made to students under 34 CFR 668.28(a)(5)(i), a proprietary school must use the cash basis of accounting in calculating its revenue percentage under the 90/10 Rule. Under the cash basis of accounting, revenue is recognized when received rather than when it is earned.

### Revenue

For the purpose of calculating the qualifying percentages under the 90/10 Rule, revenue is an inflow or other enhancement of assets to an entity, or a reduction of its liabilities resulting from the delivery or production of goods or services. A school may recognize revenue only when the school receives cash, i.e., when there is an inflow of cash. As a result, in order for a school to recognize revenue under the cash basis of accounting, that revenue must represent cash received from a source outside the institution.

### Tuition waivers

Institutional grants in the form of tuition waivers do not count as revenue because no new revenue is generated. Similarly, internal transfers of cash among accounts are not considered revenue

## AUDIT AND AUDIT REVIEW PROCESS

### *Having the audit performed*

#### **Use of eZ-Audit required**

Schools are required to submit their compliance audits, audited financial statements, and letters confirming their status as public schools through the Department's eZ-Audit Electronic Financial Reporting System.

This requirement applies to any compliance audits or financial statements required under 34 CFR 600.20(a) or (b) to begin or continue participating in the FSA programs, any financial statements required due to a change in ownership resulting in a change in control as provided under 34 CFR 600.20(g), any compliance audits and financial statements required annually under 34 CFR 668.23, and any compliance audits and financial statements required when a school ceases to participate in the FSA programs as provided under 34 CFR 668.26(b).

The school or servicer must make its program and fiscal records, as well as individual student records, available to the auditor. (Required recordkeeping is discussed in *Chapter 7*.) Both the financial aid and business offices should be aware of the dates the auditors will be at the school, and make sure that someone is on hand to provide requested documents and answer questions during that period.

At the end of the on-site review, the auditor conducts an exit interview. At a school, this exit interview is usually conducted with the personnel from the school's financial aid and other relevant offices. The exit interview is not only an opportunity for the auditor to suggest improvements in procedures, but it also gives the school or servicer a chance to discuss the draft report and review any discrepancies cited in the report. The exit interview is a good time to resolve any disagreements before the final report is prepared.

The final report is prepared by the auditor and submitted to the school or servicer.

### *Review of FSA audit submissions*

The Department reviews the audit report for format and completeness and to ensure that it complies with the government's auditing standards.

We will use the general information to make an initial determination of whether the audits are materially complete and conducted in accordance with applicable accounting standards. Based on the financial data, we will also make a preliminary determination as to whether your school is financially responsible with respect to the financial responsibility ratios, or in the case of a change in ownership resulting in a change in control, whether the school satisfies the financial ratio requirements (discussed later in this chapter). Later, the Department will review submissions to determine whether the school must provide additional information or ED should take further action.

Based on the audit findings and the school's or servicer's written explanation, the Department will determine if any funds were spent improperly. Unless the school or servicer has properly appealed the decision, the school or servicer must repay any improperly spent funds within 45 days.

#### **Information about eZ-audit**

Website: ([www.ezaudit.ed.gov](http://www.ezaudit.ed.gov))

E-mail contact: [fzaezaudit@ed.gov](mailto:fzaezaudit@ed.gov)

eZ-Audit Help Desk: 1-877-263-0780

## Access to records

Once the audit is complete, the school or servicer must give the Department and the OIG access to all records and documents needed to review the audit. A school that uses a third-party servicer must give the Department and the OIG access to all records and documents needed to review a third-party servicer's compliance or financial statement audit. In addition, the school's or servicer's contract with the auditor must specify that the auditor will give the Department and the OIG access to the records and documents related to the audit, including work papers. Cooperation includes providing timely and reasonable access to records (including computer records) for examination and copying and to personnel for the purpose of obtaining relevant information.

## Cooperation with audit and review process

Throughout the audit process, and for other examinations such as program reviews and state reviews, the school or servicer is required to cooperate fully with its independent auditor, the Department and its Inspector General, the Comptroller General of the United States, its accrediting agency, and the appropriate guaranty agency.

## eZ-Audit

The eZ-Audit website provides a paperless single point of submission for financial statements and audits (i.e., compliance reports). eZ-Audit provides automatic error checking as you enter the data and before submission. In addition, it gives you instant acknowledgment of receipt.

All schools that participate in the FSA programs must use eZ-Audit to submit financial statements and compliance audits (including copies of the A-133 reports that nonprofit and public institutions file with the Federal Audit Clearinghouse).

Nonprofit and public institutions are still required to submit their A-133 audits in writing to the federal clearinghouse.

### The eZ-Audit process

To access the eZ-Audit website, you must be a registered user. Each school must select an eZ-Audit institution administrator who will be responsible for managing your school's access to the eZ-Audit website. This institution administrator will receive the user name and password necessary for your school's access and will be responsible for granting access to others you name as additional users.

Each registered user must sign and retain the eZ-Audit rules of behavior. For registration instructions and to download the rules of behavior, please visit [www.ezaudit.ed.gov](http://www.ezaudit.ed.gov).

Once you have obtained your school ID, you will access the appropriate page on the audit website and

1. enter general information about your school's compliance audit and financial statement,
2. enter specific financial data directly from the audited financial statement, and
3. attach authentic electronic copies of the audit originals.

After you have entered the required information, you must attach a copy of the audit prepared and signed by the independent auditor. The copy must be in a non-editable, portable document format (PDF) created using Adobe Acrobat version 5.0 or higher.

## AUDITS FOR THIRD-PARTY SERVICERS

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### Third-party servicers

Guidance for audits of third-party servicers is found in the January 2000 Department of Education’s “Audit Guide, Audits of Federal Student Aid Programs at Participating Institutions and Institution Servicers.”

34 CFR 668.23(a)(3) and (c)

34 CFR 668.23(d)(4)

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### Failure to submit audits

The Department is aware that some third-party servicers have told schools not to report them as servicers, creating confusion about who should be reported. Also, some servicers have not filed annual compliance audits because they incorrectly determined that they don’t meet the regulatory definition of a third-party servicer or because of the omission of specific audit procedures in the OIG Audit Guide for some services or functions performed on behalf of colleges. See DCL GEN-15-01 for clarification of the third-party servicer requirements in the regulations.

Audit requirements also apply to third-party servicers. If a servicer contracts with several FSA schools, a single compliance audit can be performed that covers its administrative services for all schools. If a servicer contracts with only one FSA school and that school’s own audit sufficiently covers the functions performed by the servicer, the servicer does not have to submit a compliance audit. A servicer must submit its compliance audit within six months after the last day of the servicer’s fiscal year. The Department may require a servicer to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the Department of Veterans Affairs, or accrediting agencies.

In addition to submitting a compliance audit, a servicer that enters into a contract with a lender or guaranty agency to administer any aspect of the lender’s or guaranty agency’s programs must submit annually audited financial statements. The financial statements must be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and audited by an independent auditor in accordance with Generally Accepted Government Auditing Standards (GAGAS) and any other guidance contained in audit guides issued by the Department’s Office of the Inspector General.

If the Department determines that, based on audit findings and responses, a third-party servicer owes a liability for its administration of the FSA programs, the servicer must notify each school with which it has a contract of the liability. Generally, unless they submit an appeal, schools and servicers owing liabilities must repay those liabilities within 45 days of being notified by the Department.

As noted earlier, a school may never use a third-party servicer’s audit in place of its own required audit because the school is ultimately liable for its own violations as well as those incurred by its third-party servicers. (See *Chapter 3* for more information on third-party servicers.)

## DEMONSTRATING FINANCIAL RESPONSIBILITY

To participate in the FSA programs, a school must demonstrate that it is financially responsible. To provide the Department with the information necessary to evaluate a school's financial responsibility, schools are required to submit financial information to the Department every year. A school must provide this financial information in the form of an audited financial statement as part of a combined submission that also includes the school's compliance audit. For-profit schools have six months from the end of the schools' fiscal year to provide the combined submission; other schools have nine months.

What follows is an overview of the financial responsibility standards. Schools should refer to Subpart L of the Student Assistance General Provisions for complete information.

The Department determines whether a school is financially responsible based on the school's ability to provide the services described in its official publications and statements, properly administer the FSA programs in which the school participates, and meet all of its financial obligations.

The financial responsibility standards can be divided into two categories: (1) general standards, which are the basic standards used to evaluate a school's financial health, and (2) performance and affiliation standards, which are standards used to evaluate a school's past performance and to evaluate individuals affiliated with the school.

### *Financial responsibility for public schools*

A public school is financially responsible if its debts and liabilities are backed by the full faith and credit of the state or another government entity. The Department considers a public school to have that backing if the school notifies the Department that it is designated as a public school by the state, local, or municipal government entity, tribal authority, or other government entity that has the legal authority to make that designation. The school must also provide the Department with a letter from an official of the appropriate government entity confirming the school's status as a public school. A letter from a government entity may include a confirmation of public school status for more than one school under that government's purview. The letter is a one-time submission and should be submitted as a separate document.

Public schools also must meet the past performance and affiliation standards discussed later and must submit financial statements prepared in accordance with generally accepted accounting principles (GAAP) and prepared on the accrual basis.

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### **Financial responsibility**

Sec. 498(c) of the Higher Education Act  
34 CFR 668 Subpart L

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### **Tuition recovery funds**

When a state submits a tuition recovery fund for approval by the Department, the Department will consider the extent to which the recovery fund

- provides returns to both in-state and out-of-state students;
- complies with FSA requirements for the order of return of funds to sources of assistance; and
- is replenished if any claims arise that deplete the fund.

## *Financial responsibility for proprietary or private nonprofit schools*

### **Change in ownership**

When a change in ownership occurs, the Department applies the standards in 34 CFR 668.15.

### **Deposit to operating account or separate federal bank account**

A school that maintains a separate federal bank account must deposit to that account, or transfer from its operating account to its federal account, the amount of unearned program funds, as determined under the Return of Title IV funds regulations. The date the school makes that deposit or transfer is the date used to determine whether the school returned the funds within the 45-day time frame permitted in the regulations.

Unless the Department requires a school to use a separate account, the school may use its operating account for FSA purposes. In this case the school must designate that account as its federal bank account and have an auditable system of records showing that the funds have been allocated properly and returned in a timely manner. If there is no clear audit trail, the Department can require the school to begin maintaining FSA funds in a separate bank account.

See the sections on accounting for funds and depository accounts in *Chapter 1 of Volume 4*.

34 CFR 668.163(a)

A proprietary or private nonprofit school is financially responsible if the Department determines that

- ◆ the school has a composite score of at least 1.5;
- ◆ the school has sufficient cash reserves to make the required refunds, including the return of Title IV funds (these requirements are known as the refund reserve standards);
- ◆ the school is meeting all of its financial obligations, including making required refunds, including the return of Title IV funds and making repayments to cover FSA program debts and liabilities; and
- ◆ the school is current in its debt payments.

These requirements are discussed in more detail in the next section.

Even if a school meets all of the general requirements, the Department does not consider the school to be financially responsible if

- ◆ in the school's audited financial statement the opinion expressed by the auditor was adverse, qualified, or disclaimed, or the auditor expressed doubt about the continued existence of the school as a going concern (unless the Department determines that a qualified or disclaimed opinion does not have a significant bearing on the school's financial condition), or
- ◆ the school violated one of the past performance requirements discussed later in this chapter.

## STANDARDS FOR FINANCIAL RESPONSIBILITY

### Composite score

The composite score standard combines different measures of fundamental elements of financial health to yield a single measure of a school's overall financial health. This method allows financial strength in one area to make up for financial weakness in another area and gives an equitable measure of the financial health of schools of different sizes.

The composite score methodology takes into account the differences between proprietary schools and private nonprofit schools. The variance takes into account the accounting differences between these sectors of postsecondary schools. However, the basic steps used to arrive at the composite score are the same. These steps are described later in this section.

### Refund reserve standards

One of the standards that a school must satisfy to be considered financially responsible is that it must have sufficient cash reserves to return FSA funds when a student withdraws. A school is considered to have sufficient cash reserves if it

- ◆ is located in a state that has an ED-approved tuition recovery fund and the school contributes to that fund, or
- ◆ for its two most recently completed fiscal years, the school made all required returns in a timely manner (see *Volume 5, Chapter 2* for more information on returns, including timely payment).

### Returning funds in a timely manner

Unearned funds must be returned no later than 45 days after the date of the school's determination that the student withdrew. ED considers the school to have returned funds, depending upon the method it uses to return them. Specifically, the regulations provide that a school has returned funds when it has

- ◆ deposited or transferred the funds into the bank account it maintains for federal funds (see sidebar) no later than 45 days after the date it determines that the student withdrew,
- ◆ initiated an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew, or
- ◆ issued a check no later than 45 days (as supported by the school's records) after the date it determines that the student withdrew.

If a check is used to return unearned funds, the Department requires that the check be endorsed by ED no later than 60 days after the school's determination that a student withdrew to be considered a timely return.

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### Financial responsibility

Treatment of long-term debt  
DCL GEN 03-08, July 2003  
34 CFR 668, Subpart L, Appendices A and B  
Ratios  
34 CFR 668.172  
Refund reserve standards  
34 CFR 668.173  
Returning funds in a timely manner  
34 CFR 668.22

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### Additional information on composite scores

For complete information on the calculation of the composite score, schools should refer to Appendices A and B of Subpart L in the General Provisions regulations.

The Department has issued guidance on the treatment of long-term and other debt in calculating these ratios. The most recent can be found in DCL GEN-03-08.

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### Return of Title IV funds

The requirements for return of Title IV funds for students who withdraw from the educational program are described in *Volume 5*.

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### Making new awards with returned funds

After a school has returned unearned funds to its federal account, provided those funds were originally received from the Department under a process that allows the school to reuse the unearned funds, the school can use the funds to make disbursements to other eligible students through the same program and in the same award year.

### *Letter of credit required when funds are not returned in a timely manner*

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#### **Address for Letters of Credit**

Letters of credit are submitted to

Director, Performance Improvement &  
Procedures  
U.S. Department of Education  
Federal Student Aid  
830 First Street, NE  
UCP-3, MS 5435  
Washington, DC 20002-8019

Public schools and schools covered by a state tuition recovery fund that has been approved by the Department are not subject to the letter of credit requirements. If any other school exceeds the compliance thresholds in either of its two most recently completed fiscal years, the school must submit an irrevocable letter of credit acceptable and payable to the Department. The letter of credit must be equal to 25% of the returns the school made or should have made during its most recently completed fiscal year.

A school that is required to submit a letter of credit must do so no later than 30 days after the earlier of the date that

- ◆ the school is required to submit its compliance audit;
- ◆ the OIG issues a final audit report;
- ◆ the designated department official issues a final program review determination;
- ◆ the Department issues a preliminary program review report or draft audit report, or a guaranty agency issues a preliminary report showing that the school did not return unearned funds for more than 10% of the sampled students; or
- ◆ ED sends a written notice to the school requesting the letter of credit that explains why the school has failed to return unearned funds in a timely manner.

If the finding in the preliminary report is that the school did not return unearned funds in a timely manner for 10% or fewer of the sampled students, a school would generally be required to submit the letter of credit only if the final report shows that the school did not return unearned funds in a timely manner for 5% or more of all the students in the sample. If the final report indicates that a letter of credit is required, the school would have to submit it no later than 30 days after the final report is issued.

### *Exceptions to the letter of credit requirement*

A school is not required to submit a letter of credit of less than \$5,000. However, to meet the reserve requirement, such a school would need to demonstrate that it has available at all times cash reserves of at least \$5,000 to make required returns.

In addition, a school may delay submitting a letter of credit while it asks for reconsideration of a finding that it failed to return unearned FSA funds in a timely manner. A school may request that the Department reconsider its finding if the school submits documents showing that

- ◆ the unearned FSA funds were not returned in a timely manner solely because of exceptional circumstances beyond the school's control and that the school would not have exceeded the applicable threshold had it not been for the exceptional circumstances; or
- ◆ it did not fail to make timely returns.

A school that submits an appeal, together with all required supporting documents, by the date the letter of credit would be due is not required to submit a letter of credit unless the Department notifies the school that its request has been denied.

### *Current in debt payments*

A school is not current in its debt payments if

- ◆ it is in violation of any existing loan agreement at its fiscal year end, as disclosed in a note to its audited financial statements or audit opinion, or
- ◆ it fails to make a payment in accordance with existing debt obligations for more than 120 days, and at least one creditor has filed suit to recover funds under those obligations.

## Calculating a Composite Score

The first step in calculating a school's composite score is to determine the school's primary reserve, equity, and net income ratios by using information from the school's audited financial statement. These ratios take into account the total financial resources of the school. The Primary Reserve Ratio represents a measure of a school's viability and liquidity. The Equity Ratio represents a measure of a school's capital resources and its ability to borrow. The Net Income Ratio represents a measure of a school's profitability.

Upon review, some items from a school's audited financial statement may be excluded from the calculation of the ratios. For example, the Department may exclude the effects of questionable accounting treatments, such as excessive capitalization of marketing costs, from the ratio calculations. (See the regulatory exclusions below.)

All long-term debt obtained for the school's purposes may be included for purposes of the Primary Reserve Ratio calculation. However, it is important to note that the overall level of debt obtained for long-term purposes that can be included in the numerator of the Primary Reserve Ratio is limited under the regulations. It cannot exceed the amount of the school's net property, plant, and equipment.

A strength factor score is then calculated for each ratio using equations established by the Department. A strength factor score reflects a school's relative strength or weakness in a fundamental element

of financial health, as measured by the ratios. Specifically, the strength factor scores reflect the extent to which a school has the financial resources to: 1) replace existing technology with newer technology; 2) replace physical capital that wears out over time; 3) recruit, retain, and retrain faculty and staff (human capital); and 4) develop new programs.

A weighting percentage is applied to each strength factor score to obtain a weighted score for each ratio. The weighting percentages reflect the relative importance that each fundamental element has for a school in a particular sector (proprietary or private nonprofit).

The sum of the weighted scores equals the school's composite score. Because the weighted scores reflect the strengths and weaknesses represented by the ratios and take into account the importance of those strengths and weaknesses, a strength in the weighted score of one ratio may compensate for a weakness in the weighted score of another ratio.

Once a composite score is calculated, it is measured along a common scale from negative 1.0 to positive 3.0 as indicated in the diagram on the following page. This scale reflects the probability a school will be able to continue operations and meet its obligations to students and the Department.

### Exclusions

Excluded items. In calculating an institution's ratios, the Secretary—

- (1) Generally excludes extraordinary gains or losses, income or losses from discontinued operations, prior period adjustments, the cumulative effect of changes in accounting principles, and the effect of changes in accounting estimates;
- (2) May include or exclude the effects of questionable accounting treatments, such as excessive capitalization of marketing costs;
- (3) Excludes all unsecured or uncollateralized related-party receivables;
- (4) Excludes all intangible assets defined as intangible in accordance with generally accepted accounting principles; and

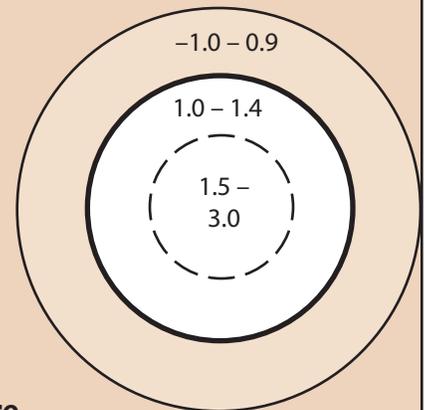
- (5) Excludes from the ratio calculations federal funds provided to an institution by the Secretary under programs authorized by the HEA only if—

- (i) In the notes to the institution's audited financial statement, or as a separate attestation, the auditor discloses by name and Catalog of Federal Domestic Assistance (CFDA) number the amount of HEA program funds reported as expenses in the Statement of Activities for the fiscal year covered by that audit or attestation; and
- (ii) The institution's composite score, as determined by the Secretary, is less than 1.5 before the reported expenses arising from those HEA funds are excluded from the ratio calculations.

34 CFR 668.172(c)

## Composite Score Scale

- 1.5 to 3.0** Financially responsible without further oversight.
- 1.0 to 1.4** In the “Zone.” The school is considered financially responsible, but additional oversight is required.
- 1.0 to 0.9** Not financially responsible. The school must submit a letter of credit of at least 50% of its FSA funding. The school may be permitted to participate under provisional certification with a smaller letter of credit—with a minimum of 10% of its FSA funding and additional oversight.



### Example: Calculation Of A Composite Score For A Proprietary Institution\*

#### Calculation of Ratios

$$\text{Primary Reserve Ratio} = \frac{\text{Adjusted equity}}{\text{Total expenses}} = \frac{\$760,000}{\$9,500,000} = 0.0800$$

$$\text{Equity Ratio} = \frac{\text{Modified equity}}{\text{Modified Assets}} = \frac{\$810,000}{\$2,440,000} = 0.3320$$

$$\text{Net Income Ratio} = \frac{\text{Income before taxes}}{\text{Total revenues}} = \frac{\$510,000}{\$10,010,000} = 0.0509$$

#### Calculation of Strength Factor Score

$$\text{Primary Reserve Strength Factor Score} = 20 \times \text{Primary Reserve Ratio}$$

$$20 \times 0.0800 = 1.6000$$

$$\text{Equity Strength Factor Score} = 6 \times \text{Equity Ratio}$$

$$6 \times 0.3320 = 1.9920$$

$$\text{Net Income Strength Factor Score} = 1 + (33.3 \times \text{Net Income Ratio})$$

$$1 + (33.3 \times 0.0509) = 2.6950$$

#### Calculation of Weighted Score

$$\text{Primary Reserve Weighted Score} = 30\% \times \text{Primary Reserve Strength Factor Score}$$

$$0.30 \times 1.6000 = 0.4800$$

$$\text{Equity Weighted Score} = 40\% \times \text{Equity Strength Factor Score}$$

$$0.40 \times 1.9920 = 0.7968$$

$$\text{Net Income Weighted Score} = 30\% \times \text{Net Income Strength Factor Score}$$

$$0.30 \times 2.698 = 0.8094$$

#### Composite Score

$$\text{Sum of All Weighted Scores} = 0.4800 + 0.7968 + 0.8094 = 2.0862 \text{ rounded to } 2.1$$

\* The definition of terms used in the ratios and the applicable strength factor algorithms and weighting percentages are found in the Student Assistance General Provisions (regulations) (34 CFR 668) Subpart L, Appendix A for proprietary schools and Appendix B for private nonprofit schools.

## ALTERNATIVES TO THE GENERAL FINANCIAL STANDARDS

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### Alternative standards and requirements

34 CFR 668.175

If a school does not meet the general standards for financial responsibility, the Department may still consider the school to be financially responsible or may allow the school to participate under provisional certification if the school qualifies for an alternative standard.

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### Provisional certification

34 CFR 668.13

If the Department determines that a school that does not meet one or more of the general standards and does not qualify for an alternative, the Department may initiate a limitation, suspension, or termination action against the school (see *Chapter 8* for more information on corrective actions and sanctions).

### *Letter of credit alternative for new schools*

A new school (a school that seeks to participate in the FSA programs for the first time) that does not meet the composite score standard (i.e., has a composite score of less than 1.5) but meets all other standards may demonstrate financial responsibility by submitting an irrevocable letter of credit to the Department. The letter of credit must be acceptable and payable to the Department and equal to at least 50% of the FSA program funds that the Department determines that the school will receive during its initial year of participation.

### *Letter of credit alternative for participating schools*

A participating proprietary or private nonprofit school that fails to meet one or more of the general standards or is not financially responsible because it has an adverse audit opinion may demonstrate financial responsibility by submitting an irrevocable letter of credit to the Department. The letter must be acceptable and payable to the Department and equal to at least 50% of the FSA program funds the school received during its most recently completed fiscal year. The school is then considered to be financially responsible.

## Zone alternative

A participating school that fails to meet the composite score standard (i.e., has a composite score of less than 1.5) but meets all other standards may demonstrate financial responsibility for up to three consecutive fiscal years if the Department determines that the school's composite score is equal to 1.0 to 1.4 for each of those years and the school meets specific monitoring requirements.

This alternative gives a school the opportunity to improve its financial condition over time without requiring the school to post a letter of credit or participate under provisional certification. Under the zone alternative, a school's operations, including its administration of the FSA programs, are monitored more closely. If a school does not score at least 1.0 in one of the three subsequent fiscal years or does not improve its financial condition to attain a composite score of at least 1.5 by the end of the three-year period, the school must satisfy another alternative standard to continue participating. In addition, if a school fails to comply with the information reporting or payment method requirements, the Department may determine that the school no longer qualifies under this alternative.

Under the zone alternative, a school

- ◆ must request and receive funds under the cash monitoring or reimbursement payment methods, as specified by the Department (see *Volume 4, Chapter 2*);
- ◆ must provide timely information regarding certain oversight and financial events (see the sidebar);
- ◆ may be required to submit its financial statement and compliance audit earlier than normally required (see the discussion of audit submission deadlines earlier in this chapter); and
- ◆ may be required to provide information about its current operations and future plans.

The school must also require its auditor to express an opinion, as part of the school's compliance audit, on the school's compliance with the requirements of the zone alternative, including the school's administration of the payment method under which the school received and disbursed FSA program funds.

### Information to be provided under the zone alternative

The school must provide timely information regarding any of the following oversight and financial events:

- Any adverse action, including a probation or similar action, taken against the school by its accrediting agency;
- Any event that causes the school, or related entity as defined in the *Statement of Financial Accounting Standards No. 57*, to realize any liability that was noted as a contingent liability in the institution's or related entity's most recent audited financial statement;
- Any violation by the school of any loan agreement;
- Any failure of the school to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
- Any withdrawal of owner's equity from the school by any means, including declaring a dividend; or
- Any extraordinary losses, as defined according to Accounting Principles Board (APB) Opinion No. 30.

The school may also be required to:

- submit its financial statement and compliance audits earlier than the time specified under 34 CFR 668.23(a)(4); and
- provide information about its current operations and future plans.

34 CFR 668.175(d)(2)

### *Provisional certification for schools not meeting standards*

The Department may permit a participating proprietary or private nonprofit school to participate under provisional certification for up to three years if the school is not financially responsible because it does not satisfy one or more of the general standards, has an unacceptable audit opinion, or has a past performance problem that has been resolved.

If the Department permits a school to participate under provisional certification, it will require the school

- ◆ to submit a letter of credit, payable and acceptable to the Department, for a percentage (10%–100%) of the FSA program funds received by the school during its most recent fiscal year; and
- ◆ to demonstrate that it has met all of its financial obligations and was current on debt payments for its two most recent fiscal years.

Moreover, the school must comply with the requirement under the zone alternative that it provide timely information regarding certain oversight and financial events. Finally, a school that is required to post a letter of credit will be placed on heightened cash monitoring or reimbursement.

If a school is still not financially responsible at the end of a period of provisional certification, the Department may again permit provisional certification. However, the Department may require the school or persons or entities that exercise substantial control over the school to submit financial guarantees to the Department to satisfy any potential liabilities arising from the school's FSA program participation. The same persons may be required to agree to be jointly and severally liable for any FSA program liabilities.

The Department is not required to offer provisional certification to a school. It is an alternative that the Department may choose to offer in exceptional circumstances.

### *Provisional certification for schools where persons or entities owe liabilities*

If a school is not financially responsible because the persons or entities that exercise substantial control over the school owe an FSA program liability, the Department may permit the school to participate under provisional certification if

- ◆ the persons or entities that owe the liability repay or enter into an agreement with the Department to repay the liability (or the school assumes the liability and repays or enters into an agreement to repay the liability);
- ◆ the school meets all the general standards of financial responsibility and demonstrates that it has met all of its financial obligations and was current on its debt payments for its two most recent fiscal years; and
- ◆ the school submits to the Department a letter of credit, payable and acceptable to the Department, for an amount determined by the Department (at least 10% of the FSA program funds received by the school during its most recent fiscal year).

The school also must comply with the requirements under the zone alternative.

In addition, the Department may require the school or persons or entities that exercise substantial control over the school to submit financial guarantees to the Department to satisfy any potential liabilities arising from the school's FSA program participation. The same persons may be required to agree to be jointly and severally liable for any FSA program liabilities.

## PAST PERFORMANCE AND AFFILIATION STANDARDS

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### Past performance

34 CFR 668.174

In addition to meeting the numeric standards of financial responsibility and fulfilling all its financial obligations, a school must demonstrate that it properly administers the FSA programs in which it participates. Past actions of the school or individuals affiliated with the school may reveal mismanagement of FSA program funds, thereby demonstrating that a school is not financially responsible. Therefore, in evaluating the way a school administers the FSA programs, the Department considers the past performance of both the school and individuals affiliated with the school.

### *Past performance of a school*

A school is not financially responsible if it

- ◆ in the last five years, has been subject to a limitation, suspension, or termination action or has entered into an agreement to resolve a limitation, suspension, or termination action initiated by the Department or a guaranty agency;
- ◆ in either of its two most recent FSA program reviews or audits, has had findings for the current fiscal year or two preceding fiscal years that required repayment of more than 5% of the FSA program funds received by the school;
- ◆ has been cited during the last five years for failing to submit audits as required; or
- ◆ has failed to satisfactorily resolve any compliance issues identified in program reviews or audit reports, upheld in a final decision of the Department.

### *Past performance of persons affiliated with a school*

A school is not financially responsible if any person who exercises substantial control over the school (or any members of the person's family alone or together) owes a liability for an FSA program violation or has ever exercised substantial control over another school (or a third-party servicer) that owes a liability for an FSA program violation, unless that person, family member, school, or servicer demonstrates that the liability is being repaid in accordance with an agreement with the Department.

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### Notifying the Department of change of control

A school must report any changes of control under which a person acquires the ability to affect substantially the actions of the school. Such changes in control trigger a review to determine if the school is financially responsible (see *Chapter 5*).

The Department may consider a school that does not meet this requirement to be financially responsible if the school

- ◆ notifies the Department that the individual repaid to the Department an acceptable portion of the liability, in accordance with the regulations;
- ◆ notifies the Department that the liability is currently being repaid in accordance with a written agreement with the Department; or
- ◆ demonstrates to the satisfaction of the Department: (1) why the person who exercises substantial control should nevertheless be considered to lack that control, or (2) why the person who exercises substantial control and each member of that person's family does not or did not exercise substantial control over the school or servicer that owes the liability.

## LIMITATIONS

An otherwise eligible institution becomes an ineligible institution if the school exceeds

- ◆ the 50% limit on students without a high school diploma or equivalent,
- ◆ the incarcerated student limitation (25%), or
- ◆ the correspondence course limitation (50%) or the correspondence student limitation (50%).

A school must calculate these percentages to demonstrate compliance with a requirement or to demonstrate eligibility for a limitation waiver. For each of the tests, the calculation performed by the school must be attested to by the independent auditor who prepares the school's audited financial statement or its FSA compliance audit. If a school's initial or previous calculation was in error, the auditor's report must be part of the audit workpapers and must include a recalculation. The auditor's attestation report must indicate whether the school's determinations (including any relevant waiver or exception) are accurate.

For each of the limitation requirements, the school must notify the Department (via Section G of the E-App) of the school's failure to meet a requirement, its falling within a prohibited limitation, or its ineligibility for a continued waiver, as applicable. The school's notification must occur by July 31 following the end of an award year. A school that fails to meet any of these requirements loses its eligibility to participate in any FSA program as of the last day of the most recent award year for which the school failed to meet the requirement.

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### Conditions of institutional ineligibility

34 CFR 600.7

In addition to the limitations discussed in this chapter, a school is not eligible if it (or its owner) files for bankruptcy or if the school, its owner, or its CEO is responsible for a crime involving FSA program funds. See *Chapters 1* and *3*.

A school that becomes ineligible because of one of these factors must immediately stop awarding FSA funds and must follow the requirements for a school that has lost its FSA participation (see *Chapter 8*).

If a school loses its eligibility because it failed to meet one or more of the limitation requirements, the school cannot regain eligibility until it can demonstrate that it was in compliance with all of the limitation requirements for the most recently completed award year. Once this has occurred, the school may apply to regain its eligibility. In addition, it must also show how its administrative practices and policies have been changed to ensure that it will not fall within prohibited limits in the future.

### ***Limitation on students admitted without a high school diploma or equivalent***

A school that does not provide a 4-year bachelor’s degree program or a 2-year associate degree program is ineligible if, for its latest complete award year, more than 50% of its regular enrolled students had neither a high school diploma nor its equivalent.

If a public or private nonprofit institution exceeds the 50% limit because it serves significant numbers of these students through contracts with federal, state, or local government agencies, the Department may waive the limitation.

The waiver will only be granted if no more than 40% of the school’s regular students (those students not receiving job training through contracts with federal, state, or local government agencies) do not have a high school diploma or its equivalent. If granted, the waiver may be extended in each year the public or private nonprofit school continues to meet the requirements. The public or private nonprofit school’s calculation must be attested to by an independent auditor each year an audit is conducted.

### ***Incarcerated student limitation and waiver***

A school is ineligible if, in its latest complete award year, more than 25% of its regular students are incarcerated. For information on the eligibility of incarcerated students for FSA, see *Volume 1, Chapter 1*.

A public or private nonprofit school can ask the Department to waive this limitation. If granted, the waiver is effective as long as the school continues to meet the waiver requirements each award year. For a school offering only 2-year or 4-year programs that lead to associate or bachelor’s degrees, the waiver applies to all programs at the school. But if the school offers other types of programs, the waiver would apply to any of the school’s 2-year associate degree programs or 4-year bachelor’s degree programs and also to any other programs in which the incarcerated regular students enrolled have a 50% or greater completion rate. The calculation of this completion rate is specified in 34 CFR 600.7(e)(2) of the institutional eligibility regulations and must be attested to by an independent auditor.

A public or private nonprofit school may request the waiver using the E-App ([www.eligcert.ed.gov](http://www.eligcert.ed.gov)) by answering the questions in Section G and explaining in question 69.

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#### **Incarcerated student definition**

A student who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution (this does not include detention in a halfway house, home detention, or weekend-only sentences).

## Correspondence course and correspondence student limitation

In general, a school is ineligible if for the latest complete award year

- ◆ more than 50% of the school's courses were correspondence courses (correspondence course limitation) or
- ◆ 50% or more of the school's regular students were enrolled in correspondence courses (correspondence student limitation). This limitation may be waived for a school that offers a 2-year associate degree or 4-year baccalaureate degree program if the school demonstrates to the Department that in that award year, the students enrolled in its correspondence courses receive no more than 5% of the total FSA program funds received by all of the school's students.

Note that the correspondence course and student limitations do not apply to a school that exclusively or mainly provides vocational adult education or job training as defined under Sec. 3(3)(C) of the Carl D. Perkins Career and Technical Education Act of 2006.

Also note that the 50% limits apply to the school, not to its individual programs. An educational program composed entirely of correspondence courses could still be an eligible program if no more than 50% of the school's courses were offered through correspondence and the program met other eligibility requirements.

The school's correspondence course calculation and correspondence student calculation must be attested to by an independent auditor.

For additional information on correspondence study in the context of program eligibility, see *Chapter 2*.

## Correspondence student eligibility

For information about a student's eligibility for FSA funds while enrolled in a correspondence course and cost of attendance information for correspondence courses, see *Volume 1, Chapter 1* and *Volume 3, Chapter 2*.

## Limitations on incarcerated students and correspondence study

Incarcerated students  
34 CFR 600.7(a)(1)(iii) and 600.7(c)  
Correspondence study  
Sec. 102(a)(3)(A) and (B) of the HEA  
34 CFR 600.7(a)(1)(i) and (ii) and  
600.7(b)(2)(i) and (ii)

## Notifying ED when limit is exceeded

34 CFR 600.7(h)  
If there is a change to any of a school's answers to the Yes/No questions in Section G of a submitted Electronic Application (E-App) (which deal with enrollment thresholds in these areas), the school must notify the Department via the E-App (see *Chapter 5*). The Department will advise the school of its options, including whether it might be eligible for a waiver. (Waivers are available for the limitations for correspondence students, incarcerated students, and students without a high school diploma or equivalent.)

### A school is the sum only of its eligible programs

Some postsecondary institutions offer programs that are eligible for FSA as well as programs that are not FSA-eligible. For FSA program purposes, we consider an eligible institution to be the sum of its eligible programs.

To minimize the effect on its institutional eligibility of offering programs solely by correspondence that do not lead to a degree, a school might choose to identify those programs as not part of its FSA-eligible programs. A program (and students enrolled therein) that was so identified would not be considered part of the school in these two formulas.

**Carl D. Perkins Career and Technical Education Act of 2006**  
20 U.S.C. 2301

## Calculating the Percentages

### Calculating the Percentage of Correspondence Courses

- If a school offers a course both by correspondence and residential training, the course counts twice, as a correspondence course and as a residential course. Thus, it would count as one in the numerator and as two in the denominator.
- Regardless of how many sections of a course or program are offered during the award year (as a residential or as a correspondence course), the course is counted only once under each type.
- A program not offered in courses or modules counts as one correspondence course.

Using the latest complete award year, the formula for determining the percentage of correspondence courses is as follows:

$$\frac{\text{number of school's correspondence courses}}{\text{total number of school's courses}} = \% \text{ of correspondence courses}$$

### Calculating the Percentage of Correspondence Students

- All regular students enrolled in an institution's Title IV-eligible programs must be counted. (A regular student is "a person enrolled for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by the school.")
- A school must use a straight head count of enrolled students, including full-time and part-time students and students who don't receive aid as well as FSA recipients.
- If a student withdrew from the school and received a full refund, the student is not counted.

Using the latest complete award year, the formula for determining the percentage of enrolled students is as follows:

$$\frac{\text{number of regular students enrolled in the school's correspondence courses}}{\text{number of regular students enrolled in all of the school's courses}} = \% \text{ of correspondence students}$$

## COHORT DEFAULT RATES

A school's eligibility for the FSA programs can be affected by a high cohort default rate (CDR). The Department calculates a school's CDR based on information from guaranty agencies and federal loan servicers.

The Department sends draft default rates to participating schools in February to allow each school an opportunity to review and correct the data that will be used to calculate its official cohort default rates. In September of each year, the Department issues the official cohort default rates. These rates are electronically delivered to schools and posted on the NSLDS Professional Access website. A school must be enrolled in the eCDR process for electronic delivery of the rates (see sidebar note for instructions and appeal procedures).

### Time frames for cohort default rates

A school's annual CDR is based on a "cohort" of students who received FFEL or Direct Loans at the school and entered repayment in a single fiscal year—the federal fiscal year, October 1–September 30.

For instance, a school's FY2016 CDR is based on the cohort of students who received FFEL or Direct Loans at the school and entered repayment on those loans between October 1, 2015, and September 30, 2016. This number becomes the denominator (the lower part of the fraction) in the CDR calculation.

$$X$$


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**Total borrowers who entered repayment during FY2016**

The Department tracks this group of students during the fiscal year in which they enter repayment and through the end of the second following fiscal year. The number of students who default on their loans (or meet other related conditions) during those three fiscal years becomes the numerator (top part of the fraction) in the CDR calculation.

**Total borrowers who entered repayment in FY2016  
and defaulted in FY2016, 2017, and 2018**

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**Total borrowers who entered repayment during FY2016**

Because it takes three years to track the outcomes, the initial FY2016 CDR for a school is not released until three years later, at the beginning of 2019. This is one of the reasons that schools should closely monitor student borrowing and implement effective default prevention procedures as soon as possible. The steps taken to help students this year may reduce the number of defaults in the CDR three years from now.

The terminology, criteria, calculations, and exceptions for the rates are described in more detail in the *Cohort Default Rate Guide*.

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### Default rates

HEA Sec. 435(m)  
20 U.S.C. 1082, 1085, 1094, 1099c  
34 CFR Part 668 Subpart N

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### High default rates

34 CFR 668.206

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### DCL GEN-14-03 Cohort Default Rate Guide

For information on procedures for challenges, adjustments, and appeals, refer to Part 4 of the *Cohort Default Rate Guide*.  
<https://ifap.ed.gov/DefaultManagement/guide/attachments/CDRMasterFile.pdf>

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### Default rates on the Web

Searchable default rates for all schools participating in the FSA programs are posted on the Web at

The Department also publishes *Budget Lifetime Default Rates* and *Cumulative Lifetime Default Rates* for the FFEL and Direct Loan Programs. These rates, which include additional defaults in years after the close of the CDR "default window," do not affect a school's eligibility.

<https://www2.ed.gov/offices/OSFAP/defaultmanagement/index.html>

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### The eCDR process

ED sends the draft and official cohort default rates electronically to all schools participating in the FSA Programs. You must enroll in the eCDR process to receive your rates.

If your school is not enrolled, go to <https://fsawebenroll.ed.gov/>.

On that page choose "Enroll" and then select the radio button for "Modify Existing Services for a Destination Point."

**High default rates**

34 CFR 668.206  
DCL GEN-14-03

**Default rates and administrative capability**

34 CFR 668.16(m)

**Contacting the default office**

The Operations Performance Division in Federal Student Aid responds to questions about FFEL/DL cohort default rates, and reviews FFEL/DL cohort default rate challenges, adjustments, and appeals. It also provides technical assistance and outreach to schools to assist them in lowering their default rates.

Hotline: 202-377-4259

FAX: 202-275-0913

Email: [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov)

[Default prevention contact information](#)

**Default prevention and management resources**

<https://ifap.ed.gov/DefaultPreventionResourceInfo/>

The *Sample Default Prevention and Management Plan* was issued as an attachment to DCL [GEN-05-14](#).

**Consequences of high cohort default rates**

Schools face sanctions under the following conditions:

- ◆ For a cohort default rate of greater than 40 percent for any year, schools lose eligibility to participate in the Direct Loan Program.
- ◆ For a default rate of 30 percent or more for any year, they must create a default prevention taskforce that will develop and implement a plan to address the high default rate. That plan must be submitted to the Department for review.
- ◆ For a default rate of 30 percent or more for a second consecutive year, they must submit to the Department a revised default prevention plan and may be placed on provisional certification.
- ◆ For a cohort default rate of 30 percent or more for three consecutive years, schools lose eligibility to participate in both the Direct Loan Program and the Federal Pell Grant Program.

Moreover, a school is not considered to be administratively capable when

- ◆ the CDR for Federal Stafford/SLS loans or Direct Subsidized/Unsubsidized Loans made to students for attendance at the school equals or exceeds 30% for two of the three most recent fiscal years or
- ◆ the CDR for Perkins loans made to students for attendance at the school exceeds 15%. See *Volume 6* for other rules and associated penalties related specifically to high Perkins default rates.

When a high default rate demonstrates a lack of administrative capability, a school may become ineligible to participate in the Direct Loan, Pell Grant, or Perkins programs, or the Department may choose to provisionally certify such a school. For detailed information on default rates, including challenges and appeals, refer to the *Cohort Default Rate Guide* on the IFAP website.

### *Default prevention and management plan*

As mentioned, if a school's cohort default rate is equal to or greater than 30%, it must establish a default prevention task force that prepares a plan that

- ◆ identifies the factors causing the default rate to exceed the threshold,
- ◆ establishes measurable objectives and the steps the school will take to improve the default rate, and
- ◆ specifies the actions the school will take to improve student loan repayment, including counseling students on repayment options.

A school must submit its default prevention plan to its school participation division for review. If the cohort default rate is equal to or greater than 30% for two consecutive fiscal years, the default prevention plan must be revised and submitted again for review.

### *Default prevention and management plan for new schools*

New schools are required to implement a default prevention and management plan prior to certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must implement a default management plan.

A school applying to participate is exempt from submitting a default plan if the school, including its main campus and any branch campus, does not have a cohort default rate greater than 10% and the new owner of the school does not own and has not owned any other school that had a cohort default rate greater than 10% during the owner's tenure.

## DEBT-TO-EARNINGS (D/E) RATES FOR GE PROGRAMS

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### Gainful employment programs

34 CFR 668 Subpart Q  
DCL GEN-15-12

As with cohort default rates and financial standard composite scores, the D/E rates for schools' gainful employment (GE) programs are a measure that bears on eligibility, in this case the eligibility of specific programs.

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### GE publications

The webpage at  
<https://ifap.ed.gov/GainfulEmploymentInfo/indexV2.html>  
is a compilation of GE materials.

Schools must report for an award year information on each student who received Title IV aid for enrollment in a GE program. The information includes private and institutional loans, as well as the amount assessed for tuition, fees, books, supplies, and equipment. Refer to the NSLDS Gainful Employment User Guide for the specific data to report for each student each award year. The information reported will be used by the Department for calculating D/E rates and creating other information that schools must disclose: for example, completion, median earnings and loan debt.

Schools must report GE data annually by October 1 following the end of the award year (e.g., October 1, 2017, for the 2016–2017 award year), unless the Secretary establishes a different date.

In cases where a student received Title IV aid for more than one GE program, he is reported for each program. If he was enrolled in a program for more than one award year, he is reported separately for each year, beginning with the year he first received Title IV aid for the program and for each following year even if he does not receive Title IV aid in that year. If he withdrew from a GE program and then re-enrolled in it, he is reported separately for each enrollment even if they were in the same award year.

## Calculation of D/E rates

The Department calculates D/E rates for each GE program for each award year using the debt and earnings of students who completed the program during a specified cohort period. That period will be two years if 30 or more students completed the program during that period or four years if fewer than 30 students completed the program in two years. If fewer than 30 students finished in the four-year cohort, D/E rates will not be calculated for that GE program. Students who qualify for exclusion are not included in that number.

The two-year and four-year cohorts comprise students who completed the program during the third and fourth years and the third through sixth years respectively prior to the award year the D/E rates are being calculated for. For example, to determine the D/E rates for the 2015–2016 award year, the two-year cohort period will be award years 2011–2012 and 2012–2013, and the four-year cohort period will be 2009–2010 through 2012–2013.

We calculate separately an annual earnings rate and a discretionary income rate. The annual earnings rate equals

$$\frac{\text{Annual loan payment}}{\text{The higher of the mean or median annual earnings}}$$

The discretionary income rate equals

$$\frac{\text{Annual loan payment}}{\text{The higher of the mean or median annual earnings} - (1.5 \times \text{HHS poverty guideline})}$$

The annual loan payment is determined by amortizing the median loan debt of students who completed the GE program during the cohort period. Median loan debt includes not only the amount of Title IV loans that students borrowed for enrollment in the GE program, but also private education loans and the total amount outstanding, as of the date they completed the program, on any other credit (including unpaid charges) extended by or on behalf of the institution that the students are obligated to repay. For the purpose of this calculation, students' loan debt is capped at the lesser of the debt they incurred for enrollment in the program or the total amount of their tuition, fees, books, supplies, and equipment.

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### Calculating D/E rates

34 CFR 668.404

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### Challenges to draft rates

34 CFR 668.405(f)

The median loan debt is amortized over a repayment period of

- ◆ 10 years for a program leading to an undergraduate certificate, a post-baccalaureate certificate, an associate degree, or a graduate certificate;
- ◆ 15 years for a program leading to a bachelor's or master's degree; or
- ◆ 20 years for a program leading to a doctoral or first professional degree.

We calculate the annual loan payment using the average interest rate over a three-year or six-year period ending in the last year of the cohort period: for programs two years or less in length, we use a three-year period, and we use a six-year period for programs longer than two years. The average rate for undergraduate (or graduate, respectively) programs is based on the statutory interest rate on Federal Direct Unsubsidized Loans applicable to undergraduate (or graduate) students for the three- or six-year period.

The Department gets the annual earnings by using the student information, mentioned earlier, that a school reports. We create for each award year a list of students who received Title IV aid and completed the GE program during the cohort period. We also indicate which students we intend to exclude and then submit the list to the school for its review. It may make corrections to the list and challenge the exclusion or inclusion of any students; the burden of proof for substantiating this is on the school. After reviewing corrections or challenges, we provide the school with a final list and submit it to the Social Security Administration (SSA).

The SSA calculates and sends the Department the mean and median annual earnings of students on the final list for whom it was able to match data for the “earnings year,” which is the first of the calendar years in the award year for which the D/E rates are calculated. For example, for the D/E rates that will be calculated for the 2016–2017 award year, the SSA earnings year will be calendar year 2016. When calculating a program's D/E rates, we use the higher of the SSA-reported mean or median earnings. The SSA does not send the Department any individual earnings data or the identity of any students and is prohibited by law from doing so. Moreover, to protect student privacy, SSA will only return mean and median earnings for programs with matched data for at least ten students.

## Exclusions

Students are excluded from the D/E rates calculation if

- ◆ one or more of their Title IV loans were in a military-related deferment status at any time during the calendar year for which earnings information was received from SSA;
- ◆ one or more of their Title IV loans have been approved or are under consideration for a total and permanent disability discharge;
- ◆ they were enrolled in any other eligible program at any school during the calendar year for which SSA earnings were received;
- ◆ for undergraduate or graduate GE programs, they later completed a higher-credentialed undergraduate or graduate GE program **respectively** at the same school (see below about students completing more than one GE program);
- ◆ the student is dead.

Students may complete more than one GE program at different credential levels. For example, they might enroll in and complete a one-year certificate program and then enroll in and complete an associate degree program at the same school. To account for this, we attribute the loan debt from the lower-credentialed program to the higher-credentialed program completed. This “rolling-up” of loan debt only happens if both programs are GE undergraduate programs or both are GE graduate programs, and if the higher credential is completed subsequent to completion of the lower credential.

## Draft rates and challenges

We will calculate and send schools the draft D/E rates with the source data used to calculate the annual loan payment. Draft rates are released only to the school; they are not made public.

A school may challenge the accuracy of information we used to calculate a GE program’s median loan debt no later than 45 days after the school is notified of the program’s draft rates. The challenge must provide satisfactory evidence that all or some of the information used to calculate the program’s median loan debt is incorrect. As with challenges or corrections to the student list, the burden of proof for substantiating this challenge is on the school. Final rates are issued after the 45-day period.

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### Student exclusions

34 CFR 668.404(e)

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**D/E rates outcomes**

34 CFR 668.403(c)

**Outcomes of the D/E rates measure**

A GE program passes the D/E rates measure if its annual earnings rate is less than or equal to 8 percent **or** its discretionary income rate is less than or equal to 20 percent. The program fails if both parts of this test are met: (1) the annual earnings rate is greater than 12 percent or the denominator of the rate (annual earnings) is zero **and** (2) its discretionary income rate is greater than 30 percent or the income for the denominator of the rate (discretionary earnings) is negative or zero. A program with rates that are neither passing nor failing is in the “zone.”

A program becomes ineligible for Title IV program funds if it (1) fails the D/E rates measure for two of any three consecutive award years for which rates were calculated or (2) has a combination of zone and failing D/E rates for four consecutive award years for which rates were calculated.

We inform an institution through a *Notice of Determination* of a GE program’s final D/E rates whether the program is passing, failing, in the zone, or ineligible; whether it could become ineligible based on final D/E rates for the next award year; whether the school is required to provide student warnings; and, if the program’s final rates are failing or in the zone, how it may make an alternate earnings appeal. The determination is effective on the date specified in the notice and constitutes the final decision of the Department with respect to the D/E rates for the program.

**Transition period calculation**

For several years we will calculate alternate D/E rates that use the loan debt of a more recent one-year cohort of students who completed the program to calculate the annual loan payment (the same earnings information from SSA will be used). As a result, a school may improve a program’s D/E rates in the initial years after the regulations take effect. For example, a school might reduce tuition and fees for the more recent cohort such that there would be a lower annual loan payment amount for the transitional D/E rate calculations.

For a GE program of one year or less, the transition period is the first five award years for which the Department calculates D/E rates. For programs more than one and less than or equal to two years in length, the transition period is the first six award years. For programs longer than two years, the transition period is seven award years. Each of the years for which we issue any D/E rates is included in the transition period whether or not we issued rates for a specific GE program.

During the transition period, if the program is failing or in the zone based on its draft D/E rates, we will calculate transitional draft rates using the median loan debt of students who completed the program in the most recently completed award year, not the median loan debt for the applicable two-year or four-year cohort period. Final rates for the program will be the better of the draft or transitional draft D/E rates.

## Appealing final rates

If a GE program is failing or in the zone, a school may file an appeal to request recalculation of the program's most recent final D/E rates. The appeal must be based on the actual earnings of **all the students** who received Title IV aid and completed the program during the same or a comparable cohort period. The school must use the annual loan payment data used in the calculation of the final D/E rates. The school may obtain alternate earnings data from a survey it conducts of its graduates or from a state-sponsored data system, and would then use the higher of the mean or median alternate earnings for the appeal.

### Using a survey to get earnings data

The Department's National Center for Education Statistics (NCES) has developed an earnings survey, and standards for its administration, that schools can use called the Recent Graduates Employment and Earnings Survey (RGEES). NCES has also developed a *Best Practices Guide* with explanations and examples of how to implement the standards in their collection of graduate earnings.

The appeal must include a certification signed by the school's chief executive officer (CEO) attesting that the survey was conducted according to RGEES standards and that the mean or median earnings figure used to recalculate the D/E rates was accurately determined. The school must also submit an examination-level attestation engagement report prepared by an independent public accountant or independent government auditor attesting that the survey was conducted according to the requirements of the RGEES. The Department may also require additional supporting documentation.

### Using a state-sponsored data system for earnings data

With this method a school must submit to the administrator of each state-sponsored data system used for the appeal a list of all students who received Title IV aid and completed the program during the same cohort period the Department used to calculate the final rates. The school must demonstrate that it obtained annual earnings data for more than 50% of the number of students in the cohort period and alternate earnings data for 30 or more of those students. The school must include with the appeal a certification signed by its CEO attesting that state-provided data were accurately used to recalculate the D/E rates. The Department may also require more supporting documentation.

## Alternate earnings appeals

34 CFR 668.406

Gainful Employment Electronic Announcement #95 - Debt-to-Earnings Rate Alternate Earnings Appeals, October 26, 2016

Gainful Employment Electronic Announcement #105 - Additional Time for Submission of an Alternate Earnings Appeal and to Comply with Gainful Employment (GE) Disclosure Requirements, March 6, 2017

For a complete list of Gainful Employment Electronic Announcements and Dear Colleague Letters, please visit

<https://ifap.ed.gov/GainfulEmploymentInfo/GEDCLandEAV2.html>

### Timing of an appeal

A school must submit notice of its intent to appeal no earlier than the date the Department provides it with its draft D/E rates but no later than 14 days after the Department issues the notice of determination that as a result of the program's final rates, the program either failed or was in the zone. The school must then submit its appeal, including its recalculated rates, certifications, and any supporting documentation, no later than 60 days after the date the Department issues the notice of determination.

When a timely and complete appeal has been submitted, the school is not subject to any consequences (i.e., student warnings and loss of program eligibility) while the appeal is considered. If the Department denies the appeal, it notifies the school of the reasons for the denial and the program's final rates previously issued in the notice of determination will stand. If the appeal is granted, the institution is notified of the recalculated rates, which become the new final D/E rates for the program.

### Consequences of failing and zone rates

For three years after the date of a voluntary discontinuation a school may not (1) reestablish the eligibility of an ineligible program or of a failing or zone program that it discontinued voluntarily or (2) establish the eligibility of a program that is substantially similar to the discontinued or ineligible program. Two programs are substantially similar if they share the same four-digit CIP code.

If a GE program could become ineligible based on its final D/E rates for the next award year, the school must warn students and prospective students. The warnings must contain language specified in the regulations or alternate language subsequently provided by the Department and must refer students and prospective students to, and include a link for, the Department's College Navigator website for information about similar programs.

Warnings to students enrolled in the GE program must

- ◆ describe the academic and financial options available to students to continue their education in another program at the school, including whether they can transfer credits (and which credits) earned in the program to another program.
- ◆ indicate whether, if the program loses Title IV eligibility, the school will continue to provide instruction allowing students to complete the program or will refund tuition, fees, and other required charges.
- ◆ explain whether students could transfer credits earned in the program to another institution.

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#### GE program warning content

34 CFR 668.410(a)(2)(i)



The school must provide the warning in writing to each enrolled student no later than 30 days after the date of the Department's notice of determination. **The school must either hand deliver the warning as a separate document or send it to the student's primary email address with the warning as the only substantive content in the email.** If email is used, the school must receive an electronic or written acknowledgment that the student received the email. You may not deliver an initial warning using regular U.S. Postal Service mail or commercial courier service. If a response indicating that the email could not be delivered is received, the warning must be sent using a different address or method of delivery, which could include U.S. Postal Service mail or commercial courier service. A school must keep records of its efforts to provide warnings.

Requirements for delivering warnings to prospective students are similar to those for enrolled students except that the warning must be provided at the point when the prospective student initially contacts the school about the program. Also, schools have the additional options of providing prospective students with a copy of the disclosure template that includes the warning or providing them the warning orally if the contact is by telephone. However, a school may not enroll or register students or have them enter into a financial commitment after receiving just an oral warning. Accordingly, any student who received an oral warning must, prior to enrolling, registering, or entering into a financial commitment with the school, receive a non-oral warning as described above. A school may not enroll, register, or enter into a financial commitment with a prospective student earlier than three business days after it first provides that warning to the student or, if more than 30 days have elapsed since the warning was first given, three business days after an additional warning is given.

In addition to providing warnings directly to students and prospective students, the school must update the disclosure template for the GE program to include the warning within 30 days of receiving notice from the Department that a warning must be provided for the program.



# Updating Application Information



*This chapter describes the regular recertification of schools, as well as changes that can affect a school's participation and how and when to report these changes to the Department on the E-App.*

## RECERTIFICATION

A school may be certified to participate for up to six years. Recertification is the process through which a school that is presently certified to participate in the FSA programs applies to have its participation extended beyond the expiration date of its current **Program Participation Agreement (PPA)**. The Department will notify a school six months prior to the expiration of its PPA. The school must submit a materially complete application before the expiration date in its PPA.

If a school that is currently certified submits its materially complete application to the Department no later than 90 calendar days before its PPA expires, its PPA remains valid, and its eligibility to participate in the FSA programs continues until its application is either approved or not approved. This is true even if the Department does not complete its evaluation of the application before the PPA's expiration date. (For example, if a school's PPA expires on June 30 and it submits its application by March 31, the school remains certified during the Department's review period—even if the review period extends beyond June 30.) If the 90th day before the PPA's expiration falls on a weekend or a federal holiday and the school submits its application (E-App) no later than the next business day, the Department considers the application to be submitted 90 days before the PPA expires.

If the school's application is not received at least 90 days before the PPA expires or is not materially complete by that date, the school's PPA will expire on the scheduled expiration date and the FSA program funding will cease. If a school's eligibility lapses, the school may not continue to disburse FSA funds until it receives the Department's notification that the school is again eligible to participate in the programs.

Following submission of an application, the school participation division will contact the school if it has questions about the application. Generally, this will be within 90 days of the Department receiving an application. If a school's application has been approved, the Department will send an electronic notice to the president and financial aid officer notifying them that the school's PPA is available to print, review, sign, and return. If the school's application is not approved, ED will notify the school and explain why.

### FSA Assessment modules

To assess your compliance with the provisions of this chapter see "Recertification," at <https://ifap.ed.gov/ifap/FSAAssessments.jsp>

### Recertification

Sec 498(g) and (h) of the HEA  
34 CFR 600.20(b) and (f)

### Eligible nonparticipating school

Nonparticipating eligible schools are only required to renew their eligibility when the Department requests it. Their eligibility status continues indefinitely as long as they continue to meet the institutional eligibility requirements. If a school wants to be certified to participate in the FSA programs, it must submit an application and supporting documentation (see *Chapter 1*).  
34 CFR 600.20(b)(1)

## CHANGE IN OWNERSHIP

### *Changes at public institutions*

The Department does not consider that a public institution has undergone a change in ownership that results in a change of control if there is a change in governance, and the institution after the change remains a public institution, provided

- ◆ the new governing authority is in the same state as included in the institution’s program participation agreement; and
- ◆ the new governing authority has acknowledged the public institution’s continued responsibilities under its PPA.

Within 10 days of undergoing a change in governance, however, a public institution must report that change to the Department. The institution must also explicitly acknowledge its continued responsibilities under its PPA. If the documentation transferring control of a public institution to another in-state entity does not specifically acknowledge the aforementioned responsibilities, the institution must acknowledge them in a separate letter or notice.

### *Change in ownership that results in a change of control, structure, or governance*

A change in ownership and control occurs when a person or corporation obtains new authority to control a school’s actions, whether the school is a proprietorship, partnership, or corporation. A change in ownership that results in a change in control includes any change through which a person or corporation

- ◆ acquires an ownership interest in the entity that owns the school or the parent corporation of that entity, or
- ◆ who owns or acquires an ownership interest attains or loses the ability to control the school.

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#### **Changes in ownership**

Sec. 498(j) of the HEA

34 CFR 600.31

Family defined

34 CFR 600.21(f)

Excluded Transactions

34 CFR 600.31(e)(1) and (2)

Change in ownership—publicly traded corporation

34 CFR 600.31(c)(2)

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#### **Electronic submission required**

Changes to previous applications, including changes in ownership, reporting, expanding eligibility, and certification, must be submitted to the Department through the E-App at

<http://www.eligcert.ed.gov>.

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#### **Mailing address for supporting documents**

U.S. Department of Education

Federal Student Aid

School Eligibility Service Group

830 First Street, NE

Washington, DC 20002-5403

Contact: [caseteams@ed.gov](mailto:caseteams@ed.gov)

Phone (to verify receipt only):

202-377-3161

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#### **Partnership or sole proprietorship**

A change in ownership and control occurs when a person who has or acquires an ownership interest acquires or loses control as described in this section.

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#### **Parent corporation**

An institution that is a wholly-owned subsidiary changes ownership and control when the parent corporation changes ownership and control as described in this section.

The most common example of this change in controlling interest is when the school is sold to a new owner. Other kinds of “covered transactions” include

- ◆ the transfer of the controlling interest of stock of the school or its parent corporation;
- ◆ the merger of two or more eligible schools;
- ◆ the division of one school into two or more schools;
- ◆ the transfer of the liabilities of a school to its parent corporation;
- ◆ a transfer of assets that comprise a substantial portion of the educational business of the school, except if it is exclusively in the granting of a security interest in those assets; or
- ◆ a conversion of the school from a for-profit to a nonprofit school or a nonprofit to a for-profit.

### Change in ownership for closely held corporations

A *closely held corporation* (including the term *close corporation*) is

- ◆ a corporation that qualifies under the law of the state of its incorporation as a closely held corporation; or
- ◆ if the state of incorporation has no definition of closely held corporation, a corporation whose stock is held by no more than 30 persons and has not been and is not planned to be publicly offered.

For a closely held corporation, a change in ownership and control occurs when

- ◆ a person acquires more than 50% of the total outstanding voting stock of the corporation;
- ◆ a person who holds an ownership interest in the corporation acquires control of more than 50% of the outstanding voting stock of the corporation; or
- ◆ a person who holds or controls 50% or more of the total outstanding stock of the corporation ceases to hold or control that proportion of the stock of the corporation.

### Excluded transactions—transfers to family members

Changes of ownership do not include a transfer of ownership and control to a member of the owner’s family (whether or not the family member works at the school) that includes:

- parent, stepparent, sibling, step-sibling, spouse, child or stepchild, grandchild or step-grandchild;
- spouse’s parent or stepparent, sibling, step-sibling, child or stepchild, or grandchild or step-grandchild;
- child’s spouse; and
- sibling’s spouse.

Nor does it include a transfer of ownership and control, upon the retirement or death of the owner, to a person (who is not a family member) with an ownership interest in the school who has been involved in management of the school for at least two years preceding the transfer and who has established and retained the ownership interest for at least two years prior to the transfer.

These are known as excluded transactions, and they apply only to the transfer of the entire portion of the owner’s interest.

34 CFR 600.21(f)

34 CFR 600.31(e)

### Training requirement after a change in ownership or control

If a school undergoes a change in ownership, the school’s chief financial aid administrator and its chief administrator (or a high-level school official designated by the chief administrator) must attend *Fundamentals of Title IV Training*.

If the financial aid administrator and/or the chief administrator have not changed, the school may request a waiver of the training requirement from its school participation division. ED may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

**Default management plan after change in ownership or status**

A school that changes ownership or changes its status as a parent or subordinate institution must adopt the Sample Default Prevention Plan or develop its own default management plan that is approved by the Department. The school must implement the plan for at least two years.

A school is exempt from submitting a default management plan if

- the parent school and the subordinate school both have a cohort default rate of 10% or less, and
- the new owner of the parent or subordinate school does not own, and has not owned, any other school with a cohort default rate over 10%.

**Change in ownership for publicly traded corporations**

For *publicly traded corporations*, a change in ownership and control occurs when

- ◆ a person acquires ownership and control of the corporation such that the corporation is required to file a Form 8K with the Securities and Exchange Commission notifying that agency of the change in control, or
- ◆ a person who is a controlling shareholder of the corporation ceases to be a controlling shareholder.

A controlling shareholder is a shareholder who holds or controls through agreement *both* 25% or more of the total outstanding voting stock of the corporation and more shares of voting stock than any other shareholder. A controlling shareholder for this purpose does not include a shareholder whose sole stock ownership is held as a U.S. institutional investor, held in mutual funds, held through a profit-sharing plan, or held in an Employee Stock Ownership Plan.

For a publicly traded corporation, when a change of ownership occurs, instead of a same-day balance sheet, the school may submit its most recent quarterly financial statement as filed with the Securities and Exchange Commission (SEC). Together with its quarterly financial statement, the school must submit copies of all other SEC filings made after the close of the fiscal year for which a compliance audit has been submitted to ED.

Consider a publicly traded school that is provisionally certified because of a change in ownership that experiences another change of ownership. If any controlling shareholder on the newer change of ownership application was listed on the ownership application for which the provisional approval was granted, the expiration date for the original provisional certification remains unchanged if the newer application is approved.

**Change in ownership for corporations that are not closely held or registered with the SEC**

A change in ownership and control of a corporation that is neither closely held nor required to be registered with the SEC occurs when a person who has or acquires an ownership interest acquires both control of at least 25% of the total outstanding voting stock of the corporation and managing control of the corporation.

### Preacquisition review

Schools may submit an E-App marked “preacquisition review” before a change in ownership takes place. The purpose of this review is to determine whether the school has answered all the questions completely and accurately. A preacquisition review application must be submitted at least 45 days prior to the expected date of the transaction.

The SPD will notify the school of the results of the review. However, the school will not be given a decision whether or not its application would be approved as a result of this preacquisition review. Please note that a preacquisition review is not required; it is an option.

If the potential owner decides not to purchase the school, he or she must notify the school participation division of the decision to withdraw the application.

If the potential owner considering the change in ownership decides to go through with the purchase and wants to participate in the FSA programs, he or she must

- notify the Department within 10 days of the date the change in ownership actually took place (if this date falls on a weekend or a federal holiday, the notification may be no later than the next business day), and
- submit the supporting documents required for a materially complete application. (Refer to section “M” of the E-App for the list of specific forms to submit.)

## CHANGES IN OWNERSHIP INTEREST AND 25% THRESHOLD

Ownership or ownership interest means a legal or beneficial interest in a school or its corporate parent or a right to share in the profits derived from the operation of a school or its corporate parent. The school must report any change in ownership interests whenever

- ◆ an owner acquires a total interest of 25% or greater,
- ◆ an owner who held a 25% or greater interest reduces his or her interest to less than 25%, or
- ◆ an owner of a 25% or greater interest increases or reduces his or her interest but remains the holder of at least a 25% ownership interest.

Because of these reporting requirements, even though transferring ownership interest through death or retirement may be excluded from being considered a change in ownership resulting in a change of control, the resulting change in percentages of ownership interests must be reported to the Department.

### 25% Threshold

34 CFR 600.31(c)(2)(ii)(A)

### Ownership interest

Ownership or ownership interest does not include an ownership interest held by

1. a mutual fund that is regularly and publicly traded,
2. a U.S. institutional investor as defined by the Securities and Exchange Commission,
3. a profit-sharing plan of the school or its corporate parent (provided that all full-time permanent employees of the school or corporate parent are included in the plan), or
4. an Employee Stock Ownership Plan (ESOP).

A school must report any changes that result in an individual or owner (including a corporation or unincorporated business entity) acquiring the ability to substantially affect the actions of the school. Such a change must be reported within 10 days of the change. A school owned by a publicly traded corporation must report the change within 10 days after the corporation learns of the change. Adherence to these requirements is enforced during the institutional participation approval process, program reviews, and audit process. All schools are bound by these reporting requirements, and substantial penalties may be imposed on schools that fail to comply with them.

An individual or corporation has the ability to substantially affect the school's actions when he, she, or it

- ◆ personally holds, or holds in partnership with one or more family members, at least a 25% ownership interest in the school;
- ◆ personally represents (with voting trust, power of attorney, or proxy authority), or represents in partnership with one or more family members, any individual or group holding at least a 25% ownership interest in the school;
- ◆ is the school's general partner, chief executive officer (or other executive officer), chief financial officer, individual designated as the lead program administrator for the FSA programs at the school, or a member of the school's board of directors; or
- ◆ is the chief executive officer (or other officer) for any entity that holds at least a 25% ownership interest in the school or is a member of the board of directors for such an entity.

To ensure that its FSA program participation isn't jeopardized, a school must report to the Department an ownership change (including the names of persons involved). On receiving the notification, the Department will investigate and notify the school whether a change in ownership resulting in a change of control has occurred that will require the school to submit a materially complete application.

## STEPS TO BE TAKEN DURING A CHANGE IN OWNERSHIP

### *Steps to be taken by former owners*

If a school is changing control, the former owners must notify the Department about the change and the date it occurs, and provide any supporting information the Department requests. This must be at the same time that the owner notifies the school's accrediting agency but no later than 10 days after the change occurs. (If the former owner fails to notify the Department, the prospective owner is responsible for doing so.) The current owner also must notify the state agency that licenses or approves the school.

### *Steps to be taken by prospective owners*

The prospective owner should ask the former owner for copies of the school's Eligibility and Certification Approval Report (ECAR), refund policy, return of FSA funds policy, any required default management plan, program reviews, audited financial statements (for at least the two most recently completed fiscal years), and compliance audits. The prospective owner will need this information to receive approval to participate.

Accompanying the application must be audited financial statements for the school's two most recently completed fiscal years (if the school has not yet submitted statements for those years), an audited balance sheet showing the financial condition of the school at the time of the change, and a default management plan (if required). Each participating school must demonstrate financial responsibility independently. If the entity that has acquired the school is an ongoing entity (partnership or corporation), the school must also submit completed audited financial statements of the acquiring entity for the last two consecutive fiscal years. For information on financial responsibility and submitting audited financial statements see *Chapter 4*.

The school also must submit proof that its accreditation is continued under the new ownership or control, along with a photocopy of its state legal authorization under the new ownership.

The school may not award FSA program funds until it receives a new PPA signed on behalf of the Secretary.

#### **Audits and closeout procedures**

Although a separate financial aid compliance audit is not required when there is a change in ownership, structure, or governance, the prospective owner may choose to have the accounts audited before they are closed out. Questions about FSA accounts or closeout procedures should be addressed to the appropriate school participation division.

### *Accepting liabilities and responsibility for return of funds*

If new owners acquire a school or if a school is the result of the merger of two or more schools that formerly were operating separately, the new owner is liable for any debts that accrued from the former owner's FSA program administration. A new owner accepts liability for any federal funds that were given to the school but that were improperly spent before the date the change in ownership, structure, or governance became effective. A new owner must also abide by the school's refund and the FSA Return of Funds policy for students enrolled before the date the change became effective, and must honor all student enrollment contracts signed before the date of the change.

### *Payments to eligible students*

Before the change in ownership, structure, or governance takes place, the former owner should make sure that all students receive any FSA payments already due them for the current payment period and that all records are current and comply with federal regulations. If the school needs additional funds for its students for the current payment period, it should request them and disburse them to all eligible students before the change takes place.

The school loses its approval to participate in the FSA programs when the change takes place. Generally, a school may

- ◆ use Pell or TEACH Grant or Campus-Based funds that it has received or request additional Pell Grant or Campus-Based funds from the Department to satisfy any unpaid commitment made to a student from the date the school's participation ended until the scheduled completion date of the payment period; and
- ◆ credit a student's account with the proceeds of a second or subsequent disbursement of a Direct Loan to satisfy any unpaid commitment made to the student under the Direct Loan Program from the date participation ends until the scheduled completion of that period of enrollment. (The proceeds of the first disbursement of the loan must have been delivered to the student or credited to the student's account prior to the end of the participation.)

The school must notify all new students that no federal aid funds can be disbursed until the school's eligibility is established and a new PPA signed by the Department is received.

Beginning on the date that the change becomes effective, the school may no longer award FSA funds. If the school's prospective owners wish the school to participate in one or more of the FSA programs, the school must submit a materially complete application to the Department.

The school can apply for preacquisition review (described in the previous section) and temporary provisional approval after the change in ownership (described in the next section).

## TEMPORARY APPROVAL FOR CONTINUED PARTICIPATION

The Department, at its discretion, may permit a school undergoing a change in ownership that results in a change in control to continue to participate in the FSA programs on a provisional basis if the school meets the following specific requirement.

The school must submit a materially complete application that must be received by the Department no later than 10 business days after the change becomes effective. A materially complete application for the purpose of applying for a temporary approval must include

- ◆ a completed application form;
- ◆ a copy of the school's state license or equivalent that was in effect on the day before the change in ownership took place;
- ◆ a copy of the accrediting agency's approval (in effect on the day before the change in ownership) that granted the school accreditation status including an approval of the nondegree programs it offers;
- ◆ financial statements of the school's two most recently completed fiscal years that are prepared and audited in accordance with the requirements of the generally accepted accounting principles (GAAP), published by the Financial Accounting Standards Board, and the generally accepted governmental auditing standards (GAGAS) published by the U.S. General Accounting Office (submitted via eZ-Audit at <https://ezaudit.ed.gov>);
- ◆ audited financial statements for the school's new owner's two most recently completed fiscal years that are prepared and audited in accordance with GAAP and GAGAS, or acceptable equivalent information for that owner (submitted via eZ-Audit at <https://ezaudit.ed.gov>); and
- a completed signature page, Section L.

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### Temporary approval

Temporary approval  
Sec. 498(i)(4) of the HEA  
34 CFR 600.20(g) and (h)  
Audits  
34 CFR 668.23

If the application is approved, the school participation division will send the school a Temporary Provisional Program Participation Agreement (Temporary PPA). The Temporary PPA extends the terms and conditions of the PPA that were in effect for the school before its change of ownership.

The Temporary PPA expires on the earliest of the

- ◆ date that the Department signs a new program participation agreement;
- ◆ date that the Department notifies the school that its application is denied; or
- ◆ last day of the month following the month in which the change of ownership occurred unless the school provides the necessary documents described as follows.

The Department can automatically extend the Temporary PPA on a month-to-month extension if, prior to the expiration date, the school submits

- ◆ a same day balance sheet showing the school's financial position on the day the ownership changed, prepared in accordance with GAAP and audited in accordance with GAGAS;
- ◆ approval of the change of ownership from the school's state agency that legally authorizes postsecondary education in that state (if not already provided);
- ◆ approval of the change of ownership from the school's accrediting agency (if not already provided); and
- ◆ a default management plan that follows examples provided by the Department or notification that it is using the Department's plan or is exempt from providing a plan.

## REPORTING SUBSTANTIVE CHANGES

A school is required to report changes to certain information on its approved application, as listed on the following pages. A school may also wish to expand its FSA eligibility and certification. Some of these changes require the Department's written approval before the school may disburse the FSA program funds; others do not.

If a change occurs in an E-App item not listed on the following pages, the school must update the information when it applies for recertification.

When the Department is notified of a change, if further action is needed, it will tell the school how to proceed, including what materials and what additional completed sections of the E-App need to be submitted. If a school has questions about changes and procedures, it should contact its school participation division.

After receiving the required materials (and depending on the circumstances), the Department will evaluate the changes, approve or deny them, and notify the school.

### *Approval required from accreditor and state agency*

For a change requiring written approval from the Department (unless otherwise noted) and for some changes that do not require written approval from the Department, a school must obtain approval from the appropriate accrediting agency and state authorizing agency.

### *Notification of school closure or bankruptcy*

If a school closes or files for bankruptcy, the school must notify the Department within 10 calendar days of either event by sending a letter on the school's letterhead that indicates the date the school closed or plans to close, or the date the school filed for bankruptcy, as appropriate.

#### **Reminder**

##### **Update Contact Information**

So that we can alert a school of important issues in its administration of the Title IV programs, a school should promptly update its information in IPEDS and on the e-App when there is a change to its Chief Financial Officer, Director of Financial Aid, or their contact information.

## CHANGES TO LOCATION, BRANCH, OR CAMPUS

### Teach-outs at closed school locations

A school that conducts a teach-out at a site of a closed school may apply to have that site approved as an additional location if the closed school ceased operations and the Department has taken a limitation, suspension, termination, or emergency action, regardless of whether the Department took that action before or after the school closed. The teach-out must be approved by the school's accrediting agency.

The school that conducts the teach-out may establish a permanent additional location at the closed school without having to satisfy the 2-year requirement and without assuming the liabilities and cohort default rate of the closed institution, provided the schools are not commonly owned or managed.

See 34 CFR 600.32(d), as amended on October 29, 2009, for further details. HEOA 2008, §496, HEA §498  
Effective date: August 14, 2008

### Notifying ED if school exceeds limitations on types of students

If there is a change to any of a school's answers to the Yes/No questions in Section G of a submitted application (limitations on students who are enrolled without a high school diploma or equivalent, incarcerated students, and correspondence study), the school must notify ED via the E-App. ED will advise the school of its options, including whether the school might be eligible for a waiver. (See *Chapter 4* for additional information.)

The ECAR that the Department sends to the school lists the educational programs and locations that are eligible. (The eligibility of a school and its programs does not automatically include separate locations and extensions.) If, after receipt of the ECAR, a school wishes to add a location at which at least 50% of an educational program is offered, it must notify the Department.

### Eligibility of additional locations

For purposes of qualifying as an eligible location, an additional location is not required to satisfy the two-year requirement unless

- ◆ the location was a facility of another school that has closed or ceased to provide educational programs for a reason other than a normal vacation period or a natural disaster that directly affects the school or the school's students;
- ◆ the applicant school acquired, either directly from the school that closed or ceased to provide educational programs, or through an intermediary, the assets at the location; and
- ◆ the school from which the applicant school acquired the assets of the location is not making payments in accordance with an agreement to repay a liability for a violation of FSA program requirements.

An additional location that falls into one of the aforementioned categories is not required to satisfy the two-year rule (see *Chapter 1*) if the applicant school agrees

- ◆ to be liable for all improperly expended or unspent FSA funds received by the school that has closed or ceased to provide educational programs,
- ◆ to be liable for all unpaid refunds owed to students who received FSA funds, and
- ◆ for the students who were enrolled before that date of the acquisition of the assets of the additional location, to abide by the refund policy on institutional charges of the school that has closed or ceased to provide educational programs.

Each site must be legally authorized. To apply for eligibility for an added location, the school must submit an E-App to the Department with the required application sections completed, a copy of the accrediting agency's notice certifying that the new location is included in the school's accredited status, and a copy of the state legal authorization from the state in which the additional site is physically located.

## Reporting a new location

All schools are required to report (using the E-App) to the Department when adding an additional accredited and licensed location where they will be offering 50% or more of an eligible program if the school wants to disburse FSA program funds to students enrolled at that location.

Schools must not disburse FSA program funds to students at a new location before the school has reported that location and submitted any required supporting documents to the Department. Once it has reported a new licensed **and** accredited location, unless it is a school that is required to apply for approval for a new location (see below), a school may disburse FSA program funds to students enrolled at that location.

## Applying for approval of a new location

If a school meets one or more of the following criteria, it must apply for *and wait for approval* before disbursing FSA funds at an additional location where it will be offering 50% or more of an eligible program:

- ◆ The school is provisionally certified.
- ◆ The school is on the cash monitoring or reimbursement system of payment.
- ◆ The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in the FSA programs during that year.
- ◆ The school would be subject to a loss of eligibility under the cohort default rate regulations if it adds that location.
- ◆ The school was previously notified by the Department that it must apply for approval of an additional location.

The Department will review the information and will evaluate the school's financial responsibility, administrative capability, and eligibility. Depending upon the circumstances, the Department may conduct an on-site review. If it approves the additional location, a revised ECAR and Approval Letter will be issued. The location is eligible as of the date of the Department's determination.

### Regulations

Reporting  
34 CFR 600.21  
Approval required  
34 CFR 600.20(c)(1)  
Disbursing prohibited  
34 CFR 600.20(f)(3)  
34 CFR 600.21(d)

### Electronic submission required

Changes to previous applications, including changes in ownership, reporting, expanding eligibility, and certification, must be submitted to the Department through the E-App ([www.eligcert.ed.gov](http://www.eligcert.ed.gov)).

### Liability for disbursements if change not approved

If a school does not obtain ED approval for a new location, branch, program, or increase in program offering, the school is liable for all FSA funds it disburses to students enrolled at that location or branch or in that program.

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### Effects of closure of branch or additional location

A school that is considering adding a branch or an additional location should include in its deliberations the effect that a closure of a branch or additional location might have on the school's financial condition.

If a branch or additional location of an institution closes and borrowers who attended the school obtain loan discharges by reason of the closure of the branch or location (or improper loan certifications), the Department will pursue recovery against the larger institution, its affiliates, and its principals.

HEA 437(c)(1)

### Clarification

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### Reporting self-determined programs on the E-App

Institutions are encouraged to report programs for which they have made a self-determination, at either recertification or sooner. The eligibility of these programs will be reviewed prior to the program being added to the ECAR as an eligible program. 34 CFR 600.20 (c)(3), 600.10 (c)

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### Consequences of erroneous self-determination

If the school's self-determination of eligibility for an educational program is found to be incorrect, the school is liable for all FSA program funds received for the program and all FSA program funds received by or for students enrolled in that program.

## Changing the status of a campus or branch

If a school wishes to seek approval for a branch campus, the school must submit a completed application with the required supplemental documentation (see the following list) on (1) the main campus and (2) the proposed branch campus.

A branch campus of an eligible proprietary institution of higher education or postsecondary vocational school must be in existence for at least two years (after it is certified in writing by the Department as a branch campus) before seeking to be designated as a main campus or a freestanding school.

## CHANGES TO EDUCATIONAL PROGRAMS

### Adding a program—when a school may make eligibility determinations

After a school has received an ECAR, the school may add an educational program and determine the program's eligibility unless

- ◆ the school has been provisionally certified,
- ◆ the school is receiving funds under heightened cash management,
- ◆ progress in the program is measured by direct assessment,
- ◆ the school is subject to the two-year rule,
- ◆ the program is a comprehensive transition and postsecondary program, or
- ◆ the Department has informed the school that it must request approval before adding additional programs.

Before the school may determine these programs to be eligible and disburse funds to enrolled students, the school must have received both the required state and accrediting agency approvals. The school must include any "self-certified" programs on its next recertification application, and provide copies of the state and accreditor approvals. For new GE programs, the school must update the ECAR within 10 days of the school receiving final approval from its accreditation agency, governing authority, and other oversight bodies to make the change.

**All other program additions must be reported to the Department and approved before FSA program funds can be awarded.**

Within 10 days of the school receiving final approval from its accreditation agency, governing authority, and other oversight bodies to add the program, the school must submit an E-App with the appropriate sections completed and copies of the approval of the new program from its accrediting agency and state authorizing agency. The Department will evaluate the new program and the school addition of that program. If the Department approves the school adding the additional program, the Department will issue a revised ECAR and Approval Letter and send them to the school. For more on program eligibility, see *Chapter 2*.

### Updating a program

The school must update information about its educational programs when completing its recertification application. This includes updating CIP codes, program names, and program lengths. A school must update its E-App with changes to GE programs within 10 days of making the change. Schools should note that making a significant change to a program may result in the creation of a new program.

### Clarification

#### Gainful employment programs

"Gainful employment" refers to certain programs offered at public, private nonprofit, and proprietary institutions, as defined in *Chapter 2*.

#### CIP codes

Classification of Instructional Programs (CIP) codes are developed by the U.S. Department of Education's National Center for Education Statistics.

<http://nces.ed.gov/ipeds/cipcode>

#### Limitations for schools subject to "2-year rule"

For schools subject to the 2-year rule (see *Chapter 1*), during the school's initial period of participation in the FSA programs, the Department will not approve adding programs that would expand the school's eligibility beyond the current ECAR. An exception may be considered if the school can demonstrate that the program was legally authorized and continuously provided for at least two years prior to the date of the request.

In addition, a school subject to the 2-year rule may not award FSA funds to a student in a program that is not included in the school's approval documents.

## CHANGES IN ACCREDITATION

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### Changing accrediting agencies

34 CFR 600.11

A school must notify the Department if the school changes its institution-wide accreditation (primary accrediting agency), or decides to seek institution-wide accreditation by an additional agency.

#### *Change in institution-wide accreditation*

If the school decides to change its institution-wide accreditation (*primary accrediting agency*), it must notify the Department when it begins the accreditation application process with a different agency. (Note that it must also notify the Department when it completes the process.) As part of the notice, the school must submit materials about its current accreditation and materials demonstrating reasonable cause for changing accreditation. If the school fails to notify the Department of the proposed change to its institution-wide accreditation, or if the school does not provide the materials just described, the Department will not recognize the school's existing accreditation. If this happens, or if the school drops its association with its former accreditor before obtaining Department approval of the change, the school would no longer have accredited status and would no longer be eligible to award FSA funds.

Therefore, when a school secures new institution-wide accreditation, it must notify the Department using the online electronic application (E-App). At that time, it must advise the Department which accrediting agency will be its accreditor for purposes of FSA gatekeeping. Only after the Department provides written notice that it recognizes the new accreditor as the institution's primary accreditor should the school drop its association with its prior accreditor.

### *Changing to accreditation by more than one institution-wide accrediting agency*

If the school decides to become accredited by more than one institution-wide accrediting agency, it must notify the Department when it begins the process of obtaining additional accreditation.

As part of the notice, the school must report (in question 15 of the E-App) its current institution-wide accrediting agency, the prospective institution-wide accrediting agency, and the reason (in question 69 of the E-App) it wishes to be accredited by more than one agency. If the school obtains the additional institution-wide accreditation and fails to notify the Department of the reason for the additional accreditation, the Department will not recognize the school's accredited status with either agency. This means the school would lose its accredited status and its eligibility to award FSA funds.

If a school becomes accredited by more than one agency, it must notify its school participation division of which agency's accreditation the school will use for determining its eligibility for the FSA programs.

### *Loss of accreditation*

If a school loses its primary accreditation, it is ineligible to participate in the FSA programs and must notify the Department within 10 days of the loss of accreditation. (For any dispute involving the termination of accreditation, an accredited or preaccredited school must agree to submit to binding arbitration before initiating any other legal action.) However, if a school's accrediting agency loses its recognition from the Department, the school has up to 18 months in which to obtain accreditation from another recognized agency. Other changes in accreditation may also jeopardize institutional participation.

## CHANGES TO THIRD-PARTY SERVICERS

Schools are required to notify the Department of all third-party servicer contracts. If a school has submitted information regarding its third-party servicers as part of applying for certification or recertification, no additional submission is required.

The school must promptly notify the Department of any of the following changes to servicer arrangements

- ◆ The school enters into a contract with a new third-party servicer,
- ◆ The school significantly modifies a contract with an existing third-party servicer,
- ◆ The school or one of its third-party servicers terminates a contract
- ◆ A third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy

A school notifies the Department by updating Section J of the E-App within 10 days of the date of the change or action. This notification must include the name and address of the servicer and the nature of the change or action.

A school is only required to submit a copy of its contract with a third-party servicer if the Department requests it. A school is not required to submit the contract as part of the recertification process. (See *Chapter 3* for more information about contracts with third-party servicers.)

## Changes Requiring Written Approval From the Department

All schools must report and wait for written approval from the U.S. Department of Education before disbursing funds when the following occur:

1. a change in accrediting agency (notify the Department when you begin making any change that deals with your school's institution-wide accreditation);
2. a change in state authorizing agency;
3. a change in institutional structure;
4. an increase in the level of educational programs (e.g. associate degree to baccalaureate degree programs, baccalaureate degree to graduate degree programs, etc.) beyond the scope of current approval;
5. the addition of short-term (300–599 clock-hour) programs;
6. the addition of direct assessment programs or comprehensive transition and postsecondary programs;
7. changes to the FSA programs (Pell Grants, Direct Loans, etc.) for which the school is approved\* (Approvals from your accrediting agency and state authorizing agency are not required for this change.);
8. a change in the type of ownership;
9. a change in ownership;
10. the addition of an accredited and licensed location if the institution would be subject to a loss of eligibility under the cohort default rate regulations (34 CFR 668.188) if it adds that location;
11. the addition of an educational program or a location at which the school offers or will offer 50 percent or more of an educational program if a school
  - a) is provisionally certified; or
  - b) is on the cash monitoring or reimbursement system of payment; or
  - c) has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in the FSA programs during that year; or
  - d) has been advised by the Department that the Department must approve any new location or program before the school may begin disbursing FSA funds.

When one of the changes that requires the Department's written approval occurs, a school must notify the Department. The school must apply to the Department for approval of the change via the E-App within 10 calendar days of the change (in the case of a change in ownership, 10 *business* days). As soon as the school has received approvals for the change from its accrediting agency and state authorizing agency, it must send to the Department

- copies of the approval for the change,
- any required documentation, and
- Section L of the E-App containing the original signature of the appropriate person

\* For TEACH Grants, select "Add TEACH Grants" and then use question 69 to explain the eligibility criteria that your school meets for TEACH participation. See DCL GEN 08-07.

## Changes That Do Not Require the Department’s Written Approval

Though they need not wait for the Department’s approval before disbursing funds, all schools must **report** the following information to the Department.

1. change to name of the school\*
2. change to the name of a CEO, president, or chancellor
3. change to the name of the chief fiscal officer or chief financial officer
4. change in the individual designated as the lead program administrator (financial aid administrator) for the FSA programs
5. change in governance of a public institution
6. a decrease in the level of program offering (e.g., the school drops all its graduate programs)
7. change from or to clock hours or credit hours
8. change in the length of a program in credit/clock hours or weeks of instruction
9. address change for a principal location\*
10. name or address change for other locations\*
11. the closure of a branch campus or additional location that the school was required to report
12. the addition of an accredited and licensed location under certain conditions (34 CFR 600.20(c)(1))
13. change to the school’s third-party servicers that deal with the FSA program funds
14. changes related to GE programs, including
  - a) establishing the eligibility or reestablishing the eligibility of the program,
  - b) discontinuing the program’s eligibility as a result of debt-to-earnings rates,
  - c) ceasing to provide the program for at least 12 consecutive months,
  - d) losing program eligibility,
  - e) changing the program’s name, CIP code, or credential level,
  - f) updating the certification pursuant to 668.414(b).

When one of these changes occurs, a school must notify the Department by reporting the change and the date of the change to the Department via the E-App within 10 calendar days of the change. In addition, a school must mail to the School Eligibility Service Group (See the address on the second page of this chapter.)

- any required supporting documentation, and
- Section L of the E-App containing the original signature of the appropriate person.

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\* For programmatic changes that only require the school to notify the Department, that notification must be provided at least 10 days before the first day the school intends to offer classes in the program.

### Foreign School Reporting on the E-App

In addition to—or, where appropriate, instead of—the information listed above, a foreign school must report changes to its postsecondary authorization, degree authorization, program equivalence, program criteria, or to its U.S. administrative or recruiting office.

A foreign medical school must report changes to the facility at which it provides instruction, its authorizing entity, the approval of its authorizing entity, the length of its program, or the clinical or medical instruction that it provides in the U.S. It must report and wait for approval of an added location that offers all or a portion of the core clinical training or required clinical rotations unless the location is accredited by the Liaison Committee on Medical Education (LCME) or American Osteopathic Association (AOA). A foreign medical school must report, but is not required to wait for approval of, an added location that offers all or a portion of the clinical rotations that are not required; reporting of such a location is not required if the location is accredited by the LCME or AOA or if it is not used regularly but is chosen by students who take no more than two electives at the location for no more than a total of eight weeks.

A foreign veterinary school must report changes to the clinical instruction that it provides in the United States.

### Other Changes Reported on the E-App

- Change to address for FSA mailings to an address different than the legal street address
- Change to address for FSA mailings to an additional location that is different than the legal street address
- Change of taxpayer identification number (TIN)
- Change of DUNS number
- Change in board members
- Reporting foreign gifts (see *Chapter 12*)
- Change to institution's website address
- Change of phone/fax/email of CEO, president, or chancellor
- Change of phone/fax/email of CFO
- Change of phone/fax/email of financial aid administrator

### Documentation Required for Approval of a Branch Campus

The following required supplemental documentation must be submitted for the school participation division to make a determination as to whether a non-main campus educational site is an eligible branch campus:

- A statement listing the distance between the main institution and the applicant non-main campus educational site
- State authorization of the quasi-independent status of the non-main campus educational site from the main institution in any of the following forms: applicable state law, state charter, university system organization document, or state department of education or state board or regents' regulations or documentation
- State authorization (in any of the four forms above) for the non-main educational site to have its own faculty and administrative staff, its own operating budget, and its own authority to hire and fire faculty and staff
- An official statement from the school describing the hiring authority of the non-main educational site
- A statement from the main institution's primary accrediting agency indicating that it has accredited both the main institution and the non-main educational site through separate on-site visitations and that the non-main educational site's accreditation is distinct yet dependent upon the main institution
- A specific description of the relationship between the main campus of an institution of higher education and all of its branches, including a description of the student aid processing that is performed by the main campus and that is performed at its branches
- The operating budget of the non-main campus educational site for the current year and the two prior fiscal years
- Consolidated financial statements for the prior two years showing a breakdown of the applicant's financial circumstances
- Other documents requested by the school participation division

# Consumer Information and School Reporting

## CHAPTER 6

*This chapter describes information that a school must disclose to the public and report to the Department. This is information about: financial aid; the school's campus, facilities, student athletes, and gainful employment programs; as well as campus security and fire safety, drug and alcohol abuse prevention, and programs about them. The chapter also discusses counseling for students receiving FSA loans and disclosures that must be made for private education loans. Additional disclosure requirements that are specific to disbursements of FSA loans are described in Volume 4.*

### AVAILABILITY OF INFORMATION

#### Notice to enrolled students

Each year a school must distribute to all enrolled students a notice of the availability of the information it must provide in the following general categories:

- ◆ general disclosures for enrolled or prospective students,
- ◆ annual security report and annual fire safety report,
- ◆ report on athletic program participation rates and financial support data (Equity in Athletics Data or EADA), and
- ◆ FERPA information (Family Educational Rights and Privacy Act of 1974, discussed in *Chapter 7*).

The notice must list and briefly describe the information and tell students how to obtain it. It must be provided on an individual basis through an appropriate mailing or publication, including direct mailing through the U.S. Postal Service, campus mail, or electronic mail. Posting on an Internet or intranet website does not constitute a notice.

#### Consumer information

HEA Sec. 485(f); 20 USC 1092

Regulations: 34 CFR 668.41–49

Notice to enrolled students: 34 CFR 668.41(c)

Web dissemination: 34 CFR 668.41(b), (c)(2), (e)(2) through (4), and (g)(1)(ii)

Availability of school staff: 34 CFR 668.44

#### Sample notice of FERPA rights

You can find a sample notification at the Department's FERPA website.

<https://studentprivacy.ed.gov/resources/ferpa-model-notification-postsecondary-officials>

#### Assessing your school's compliance

To assess your school's compliance with the provisions of this chapter, see the FSA Assessment module for "Consumer Information," at

<https://ifap.ed.gov/ifap/byTopic.jsp?function=20>

### Suggestions for disseminating HEA-required information

The National Postsecondary Education Cooperative (NPEC) issued *Information Required to Be Disclosed Under the Higher Education Act of 1965: Suggestions for Dissemination* (NPEC 2010-831). This publication is available at <http://nces.ed.gov>.

Note: NPEC was established by the National Center for Education Statistics in 1995 as a voluntary organization comprising federal agencies, postsecondary schools, associations, and others with an interest in postsecondary education data collection. The information and opinions in NPEC publications do not necessarily represent the policy or views of the U.S. Department of Education.

### Civil penalty

In addition to limiting, suspending, or terminating the participation of any school that fails to comply with the consumer information requirements, the Department may impose civil fines of up to \$57,317 for each violation.

Civil penalty

Sec. 487(c)(3)(B) of the HEA

See the [February 1, 2019, Federal Register](#) for information about the adjustment of civil monetary penalties for inflation.

## Web dissemination

A school may meet the requirements for the general disclosures and the EADA, security, and fire safety reports by posting the information online.

- ◆ *Enrolled students or current employees*—the school may post the information on an Internet website or an intranet website that is reasonably accessible to its students and employees.
- ◆ *Prospective students or prospective employees*—the school may post the information on an Internet website.

A school that uses Internet or intranet disclosure for this purpose must include in its annual notice to enrolled students the exact electronic address of the information and a statement that the school will provide a paper copy of the information on request.

With Internet or intranet distribution of the security and fire safety reports to current employees, a school must distribute to them by October 1 of each year a notice that includes a statement of the reports' availability, the exact electronic address at which they are posted, a brief description of their contents, and a statement that the school will provide a paper copy of the reports upon request.

The same information must be included in a notice to prospective students and employees if a school decides to use the Web to provide annual security or fire safety reports to them. The difference is that there is no annual date for distribution of this notice; also note that the school must use an Internet, rather than an intranet, site.

### *Availability of employees for information dissemination purposes*

A school must designate an employee or group of employees who shall be available on a full-time basis to assist enrolled or prospective students in obtaining information on the school, financial assistance, graduation and completion rates, security policies, and crime statistics, as described in the following sections. If the school designates one person, he shall be available upon reasonable notice to any enrolled or prospective student throughout the normal administrative working hours of the school. If more than one person is designated, their combined work schedules must be arranged so that at least one of them is available upon reasonable notice throughout the normal administrative working hours of the school.

The Department may waive this requirement if the school's total enrollment or the portion participating in the FSA programs is too small to necessitate an employee or group of employees being available on a full-time basis. The granting of a waiver does not exempt an institution from designating a specific employee or group of employees to carry out on a part-time basis the information dissemination requirements. The school must request this waiver from the Department.

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**Availability of Employees**

34 CFR 668.44

## GENERAL STUDENT DISCLOSURES

### General disclosures

General disclosures: 34 CFR 668.41(d)  
 Financial assistance: 34 CFR 668.42  
 Institutional information: 34 CFR 668.43  
 Completion/graduation rates: 34 CFR 668.45  
 Definitions: 34 CFR 668.41(a) and 668.47(b)

### Prospective student

One who has requested from an eligible school information about enrolling there or who has been contacted by the school directly, or indirectly through advertising, about enrolling.

### Explaining verification requirements

Although it is not among the financial aid disclosures given to all students, you should be aware of the following information that must be provided in writing to students who are selected for verification:

1. Documents required for verification.
2. Student responsibilities—including correction procedures, deadlines for completing any actions required, and the consequences of missing the deadlines.
3. Notification methods—how your school will notify students if their awards change as a result of verification and the time frame for such notification.  
34 CFR 668.53

### Consumer information from the Department

The Department is required to make available to schools, lenders, and secondary schools descriptions of the FSA programs to assist students in gaining information through school sources, and to assist schools in carrying out the FSA program requirements.

We provide comprehensive student aid information to students and their families through the *Student Aid on the Web* site at <http://studentaid.ed.gov>.

Colleges and high schools may find student/borrower publications such as the College Preparation Checklist in the Financial Aid Toolkit  
<https://financialaidtoolkit.ed.gov/tk/resources.jsp>

Statutory requirement:  
HEA Sec. 485

A school must make the following information available to any enrolled or prospective student through appropriate publications, mailings, or electronic media.

### *Financial assistance available to students*

At a minimum, the school must publish and make readily available to current and prospective students a description of all the federal, state, local, private, and institutional need-based and non-need-based student financial assistance programs available to them.

For each of these financial aid programs, the information provided by the school must describe

- ◆ the procedures and forms by which students apply for assistance,
- ◆ the student eligibility requirements,
- ◆ the criteria for selecting recipients from the group of eligible applicants, and
- ◆ the criteria for determining the amount of a student's award.

The school may describe its own financial assistance programs by listing them in general categories.

The school must also describe the rights and responsibilities of students receiving financial aid (and specifically federal aid). This description must include

- ◆ criteria for continued student eligibility under each program,
- ◆ satisfactory academic progress (SAP) standards that students must meet to receive financial aid and criteria by which those who have failed to maintain SAP may re-establish aid eligibility (see *Volume 1*),
- ◆ the method by which financial assistance disbursements will be made to students and the frequency of those disbursements,
- ◆ the way the school provides for Pell-eligible students to obtain or purchase required books and supplies by the seventh day of a payment period (see *Volume 4* for conditions) and how the students may opt out.
- ◆ the terms of any loan received by students as part of their financial assistance package, a sample loan repayment schedule, and the necessity for repaying loans,

- ◆ the general conditions and terms applicable to any employment provided to students as part of their financial assistance package,
- ◆ the terms and conditions of the loans students receive under the Direct Loan Program, and
- ◆ the exit counseling information the school provides and collects as described later in this chapter. (Also see *Volume 6* for Perkins Loans exit counseling.)

### **Information about the school's academic programs, costs, facilities, and policies**

At a minimum, the school must provide to enrolled and prospective students the following information about itself

#### **Academic programs**

- ◆ the current degree programs and other educational and training programs
- ◆ the instructional, laboratory, and other physical facilities that relate to the academic programs
- ◆ the school's faculty and other instructional personnel
- ◆ any plans by the school to improve academic programs, upon a determination by the school that such a plan exists
- ◆ a description of the written arrangements it has entered into (See Written Arrangements in *Chapter 2*.)

#### **School costs**

- ◆ tuition and fees charged to full-time and part-time students
- ◆ estimates of costs for necessary books and supplies
- ◆ estimates of typical charges for room and board
- ◆ estimates of transportation costs for students
- ◆ any added cost of a program a student is enrolled in or inquires about.

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#### **Student access to accreditation/ approval documents**

The school must make available for review, upon request of any enrolled or prospective student, a copy of the documents describing the school's accreditation and its state, federal, or tribal approval or licensing.

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#### **College affordability website**

The Department's [College Affordability and Transparency Center](#) contains information for students, parents, and policymakers about costs at America's colleges. The website allows users to view schools by sector with the highest and lowest tuition and net prices (the price of attendance after considering all grant and scholarship aid). The site also includes the College Scorecard, which displays the typical student cost, graduation rate, loan default rate, and median borrowing amount for the school one types in. The site also links to the net price calculators for many schools and to the College Navigator website, which allows students to search for schools they might want to attend according to various criteria.

### Withdrawal procedures, refunds, and return of aid

- ◆ the requirements and procedures for officially withdrawing from the school
- ◆ any refund policy with which the school is required to comply for the return of unearned tuition and fees or other refundable portions of costs paid to the school
- ◆ a summary of the requirements for the return of FSA grant or loan funds (see *Volume 5*)

### Accreditation and licensure

- ◆ the names of associations, agencies, or governmental bodies that accredit, approve, or license the school and its programs
- ◆ the procedures by which documents describing that activity may be reviewed—the school must make available for review to any enrolled or prospective student a copy of the documents describing its accreditation, approval, or licensing
- ◆ contact information for filing complaints with its accreditor, its state approval or licensing entity, and any other relevant state official or agency that would appropriately handle a student's complaint

### Disability

- ◆ the services and facilities available to students with disabilities, including intellectual disabilities (see *Volume 1* for a definition)

### FSA eligibility for study abroad

- ◆ a statement that a student's enrollment in a program of study abroad approved for credit by the home institution may be considered enrollment at the home institution for the purpose of applying for assistance under the FSA programs

### Transfer of credit policies

- ◆ any established criteria the school uses regarding the transfer of credit earned at another institution
- ◆ a list of postsecondary schools with which the school has established an articulation agreement

## Contact information

- ◆ the titles of persons designated by the school to provide information to enrolled and prospective students and information regarding how and where those persons may be contacted

## Penalties and institutional policies on copyright infringement

- ◆ a statement that explicitly informs students that unauthorized distribution of copyrighted material, including unauthorized peer-to-peer file sharing, may subject the students to civil and criminal liabilities
- ◆ a summary of the penalties for violation of federal copyright laws (see the sample statement)
- ◆ a description of the school’s policies with respect to unauthorized peer-to-peer file sharing, including disciplinary actions that are taken against students who engage in illegal downloading or unauthorized distribution of copyrighted materials using the school’s information technology system
- ◆ the legal alternatives for downloading or otherwise acquiring copyrighted material, based on the school’s periodic review described in *Chapter 7*. (This information is to be provided through a website or other means.)

### Copyright information

The sample statement and other copyright requirements are included in GEN 10–08. See *Chapter 7* for the requirement to develop copyright policies. 34 CFR 668.43(a)(10)

## Sample Statement of Penalties for Copyright Infringement

A school may use this sample statement to meet the requirement that it disseminate a summary of the penalties for violating federal copyright law. The use of this sample summary is optional.

### Summary of Civil and Criminal Penalties for Violation of Federal Copyright Laws

Copyright infringement is the act of exercising, without permission or legal authority, one or more of the exclusive rights granted to the copyright owner under section 106 of the Copyright Act (Title 17 of the United States Code). These rights include the right to reproduce or distribute a copyrighted work. In the file-sharing context, downloading or uploading substantial parts of a copyrighted work without authority constitutes an infringement.

Penalties for copyright infringement include civil and criminal penalties. In general, anyone found liable

for civil copyright infringement may be ordered to pay either actual damages or “statutory” damages affixed at not less than \$750 and not more than \$30,000 per work infringed. For “willful” infringement, a court may award up to \$150,000 per work infringed. A court can, in its discretion, also assess costs and attorneys’ fees. For details, see Title 17, United States Code, Sections 504, 505.

Willful copyright infringement can also result in criminal penalties, including imprisonment of up to five years and fines of up to \$250,000 per offense. For more information, please see the website of the U.S. Copyright Office at [www.copyright.gov](http://www.copyright.gov).

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**Vaccination policy**

Schools must make available to current and prospective students information about their vaccination policy.  
HEA Sec. 485(a)(1)(V)

**Student activities**

- ◆ information, which must be easily accessible on the school's website, about the student activities the school offers

**Student body diversity**

- ◆ information about student body diversity, including the percentage of enrolled, full-time students who are (1) male, (2) female, (3) Federal Pell grant recipients, and (4) self-identified members of a major racial or ethnic group

**Net price calculator**

All Title IV schools that enroll full-time, first-time degree- or certificate-seeking undergraduate students must have on their website a net price calculator. The net price is defined as the cost of attendance minus the average yearly grant and scholarship aid. The calculator provides estimated net price information to current and prospective students and should be based, as much as possible, on their individual circumstances.

ED's National Center for Education Statistics has developed a template that schools can use to create their own customized net price calculator, or they can develop their own calculator. If they develop their own, it must include at a minimum the same data elements found in the Department's calculator template.

Estimates produced by the net price calculator must be accompanied by a clear and conspicuous disclaimer stating that the estimate may change; that it does not represent a final determination or actual award; and that it is not binding on the Department, the school, or the state. The disclaimer must also include a link to the FAFSA website and state that students must complete the FAFSA to receive an actual Title IV financial aid award.

**The Financial Aid Shopping Sheet**

The Shopping Sheet is a resource to help consumers understand their educational costs and the aid available to meet those costs. It is a single page the Department developed that may be used as a stand-alone award letter or as a cover sheet with an institution's existing award letter. The standard format helps consumers easily compare the cost of attendance and aid awards across schools. Use of the Shopping Sheet is voluntary, though we encourage institutions to adopt it for their students. Also, for schools that receive federal funds under the military and veterans educational benefits programs, use of the Shopping Sheet helps meet a disclosure requirement of Executive Order 13607 (see the end of *Chapter 3*).

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**Net Price Calculator**

HEA Sec. 132(h)(3) and (4)  
The Net Price Calculator Information Center at

<https://collegecost.ed.gov/netpricecenter.aspx>

provides the template as well as FAQs, a zipped file with links to other schools' calculators, and resources for schools to develop their own calculators. See also GEN-13-07.

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**Financial Aid Shopping Sheet**

See

<https://www2.ed.gov/policy/highered/guid/aid-offer/index.html>

for more information, including links to guidance and implementation resources, and see DCL GEN-13-26 and the Electronic Announcement of November 14, 2016 (revised January 13, 2017) for templates and specifications.

## COMPLETION, GRADUATION, TRANSFER, RETENTION, AND PLACEMENT RATES

Each year a school must determine the completion or graduation rate of its certificate- or degree-seeking, first-time, full-time undergraduate students and report it to the Department via the IPEDS website (see sidebar).

If the school's mission includes providing substantial preparation for students to enroll in another eligible school, it must also determine the transfer-out rate of its certificate- or degree-seeking, first-time, full-time undergraduate students.

The annual rates are based on the 12-month period that ended August 31 of the prior year. The rates will track the outcomes for students for whom 150% of the normal time for completion or graduation has elapsed. Normal time is the amount of time necessary for a student to complete all requirements for a degree or certificate according to the institution's catalog. This is typically four years for a bachelor's degree in a standard term-based institution, two years for an associate degree in a standard term-based institution, and the various scheduled times for certificate programs. (See the IPEDS instructions for further details on calculating the rate.)

A school must make these annual rates available to the public no later than July 1. With requests from prospective students, the information must be made available prior to them enrolling or entering into any financial obligation with the school.

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### Retention rates

34 CFR 668.41c and 45

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### Reporting rates to IPEDS

The graduation, completion, and transfer-out rates are reported through the Department's Integrated Postsecondary Education Data System (IPEDS) website. The IPEDS survey is conducted by the National Center for Education Statistics (NCES). More information is at [www.nces.ed.gov/IPEDS](http://www.nces.ed.gov/IPEDS).

Survey forms, instructions, FAQs, worksheets, and other information are posted at

<https://surveys.nces.ed.gov/IPEDS/VisIndex.aspx>

Information can only be reported to this system by the school's designated "keyholder." Schools may change keyholders any time during the year by contacting the IPEDS Help Desk at 1-877-225-2568 or [ipedshelp@rti.org](mailto:ipedshelp@rti.org) or by contacting

Tara Lawley  
202-245-7081  
Team Lead, IPEDS Operations  
550 12th St SW  
Washington, DC 20202

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### College Navigator site

Note that your school's graduation rates are displayed on the IPEDS College Navigator site.

<http://nces.ed.gov/collegenavigator>

### *Retention, placement, and post-graduate study*

#### **Optional calculations**

In addition to calculating the completion or graduation rate as described, a school may, but is not required to

1. calculate a completion or graduation rate for students who transfer into the school;
2. calculate a completion or graduation rate for students who have left school to serve in the armed forces, on official church missions, or with a foreign aid service of the federal government, such as the Peace Corps, or who are totally and permanently disabled; and
3. calculate a transfer-out rate, even if the school determines that its mission does not include providing substantial preparation for its students to enroll in another eligible school.

34 CFR 668.45(f)

The school must also provide information on

- ◆ its retention rate reported to IPEDS. The information must be made available to prospective students requesting it prior to them enrolling or entering into any financial obligation with the institution.
- ◆ the placement of, and types of employment obtained by, graduates of the school's degree or certificate programs. Placement rate information may be gathered from state data systems, alumni or student satisfaction surveys, the school's placement rate for any program, if it calculates such a rate, or other relevant sources. If the school calculates a placement rate, it must disclose that rate.
- ◆ for any 4-year program at the school, the types of graduate and professional education in which its graduates enroll. This information may be gathered from state data systems, alumni or student satisfaction surveys, or other relevant sources.

In the case of placement information and the types of graduate and professional education, the school must identify the source of the information as well as any time frames and methodology associated with it.

## DISCLOSURES AND GAINFUL EMPLOYMENT PROGRAMS

A school must disclose certain information about each of its gainful employment programs to prospective students in the format of the GE Disclosure Template.

Availability of the template is announced each year through an electronic announcement posted to IFAP.

The sidebar provides a link to the Gainful Employment page of IFAP where this electronic announcement, the Quick Start Guide providing instructions for using the GE Disclosure Template, as well the template itself, may be found.

An institution that offers a GE program in more than one program length must publish a separate disclosure template for each length of the program. Similarly, an institution that offers a GE program in more than one location or format (e.g., full-time, part-time, accelerated) may publish a separate disclosure template for each location or format if doing so would result in clearer disclosures.

### *Disseminating information about gainful employment programs*

For each program the school must include the required information in promotional materials it makes available to prospective students, and it must prominently display the information in a simple and meaningful manner on the homepage of the program's website. Any other webpage containing general, academic, or admissions information about the program must have a prominent and direct link to the single webpage that contains all the required information.

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#### **GE disclosures**

34 CFR 668.412

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#### **Additional information on IFAP**

The Gainful Employment page on IFAP includes links to frequently asked questions and resources such as electronic announcements, webinars, and regulatory materials.

<https://ifap.ed.gov/GainfulEmploymentInfo/indexV2.html>

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#### **GE Disclosure Template (GEDT)**

Schools must use the GEDT-produced output code to post disclosure information to their gainful employment program webpages. The *GEDT Quick Start Guide* takes users through the steps to do that and can also be found at the following site.

[https://ope.ed.gov/GainfulEmployment/GEDT\\_Quick\\_Start\\_Guide.pdf](https://ope.ed.gov/GainfulEmployment/GEDT_Quick_Start_Guide.pdf)

34 CFR 668.412

#### **CIP & SOC codes**

The Classification of Instructional Programs (CIP) is a hierarchical (taxonomic) system used for classifying education programs to support the accurate tracking and reporting of fields of study and program completions activity.

The Standard Occupational Classification (SOC) system was created and is updated annually by the Standard Occupational Classification Policy Committee (SOCPC) in the Bureau of Labor Statistics. It is used by Federal statistical agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data.

### Updating GE disclosure requirements

Schools must use the template provided by the Secretary to disclose information about each of their GE programs to enrolled and prospective students, and they must update the information in the template at least annually. The Department will identify the information that must be included in the template in a notice published in the *Federal Register*.

### Program webpages

On any webpage containing academic, cost, financial aid, or admissions information about a GE program maintained by or on behalf of a school, the school must provide the disclosure template for that program or a prominent, readily accessible, clear, conspicuous, and direct link to the disclosure template for that program.

## CAMPUS CRIME AND SAFETY INFORMATION

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### VAWA tools

The Department of Justice website [www.changingourcampus.org](http://www.changingourcampus.org) is an online clearinghouse of resources addressing sexual assault, domestic violence, dating violence, and stalking.

The Department of Education also has an online list of resources that might help schools with their sexual assault training and prevention:

<https://www2.ed.gov/documents/press-releases/suggested-resources.pdf>

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### Crime and fire data on the Web

The campus crime and fire safety statistics for schools are at <http://ope.ed.gov/security/>.

Crime statistics are also on the College Navigator site <http://nces.ed.gov/collegenavigator/>.

A school must distribute annual campus security reports to its students and employees. If it maintains on-campus student housing, it must also disseminate an annual fire safety report. The reports that are disseminated to the school community must include descriptions of the school's policies, procedures, and programs. These reports must include the campus security and fire safety statistics reported to the Department each year (explained later in this section).

### Crime log

Schools must have policies that encourage complete, timely reporting of all crimes to the campus police and appropriate law enforcement agencies. If they have a campus police or security department, they must keep a written, easily understood, daily crime log. The log must list any crime by the date it was reported to the campus police or security department and that occurred within its Clery geography, as defined under *Definitions Related to Crime Reporting* in this Chapter. The log must also include the nature, date, time, and general location of each crime and the disposition of the complaint if known.

The school must make an entry or an addition to an entry to the log within two business days (Monday–Friday, except days when the school is closed) of the report of the information to the campus police or security department unless that disclosure is prohibited by law or would jeopardize the confidentiality of the victim.

A school may withhold one or more of the required pieces of information if there is clear and convincing evidence that the release of the information would

- ◆ jeopardize an ongoing criminal investigation or the safety of an individual,
- ◆ cause a suspect to flee or evade detection, or
- ◆ result in the destruction of evidence.

However, the school must disclose any information withheld for any of these reasons once the adverse effect is no longer likely to occur.

The school must make the crime log for the most recent 60-day period open to public inspection during normal business hours. The school must make any portion of the log older than 60 days available within two business days of a request for public inspection.

### **Crimes to be reported**

A school must report to the Department and disclose in its annual security report statistics for the three most recent calendar years the number of each of the following crimes that occurred on or within its Clery geography (see *Definitions Related to Crime Reporting* later in this Chapter) and that are reported to local police agencies or to a campus security authority:

1. Primary crimes, including criminal homicide (murder, non-negligent manslaughter, and negligent manslaughter); sex offenses (rape, fondling, incest, and statutory rape); robbery; aggravated assault; burglary; motor vehicle theft; arson
2. Arrests and referrals for disciplinary actions, including arrests for liquor law violations, drug law violations, and illegal weapons possession and persons not arrested for one of those offenses but who were referred for campus disciplinary action
3. Hate crimes, including the number of each type of primary crime listed above that is determined to be a hate crime and the number of the following that are determined to be hate crimes: larceny-theft, simple assault, intimidation, destruction/damage/vandalism of property
4. Dating violence, domestic violence, and stalking

### **Clery/Campus Security Act**

The full title of the Clery Act is the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act. It has been amended several times, most recently by the Violence Against Women Reauthorization Act of 2013 (VAWA) enacted March 7, 2013. Among other provisions, VAWA requires institutions to compile statistics for certain crimes that are reported to campus security authorities or local police agencies, including incidents of sexual assault, domestic violence, dating violence, and stalking. These crime statistics must be reported to the Department through the web-based data collection. Schools must also include certain policies, procedures, and programs pertaining to these crimes in their annual security reports. Final regulations to implement these statutory changes to the Clery Act were published on October 20, 2014, and went into effect on July 1, 2015. See DCL GEN-15-15 for a summary of major changes to the Clery Act regulations. HEA Sec. 485(f)  
20 U.S.C. 1092(f)  
34 CFR 668.46

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### **Crimes to be reported**

34 CFR 688.46(c)(1)

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### **Citations**

Crime log: 34 CFR 668.46(f)

Fire safety log: 34 CFR 668.49

Missing persons: 34 CFR 668.46(h)

Emergency response & evacuation:  
34 CFR 668.46(g)

### *Reported crimes must be recorded*

A school must include in its crime statistics all crimes listed above occurring on or within its Clery geography that are reported to a campus security authority for the purpose of Clery Act reporting. Clery Act reporting does not require initiating an investigation or disclosing personally identifying information about the victim.

A school may not withhold or remove a reported crime from its crime statistics based on a decision by a court, coroner, jury, prosecutor, or other similar noncampus official. But a school may withhold or remove a reported crime from its statistics when sworn or commissioned law enforcement personnel have fully investigated the reported crime and have made a formal determination that the crime report is false or baseless and therefore unfounded. Only sworn or commissioned law enforcement personnel may “unfound” a crime report for these purposes. The recovery of stolen property, the low value of stolen property, the refusal of the victim to cooperate with the prosecution, and the failure to make an arrest do not unfound a crime report.

A school must report to the Department and disclose in its annual security report statistics the total number of crime reports that were unfounded and subsequently withheld from its crime statistics.

## Definitions Related to Crime Reporting

**Clery geography**—For the purpose of collecting statistics on the crimes described under *Crimes to be reported* earlier in this chapter, Clery geography includes buildings and property that are part of the institution’s campus, the institution’s non-campus buildings and property, and public property within or immediately adjacent to and accessible from the campus. When recording crimes in the crime log, Clery geography includes, in addition to the locations above, areas within the patrol jurisdiction of the campus police or security department.

**Campus**—any building or property owned or controlled by a school within the same reasonably contiguous geographic area and used by the school in direct support of, or in a manner related to, its educational purposes, including residence halls.

**Noncampus building or property**—any building or property that is owned or controlled by

- a student organization officially recognized by the school or
- a school and that is used in support of its educational purposes, is frequently used by students, and is not within the same reasonably contiguous geographic area of the school.

**On-campus student housing facility**—a dormitory or other residential facility for students that is located on a school’s campus.

**Dating violence**—violence committed by a person who is or has been in a social relationship of a romantic or intimate nature with the victim; and where the existence of such a relationship shall be determined based on a consideration of the following factors: the length of the relationship, the type of relationship, and the frequency of interaction between the persons involved in the relationship.

**Domestic violence**—a felony or misdemeanor crime of violence committed by

- a current or former spouse or intimate partner of the victim,
- a person with whom the victim shares a child in common,
- a person who is cohabitating with or has cohabitated with the victim as a spouse or intimate partner,

- a person similarly situated to a spouse of the victim under the domestic or family violence laws of the jurisdiction receiving grant monies [under VAWA], or
- any other person against an adult or youth victim who is protected from that person’s acts under the domestic or family violence laws of the jurisdiction.

**Hate crime**—a crime reported to local police agencies or to a campus security authority that shows evidence that the victim was intentionally selected because of the perpetrator’s bias against the victim. In their recording, schools must identify the actual or perceived category of the victim that motivated the crime. The categories are: race, gender, gender identity, religion, sexual orientation, ethnicity, national origin, and disability.

**Stalking**—engaging in a course of conduct directed at a specific person that would cause a reasonable person to fear for his or her safety or the safety of others, or suffer substantial emotional distress.

**Programs to prevent dating violence, domestic violence, sexual assault, and stalking**—Comprehensive, intentional, and integrated programming, initiatives, strategies, and campaigns intended to end dating violence, domestic violence, sexual assault, and stalking that

- are culturally relevant, inclusive of diverse communities and identities, sustainable, responsive to community needs, and informed by research or assessed for value, effectiveness, or outcome; and
- consider environmental risk and protective factors as they occur on the individual, relationship, institutional, community, and societal levels.

These include both primary prevention and awareness programs aimed at incoming students and new employees, and ongoing prevention and awareness campaigns for current students and employees. See 34 CFR 668.46(j) for more information.

## Required Contents of Annual Campus Security and Fire Safety Reports

### *The Annual Security Report [34 CFR 668.46(b)] must include*

- (1) The crime statistics submitted to the Department (see the discussion under *Annual submission of campus security and fire safety statistics* later in this chapter).
- (2) A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus. This statement must include the institution's policies concerning its response to these reports, including—
  - Policies for making timely warning reports to members of the campus community regarding the occurrence of crimes described in this chapter;
  - Policies for preparing the annual disclosure of crime statistics;
  - A list of the titles of each person or organization to whom students and employees should report criminal offenses for the purpose of making timely warning reports and the annual statistical disclosure; (See the discussion under *Crimes to be reported* later in this chapter for criminal offenses that must be reported); and
  - The policies or procedures that allow victims or witnesses to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
- (3) A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities.
- (4) A statement of current policies concerning campus law enforcement that—
  - Addresses the enforcement authority of security personnel, including their relationship with state and local police agencies, whether those security personnel have the authority to arrest individuals, and any agreements, such as written memoranda of understanding between the institution and such agencies, for the investigation of alleged criminal offenses;
  - Encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies when the victim of a crime elects or is unable to make such a report; and
  - Describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
- (5) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
- (6) A description of programs designed to inform students and employees about the prevention of crimes.
- (7) A statement of policy concerning the monitoring and recording through local police agencies of criminal activity by students at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.
- (8) A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of state underage drinking laws.
- (9) A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of federal and state drug laws.
- (10) A description of any drug or alcohol abuse education programs, as described in this chapter. For the purpose of meeting this requirement, an institution may cross-reference the materials it uses to comply with the requirements later in this chapter.
- (11) A policy statement about the institution's programs to prevent dating violence, domestic violence, sexual assault, and stalking and about the procedures the institution will follow when these crimes are reported. The statement must include
  - A description of the institution's educational programs and campaigns to promote the awareness of dating violence, domestic violence, sexual assault, and stalking [see 34 CFR 668.46(j)];
  - Procedures victims should follow if a crime of dating violence, domestic violence, sexual assault, or stalking has occurred, including written information about
    1. The importance of preserving evidence that may help to prove that the alleged criminal offense occurred or to obtain a protection order;
    2. How and to whom the alleged offense should be reported;
    3. Options about the involvement of law enforcement and campus authorities, including notification of the victim's option to: notify those authorities, including on-campus and local police; be assisted by campus authorities in notifying law enforcement authorities; and decline to notify such authorities; and
    4. Where applicable, the rights of victims and the institution's responsibilities for orders of protection, "no-contact" orders, restraining orders, or similar lawful orders issued by a criminal, civil, or tribal court or by the institution;

### Required Contents of Annual Campus Security and Fire Safety Reports (continued)

- Information about how the institution will protect the confidentiality of victims and others, including how it will
    1. Complete publicly available recordkeeping, including Clery Act reporting and disclosures, without using identifying information about the victim; and
    2. Keep confidential any protective measures for the victim, as long as that confidentiality would not impair the institution's ability to provide those measures;
  - A statement that the institution will provide written notification to students and employees about existing counseling, health, mental health, victim advocacy, legal assistance, visa and immigration assistance, student financial aid, and other services available for victims, both within the institution and in the community;
  - A statement that the institution will provide written notification to victims about options for academic, living, transportation, and working situations or protective measures. The institution must make such accommodations if the victim requests them and they are reasonably available, regardless of whether he chooses to report the crime to campus police or local law enforcement;
  - An explanation of the procedures for institutional disciplinary action in cases of these alleged crimes [see 34 CFR 668.46(k)]; and
  - A statement that when students or employees report to the school that they have been a victim of dating violence, domestic violence, sexual assault, or stalking, the school will provide them a written explanation of their rights and options.
- (12) A statement advising the campus community where law enforcement agency information provided by a state under 42 USC 14071(j), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.
- (13) A description of the school's emergency response and evacuation procedures as discussed under *Emergency response and evacuation* later in this Chapter.
- (14) A statement of the school's policy regarding missing student notification procedures as described under *Missing persons procedures* later in this Chapter.

#### *The Annual Fire Safety Report [34 CFR 668.49(b)] must include*

- (1) The fire statistics submitted to the Department.
- (2) A description of each on-campus student housing facility fire safety system.
- (3) The number of fire drills held during the previous calendar year.
- (4) The institution's policies or rules on portable electrical appliances, smoking, and open flames in a student housing facility.
- (5) The institution's procedures for student housing evacuation in the case of a fire.
- (6) The policies regarding fire safety education and training programs provided to the students and employees. In these policies, the institution must describe the procedures that students and employees should follow in the case of a fire.
- (7) For purposes of including a fire in the statistics in the annual fire safety report, a list of the titles of each person or organization to which students and employees should report that a fire occurred.
- (8) Plans for future improvements in fire safety, if determined necessary by the institution.

### Sample Statement of Availability

Schools may use the following sample notice to inform students and employees of the availability of its Combined Annual Security Report and Annual Fire Safety Report:

Giant Capital City University is committed to assisting all members of the GCCU community in providing for their own safety and security. The annual security and fire safety compliance document is available on the GCCU website.

If you would like to receive the combined Annual Security and Fire Safety Report which contains this information, you can stop by the University Police Department at 6666 President Street, NW, Washington, DC, 20001 or you can request that a copy be mailed to you by calling (XXX) XXX-XXXX.

The website and booklet contain information regarding campus security and personal safety including topics such as: crime prevention, fire safety, university police law enforcement authority, crime reporting policies, disciplinary procedures and other matters of importance related to security and safety on campus. They also contain information about crime statistics for the three previous calendar years concerning reported crimes that occurred on campus; in certain off-campus buildings or property owned or controlled by GCCU; and on public property within, or immediately adjacent to and accessible from the campus. This information is required by law and is provided by GCCU Police Department.

### Fire log

#### Fire safety

Fire safety requirements were added by the Higher Education Opportunity Act (HEOA) of 2008.

HEA 485(i)

34 CFR 668.49

A school that has any on-campus student housing facility must maintain a written, easily understood log that records, by the date that the fire was reported, any fire that occurred in an on-campus student housing facility. This log must include the nature, date, time, and general location of each fire.

The school must

- ◆ make an entry or an addition to an entry to the log within two business days of the receipt of the information,
- ◆ make the fire log for the most recent 60-day period open to public inspection during normal business hours, and
- ◆ make any portion of the log older than 60 days available within two business days of a request for public inspection.

A school must annually submit a copy of the fire safety statistics to the Department and include the fire safety statistics in its annual report to the campus community.

## **Annual submission of campus security and fire safety statistics**

Each year, the Department sends a letter to the school's president or chief executive officer with information on accessing the Campus Safety and Security Survey website (<https://surveys.ope.ed.gov/security>), where schools submit statistics for the crimes described under *Crimes to be Reported* earlier in this Chapter, and for fire safety (see below) for the three most recent calendar years that have available data. The website explains how to tabulate these statistics. The letter contains any changes to the survey, the collection dates for the survey, the name of the person who completed the reporting (the campus safety survey administrator) at the school the previous year, and a new ID and password for completing the survey.

Schools with any on-campus student housing facility must submit annual fire safety statistics to the Department. The report must include statistics on the number and causes of fires, as well as fire-related injuries, death, and property damage for each on-campus student housing facility. The fire safety statistics are due at the same time as the crime statistics.

### **Bookstores and safety reporting**

If a school contracts with an entity to provide bookstore services and the bookstore is located on-campus, or if it is in any off-campus building or property owned or controlled by the school, the school must include the bookstore among the locations for which it reports campus crime and safety information as provided in 34 CFR 668.46.

### **Handbook for Campus Crime Reporting**

To assist schools in fully complying with the Clery Act, the Department has developed *The Handbook for Campus Safety and Security Reporting*. The handbook defines the categories of crime and procedures for reporting them, as well as the requirements for timely warnings and maintenance of a daily crime log.

*The Handbook for Campus Safety and Security Reporting* also covers fire safety and the required fire safety log. The handbook is available at

<https://ifap.ed.gov/eannouncements/attachments/HandbookforCampusSafetyandSecurityReporting.pdf>

### ***Distributing security and fire safety reports to enrolled students and current employees***

By October 1 of each year, a school must distribute to all enrolled students and current employees its annual security report and fire safety reports through appropriate publications and mailings including

- ◆ direct mailing to each individual through the U.S. Postal Service, campus mail, or electronic mail;
- ◆ a publication or publications provided directly to each individual; or
- ◆ posting on an Internet or intranet website (see conditions for Web distribution at the beginning of this chapter).

The two reports can be published together or separately. If published together, the title of the document must clearly state that it contains both the Annual Security Report and the Annual Fire Safety Report. If published separately, each report must contain information on how to directly access the other report.

### ***Disseminating reports to prospective students and employees***

For each of the reports, the school must provide a notice to prospective students and prospective employees that includes a statement of the report's availability, a description of its contents, and an opportunity to request a copy. A school must provide its annual security report and annual fire safety report, upon request, to a prospective student or prospective employee.

If the school chooses to provide either its annual security report or annual fire safety report to prospective students and prospective employees by posting the disclosure on an Internet website, the school must follow the procedures for Web dissemination described earlier.

### Missing persons procedures

A school that provides on-campus student housing must establish a missing student notification policy and include a description of the policy in its annual security report to the campus community. The policy must

- ◆ include a list of titles of the persons or organizations to which students, employees, or other individuals should report that a student has been missing for 24 hours;
- ◆ require that any missing student report be referred immediately to the school’s police or campus security department (if the school doesn’t have such a department, it must refer the report to the local law enforcement agency that has jurisdiction in the area); and
- include an option for each student to identify a contact person or persons whom the school shall notify within 24 hours of a determination (by the school’s police or campus security department or the local law enforcement agency) that the student is missing.

Students must be advised that

- ◆ their contact information will be registered confidentially, that this information will be accessible only to authorized campus officials, and that it may not be disclosed, except to law enforcement personnel in furtherance of a missing person investigation;
- ◆ if they are under 18 years of age and not emancipated, the school must notify a custodial parent or guardian within 24 hours of the determination that the student is missing, in addition to notifying any additional contact person designated by the student; and
- ◆ the school will notify the local law enforcement agency within 24 hours of the determination that the student is missing unless the local law enforcement agency was the entity that made the determination that the student is missing.

When a student who resides in an on-campus student housing facility is determined to have been missing for 24 hours, the school must notify within 24 hours

- ◆ the contact person (if the student has designated one), and
- ◆ the student’s custodial parent or guardian (if the student is less than 18 years old and is not emancipated).

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#### Missing persons procedures— private right of action

The requirements for a school to establish missing persons procedures do not provide a private right of action to any person to enforce a provision of the subsection or create a cause of action against any institution of higher education or any employee of the institution for any civil liability. HEA section 485(j)

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**Publicizing procedures**

The school must publicize its emergency response and evacuation procedures in conjunction with at least one test per calendar year. The school must document each test with a description of the exercise, stating the date and time, and indicating whether it was announced or unannounced.

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**Definition of “test”**

Regularly scheduled drills, exercises, and appropriate follow-through activities designed for assessment and evaluation of emergency plans and capabilities.

In all cases, the school must inform the local law enforcement agency that has jurisdiction in the area within 24 hours that the student is missing.

***Emergency response and evacuation***

A school must develop emergency response and evacuation procedures and include a description of its procedures in its annual security report to the campus community.

A school must develop procedures to immediately notify the campus community upon the confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus.

At a minimum, schools must have procedures to

- ◆ confirm that a significant emergency or dangerous situation (as described above) exists;
- ◆ determine the appropriate segment or segments of the campus community to receive a notification, the content of the notification; and to initiate the notification system;
- ◆ disseminate emergency information to the larger community; and
- ◆ test the emergency response and evacuation procedures on at least an annual basis, including announced or unannounced tests.

The school must compile a list of the titles of those persons or organizations responsible for determining whether an emergency or dangerous situation exists and who are authorized to initiate the notification process and include this information in the annual report.

In an emergency or a dangerous situation, a school must, without delay and accounting for the safety of the community, determine the content of the notification and initiate the notification system unless issuing a notification will, in the judgment of responsible authorities, compromise efforts to assist a victim or contain, respond to, or otherwise mitigate the emergency.

### *Timely warning and emergency notification*

A school must, in a manner that is timely and that withholds as confidential the names and other identifying information of victims, and that will aid in the prevention of similar crimes, report to the campus community on crimes that are

- ◆ included in its campus crime statistics (see the discussion under *Crimes to be Reported* earlier in this Chapter), or
- ◆ reported to local police agencies or to campus security authorities (as identified under the school's statement of current campus policies), and
- ◆ considered by the school to represent a threat to students and employees.

A school is not required to provide a timely warning with respect to crimes reported to a pastoral or professional counselor.

If there is an immediate threat to the health or safety of students or employees occurring on campus, a school must follow its emergency notification procedures. A school that follows its emergency notification procedures is not required to issue a timely warning based on the same circumstances; however, the school must provide adequate follow-up information to the community as needed.

## DRUG AND ALCOHOL ABUSE PREVENTION

### Drug and alcohol abuse prevention programs

These requirements are found in 34 CFR 86—Drug and Alcohol Abuse Prevention. The regulations published in the *Federal Register*, August 16, 1990, offer a number of suggestions for developing a drug prevention program.

### Drug-Free Workplace

The FSA requirements are derived from the 1989 Amendments to the Drug-Free Schools and Communities Acts of 1986 and 1988. See Public Law 101-226.

Because a school applies for and receives its Campus-Based allocation directly from the Department, the school is considered to be a federal grant recipient and as such is required to make a good faith effort on a continuing basis to maintain a drug-free workplace.

34 CFR Part 84

Also see the Drug-Free Workplace Act of 1988 (Public Law 101-690)

### Drug and alcohol prevention

Drug-Free Schools and Communities Act (Public Law 101-226)

Drug-Free Workplace Act of 1988 (Public Law 101-690)

34 CFR 84 Government-Wide Requirements for Drug-Free Workplace

34 CFR 86 Drug and Alcohol Abuse Prevention

34 CFR 668.14(c)

### Failure to have a prevention program

34 CFR 86.301

### Notice of penalties

A school must provide to every student upon enrollment a separate, clear, and conspicuous written notice with information on the penalties associated with drug-related offenses. For students who have lost Title IV eligibility due to drug convictions, the school must provide a separate, clear notice of the loss and how to regain eligibility. See *Volume 1* of the Handbook for information about losing and regaining eligibility in these cases.

HEA section 485(k)

A school that participates in the FSA programs must provide to its students, faculty, and employees information to prevent drug and alcohol abuse, and it must also have a drug and alcohol prevention program, as discussed later.

In addition, a school that participates in the Campus-Based Programs must have a drug-free awareness program for its employees that includes a notice to them of unlawful activities and the actions the school will take against an employee who violates these prohibitions.

### *Information to be included in drug prevention materials for students and employees*

A school must provide the following in its materials:

- ◆ Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of drugs and alcohol by students and employees on the school's property or as part of the school's activities
- ◆ A description of the sanctions under local, state, and federal law for unlawful possession, use, or distribution of illicit drugs and alcohol
- ◆ A description of any drug and alcohol counseling, treatment, or rehabilitation programs available to students and employees
- ◆ A description of the health risks associated with the use of illicit drugs and alcohol
- ◆ A clear statement that the school will impose sanctions on students and employees for violations of the standards of conduct (consistent with local, state, and federal law) and a description of these sanctions, up to and including expulsion, termination of employment, and referral for prosecution

### *Distribution of materials to all students and employees*

The school may include this information in publications such as student or employee handbooks, provided that these publications are distributed to each student and employee. Merely making drug prevention materials available to those who wish to take them is not sufficient. The school must use a method that will reach every student and employee, such as the method used to distribute grade reports or paychecks.

The school must distribute these materials annually. If new students enroll or new employees are hired after the initial distribution for the year, the school must make sure that they also receive the materials.

## Drug and alcohol abuse prevention program

Every participating school must certify that on the date it signs the Program Participation Agreement it has a drug and alcohol abuse prevention program in operation that is accessible to any officer, employee, or student at the school. The program adopted by the school must include an annual distribution to all students, faculty, and staff of information concerning drug and alcohol abuse and the school's prevention program.

A school must review its program once every two years to determine its effectiveness and to ensure that its sanctions are being enforced. As a part of this biennial review, the school must determine

- ◆ the number of drug and alcohol-related violations and fatalities that occur on a school's campus or as part of any of the school's activities and that are reported to campus officials; and
- ◆ the number and type of sanctions that are imposed by the school as a result of drug and alcohol-related violations and fatalities on the school's campus or as part of any of the school's activities.

The school must make available upon request the results of the review as well as the data and methods supporting its conclusions.

If a school does not certify that it has a prevention program or fails to carry out a prevention program, the Department may terminate any or all forms of federal financial aid to the school and may require it to repay any or all federal financial aid that it received while not in compliance.

## Drug-Free Workplace requirements for Campus-Based schools

A school that participates in the Campus-Based Programs must take certain steps to provide a drug-free workplace, including

- ◆ establishing a drug-free awareness program to provide information to employees,
- ◆ distributing a notice to its employees of prohibited unlawful activities and the school's planned actions against an employee who violates these prohibitions, and
- ◆ notifying the Department and taking appropriate action when it learns of an employee's conviction under any criminal drug statute.

A school's administrative cost allowance may be used to help defray related expenses, such as the cost of printing informational materials given to employees. The administrative cost allowance is discussed in *Volume 6: Campus-Based Programs*.

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### Additional sources of information

The following resources are available for schools that are developing prevention programs:

The Drug-Free Workplace Helpline—  
Provides information to private entities about workplace programs and drug testing. Proprietary and private nonprofit schools may call this line (1-800-967-5752).  
[www.samhsa.gov/workplace](http://www.samhsa.gov/workplace)

Substance Abuse & Mental Health Services Administration—SAMHSA (U.S. Department of Health & Human Services)  
Treatment and Referral Hotline  
1-800-662-HELP (1-800-662-4357)  
Publications:  
<http://store.samhsa.gov/home>

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### Measuring the effectiveness of prevention programs

The effectiveness of a school's prevention program may be measured by tracking the number of drug- and alcohol-related disciplinary actions, treatment referrals, and incidents recorded by campus police or other law enforcement officials.

You may also find it useful to track the number of students or employees attending self-help or other counseling groups related to alcohol or drug abuse and to survey student, faculty, and employee attitudes and perceptions about the drug and alcohol problem on campus.

The drug-free workplace requirements apply to all offices and departments of a school that receives Campus-Based funds. Organizations that contract with the school are considered subgrantees not subject to the requirements of the Drug-Free Workplace Act.

## INFORMATION ABOUT ATHLETICS

### *The EADA Report*

The Equity in Athletics Disclosure Act (EADA) requires a school that has an intercollegiate athletic program to make prospective students aware of its commitment to providing equitable athletic opportunities for its male and female students. As part of this requirement, each fall schools must make certain information available to students, prospective students, and the public in easily accessible places and must also report the information to the Department. The annual report, officially called *The Report on Athletic Program Participation Rates and Financial Support Data* and commonly referred to as the EADA Report, must include information on

- ◆ the number of male and female full-time undergraduate students that attended the school (undergraduate students are those who are consistently designated as such by the school),
- ◆ the total amount and ratio of athletically related student aid awarded to male athletes compared to female athletes,
- ◆ the expenses incurred by the school for men’s and women’s sports,
- ◆ total annual revenues for men’s or women’s sports,
- ◆ the annual school salary of non-volunteer head coaches and assistant coaches for men’s and women’s teams, and
- ◆ for each varsity team in intercollegiate competition, the number and gender of participants and coaches, operating expenses, etc.

A school must publish its EADA report by October 15 and make it available upon request to students, prospective students, and the public. For example, a school may make hard copies of the report available in intercollegiate athletic offices, admissions offices, or libraries, or by providing a copy to all students in their electronic mailbox.

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#### **Equity in Athletics Disclosure Act (EADA)**

HEA Section 485(e) and (g)  
20 USC 1092  
34 CFR 668.41(g)  
34 CFR 668.47

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#### **EADA data on the Web**

The Department posts the EADA reports for participating schools on the Web at <http://ope.ed.gov/athletics/>.

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#### **Definitions**

*Undergraduate students*—For purposes of §668.45 and 668.48 (completion and graduation rates for students and student athletes) only, means students enrolled in a bachelor’s degree program, an associate degree program, or a vocational or technical program below the baccalaureate.  
34 CFR 668.41(a)

*Certificate or degree-seeking student*—a student enrolled in a course of credit who is recognized by the institution as seeking a degree or certificate.

A school must provide the report promptly to anyone who requests the information. For example, a school may not refuse to provide a copy of the report to the news media, and the school may not require an individual requesting the information to come to the school to view the report. A school may not charge a fee for the information.

A school must submit its equity in athletics report to the Department via the EADA survey website (<https://surveys.ope.ed.gov/athletics>) annually within 15 days of making it available to students, prospective students, and the public. Note that a password and user ID are required for use of this website. They are sent by the Department to the chief administrator at the school. For help with this site, contact [eadahelp@westat.com](mailto:eadahelp@westat.com).

For specific categories and reporting rules, please see the EADA User's Guide for the online survey.

### **Completion and graduation rates for student athletes**

As part of their EADA disclosures, schools that offer athletically related student aid must produce an annual report that includes the following:

- ◆ The number of students, categorized by race and gender, who attended the school in the year prior to the submission of the report.
- ◆ The number of the students above who received athletically related student aid, categorized by race and gender within each sport.
- ◆ The completion or graduation rate and, if applicable, transfer-out rate of all the entering, certificate- or degree-seeking, full-time, undergraduate students described in 34 CFR §668.45(a)(1), categorized by race and gender.
- ◆ The completion or graduation rate and, if applicable, transfer-out rate of the entering students described in §668.45(a)(1) who received athletically related student aid, categorized by race and gender within each sport.
- ◆ The average completion or graduation rate and, if applicable, transfer-out rate for the four most recent completing or graduating classes of entering students described in §668.45(a)(1), (3), and (4), categorized by race and gender. If a school has rates for fewer than four of those classes, it must disclose the rates it has.

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### **Waiver of completion/graduation data calculation**

A school does not have to calculate and make available its completion or graduation rate (and, if applicable, transfer-out rate) if it is a member of an athletic association or conference that has voluntarily published completion or graduation rate data or has agreed to publish data and the Department has granted a waiver of the requirements to provide these rates to coaches and guidance counselors.

To receive a waiver, your school or its athletic association or conference must submit a written application to the Department that explains why it believes the data the athletic association or conference publishes are accurate and substantially comparable to the information required by this section.

Even if the waiver is granted, your school must comply with the requirements of §668.41(d)(3) (upon request, providing its retention rate to a prospective student) and (f) (providing retention rates and completion or graduation rates for prospective student athletes and their parents, high school coach, and guidance counselor).  
34 CFR 668.45(e)(1)

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### **Exception to providing completion/graduation rates for student athletes**

A school does not have to provide a report on completion or graduation rates to the prospective student athlete and the athlete's parents, high school coach, and guidance counselor, if

- the institution is a member of a national collegiate athletic association,
- the association compiles data on behalf of its member institutions, which the Department determines are substantially comparable to those required by §668.48(a), and
- the association distributes the compilation to all secondary schools in the United States.

34 CFR 668.41(f)

- ◆ The average completion or graduation rate and, if applicable, transfer-out rate of the four most recent completing or graduating classes of entering students described in §668.45 (a)(1) who received athletically related student aid, categorized by race and gender within each sport. If a school has rates for fewer than four of those classes, it must disclose the rates it has.

A school must provide this report to prospective student athletes, their parents, high school coach, and guidance counselor (see the sidebar exception).

The definition of athletically related student aid used here is the same definition that is also used for the EADA disclosure requirements. The definitions of certificate- or degree-seeking students, first-time undergraduate students, undergraduate students, and normal time are the same as those used for the calculation of completion or graduation and transfer-out rates for a school's general student body cohort.

## TEXTBOOK INFORMATION

To the maximum extent practicable, a school must post verified textbook pricing information for both required and recommended materials for all classes (i.e., not just the school’s online classes) on the schedule that the school has posted online.

This pricing information must include the International Standard Book Number (ISBN) and retail price for all required and recommended textbooks and supplemental materials for each course listed in the institution’s course schedule used for preregistration and registration. If the ISBN is not available, the pricing information must include the publisher and copyright date, as well as the title and author. If the school determines that disclosure of this pricing information is not practicable, it may substitute the designation “To Be Determined (TBD)” in lieu of the required pricing information.

If applicable, the school must include on its written course schedule a reference to the textbook information available on its Internet schedule and the Internet address for that schedule.

Schools are encouraged to provide information on renting textbooks, purchasing used textbooks, textbook buy-back programs, and alternative content delivery programs.

A school must provide the following information to its bookstore if the bookstore requests it

- ◆ the school’s course schedule for the subsequent academic period; and
- ◆ for each course or class offered, the information it must include on its Internet course schedule for required and recommended textbooks and supplemental material, the number of students enrolled, and the maximum student enrollment.

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### Textbook information

The statutory requirement regarding textbook disclosures was described in DCL GEN-08-12. Further guidance was given in GEN-10-09. Also note that the law requires textbook publishers to provide information to faculty about pricing, copyright dates of previous editions, content revisions, alternate formats, etc. HEA section 133

## LOAN COUNSELING

### Loan counseling and disclosures to borrowers

DL: 34 CFR 685.304

Perkins: 34 CFR 674.16(a)

See also DCL GEN-16-05 about the Perkins Loan Extension Act of 2015 for Perkins disclosures in addition to those in the regulation cited above.

### Loan counseling materials

Schools can find counseling materials, such as the entrance and exit counseling guides, in the Financial Aid Toolkit (FinancialAidToolkit.ed.gov/resources).

### Alternative entrance counseling approaches

The DL regulations explain how a school may adopt alternative approaches as a part of its quality assurance plan; see 34 CFR 685.304(a)(8).

### Special PLUS loan counseling

Special loan counseling is required for any PLUS Loan applicant, student or parent, who has an adverse credit history but who qualifies for a PLUS Loan either by getting a loan endorser or being reconsidered due to extenuating circumstances. While the counseling is mandatory only for these borrowers, the Department offers voluntary counseling for all PLUS borrowers. See 34 CFR 685.200(b)(5) and (c)(2)(viii), and the January 27, 2015 electronic announcement on “Early Implementation of Changes in Regulations for Adverse Credit History Under the Direct Loan Program.”

Note that the special counseling described above is separate from the entrance counseling that all graduate and professional student PLUS Loan borrowers must complete in accordance with 34 CFR 685.304(a)(2) and the electronic announcement from January 27, 2015.

### Entrance counseling

Entrance counseling is required for all first-time student Direct Loan borrowers. Before making the first disbursement of a Direct Subsidized or Unsubsidized Loan to a borrower who has not received a prior Direct Subsidized or Unsubsidized Loan or Federal Stafford or SLS Loan, you must ensure that he receives entrance counseling. Similarly, you must ensure that a graduate or professional student who is borrowing a Direct PLUS Loan has received entrance counseling, unless he received a prior graduate/professional Direct or Federal PLUS Loan. Entrance loan counseling is recommended but not required for parent PLUS borrowers except as explained in the margin. For information on counseling requirements for the TEACH Grant program, please see the sidebar on TEACH Grant Counseling found next to the discussion under TEACH exit counseling later in this chapter.

You may not require that students complete additional counseling.

As a condition for receiving a Direct Loan, you may include in your entrance counseling more material and information than that required in the regulations (in the discussion under *DL Entrance Counseling—Required Elements* later in this chapter). This extra content can be provided as part of in-person individual or group training or through your website, other electronic means, written materials, or different methods. The added material must be reasonable as to time, effort, and relevance to students’ borrowing decisions and may not be administered in a way that unreasonably impedes their ability to borrow. So you can require that students take a test or evaluation of what they learned in counseling, but you cannot establish a passing score that they must get to receive a Direct Loan. You can require first-time student borrowers to complete a worksheet, budget, or other exercise designed to improve financial literacy and understanding of the implications of borrowing, but you cannot require them to justify the need for a loan.

As part of your entrance counseling policy for first-time student borrowers, you may require them to participate in a workshop, loan orientation presentation, or similar activity, but the timing and other conditions of the activity must be reasonable so that students are able to receive their loan funds in a timely manner. See DCL GEN-15-06 for more information.

## Exit counseling

A Perkins Loan borrower or Direct Loan student borrower who is graduating, leaving school, or dropping below half-time enrollment is required to complete exit counseling. If the borrower drops out without notifying your school, you must confirm that he has completed online counseling or mail exit counseling material to him at his last known address. It is also acceptable to email the information to his home (not school) email address if you have it. The print or PDF version of the *Exit Counseling Guide for Federal Student Loan Borrowers* satisfies this requirement for Direct Loan student borrowers. Whatever material you use, you must mail or email it within 30 days of learning that the borrower has withdrawn or failed to participate in an exit counseling session.

When mailing exit materials to students who have left school, you're not required to use certified mail with a return receipt requested, but you must document in their file that the materials were sent. If they fail to provide updated contact information, you are not required to take further action.

## Providing borrower information at separation

Personal information collected for exit counseling provided by the school must be given to students' loan servicer within 60 days. Students authorize their school to release information to lenders in the loan promissory note they signed. No further permission is needed. Students who complete loan exit counseling online at [www.studentloans.gov](http://www.studentloans.gov) fulfill this requirement; NSLDS provides the completion information to the loan holders.

## Counseling methods

The Direct Loan Program offers both entrance and exit counseling on the Web for students. There is PLUS Loan credit counseling for parents and graduate students as well. Your school may also elect to provide entrance counseling through an in-person session or by providing a separate written form to the student that she signs and returns to the school.

If your staff are conducting in-person counseling sessions, charts, handouts, audiovisual materials, and question-and-answer sessions can help convey the information in a more dynamic manner. We also recommend the use of written tests or interactive programs to ensure that the student understands the terms and conditions of his loans.

Regardless of the counseling methods your school uses, it must document that the student received entrance and exit counseling, and it must ensure that an individual with expertise in the FSA programs is reasonably available shortly after the counseling to answer the student's questions.

### Updating borrower information

A Direct Loan school should send updated borrower information obtained during school-provided exit counseling to the federal loan servicer to whom the loan has been assigned.

### DL Online Counseling

Students can take loan entrance and exit counseling at <https://studentloans.gov>. PLUS Loan Credit counseling for parents and graduate students is also available.

Note that PLUS Loan credit counseling is only available at **StudentLoans.gov**.

Your school will receive notification (via SAIG) of online loan counseling completed by borrowers.

Completed loan counseling can also be viewed on the COD website at <https://cod.ed.gov/>.

If your school documents that borrowers have completed the Department's online counseling, it has satisfied its responsibility for electronic counseling.

## DL Entrance Counseling—Required Elements

### ***Entrance counseling for Direct Subsidized and Unsubsidized Loans 34 CFR 685.304(a)(6)***

Entrance counseling for Direct Subsidized and Unsubsidized loan borrowers must:

- (i) Explain the use of a master promissory note (MPN);
- (ii) Emphasize to the borrower the seriousness and importance of the repayment obligation the student borrower is assuming;
- (iii) Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation;
- (iv) Emphasize that the student borrower is obligated to repay the full amount of the loan even if the student borrower does not complete the program, does not complete the program within the regular time for program completion, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student borrower purchased from the school;
- (v) Inform the student borrower of sample monthly repayment amounts based on—
  - (A) A range of student levels of indebtedness of Direct Subsidized Loan and Direct Unsubsidized Loan borrowers or student borrowers with Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, depending on the types of loans the borrower has obtained; or
  - (B) The average indebtedness of other borrowers in the same program at the same school as the borrower;
- (vi) To the extent practicable, explain the effect of accepting the loan to be disbursed on the eligibility of the borrower for other forms of student financial assistance;
- (vii) Provide information on how interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Secretary;
- (viii) Inform the borrower of the option to pay the interest on a Direct Unsubsidized Loan while the borrower is in school;
- (ix) Explain the definition of half-time enrollment at the school, during regular terms and summer school, if applicable, and the consequences of not maintaining half-time enrollment;
- (x) Explain the importance of contacting the appropriate offices at the school if the borrower withdraws prior to completing the borrower's program of study so that the school can provide exit counseling, including information regarding the borrower's repayment options and loan consolidation;
- (xi) Provide information on the National Student Loan Data System (NSLDS) and how the borrower can access the borrower's records;
- (xii) Provide the name of and contact information for the individual the borrower may contact if the borrower has any questions about the borrower's rights and responsibilities or the terms and conditions of the loan; and
- (xiii) For first-time borrowers, explain the limitation on eligibility for Direct Subsidized Loans and possible borrower responsibility for accruing interest, including—

- (A) The possible loss of eligibility for additional Direct Subsidized Loans;
- (B) How a borrower's maximum eligibility period, remaining eligibility period, and subsidized usage period are calculated;
- (C) The possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized Loans and the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan during in-school status, the grace period, authorized periods of deferment, and certain periods under the Income-Based Repayment and Pay As You Earn Repayment plans; and
- (D) The impact of borrower responsibility for accruing interest on the borrower's total debt.

### ***Entrance counseling for graduate or professional students (Direct PLUS Loan borrowers) 34 CFR 685.304(a)(7)***

Entrance counseling for graduate or professional student Direct PLUS loan borrowers must:

- (i) Inform the student borrower of sample monthly repayment amounts based on—
  - (A) A range of student levels or indebtedness of graduate or professional student PLUS loan borrowers or student borrowers with Direct PLUS Loans and Direct Subsidized Loans or Direct Unsubsidized Loans, depending on the types of loans the borrower has obtained; or
  - (B) The average indebtedness of other borrowers in the same program at the same school;
- (ii) Inform the borrower of the option to pay interest on a PLUS Loan while the borrower is in school;
- (iii) For a graduate or professional student PLUS Loan borrower who has received a prior FFEL Stafford, or Direct Subsidized or Unsubsidized Loan, provide the information specified in §685.301(a)(3)(i)(A) through §685.301(a)(3)(i)(C);\* and
- (iv) For a graduate or professional student PLUS Loan borrower who has not received a prior FFEL Stafford, or Direct Subsidized or Direct Unsubsidized Loan, provide the information specified in paragraph (a)(6)(i) through paragraph (a)(6)(xii) of this section. [See the entrance counseling requirements (i)–(xii) beginning in the first column of this page.]

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\* §685.301(a)(3)(i) requires that the counseling provide the borrower with a comparison of—

- (A) The maximum interest rate for a Direct Subsidized Loan and a Direct Unsubsidized Loan and the maximum interest rate for a Direct PLUS Loan;
- (B) Periods when interest accrues on a Direct Subsidized Loan and a Direct Unsubsidized Loan and periods when interest accrues on a Direct PLUS Loan; and
- (C) The point at which a Direct Subsidized Loan and a Direct Unsubsidized Loan enters repayment, and the point at which a Direct PLUS Loan enters repayment.

## DL Exit Counseling—Required Elements

### 34 CFR 685.304(b)(4)

Exit counseling must:

- (i) Inform the student borrower of the average anticipated monthly repayment amount based on the student borrower's indebtedness or on the average indebtedness of student borrowers who have obtained Direct Subsidized Loans and Direct Unsubsidized Loans, student borrowers who have obtained only Direct PLUS Loans, or student borrowers who have obtained Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, depending on the types of loans the student borrower has obtained, for attendance at the same school or in the same program of study at the same school;
- (ii) Review for the student borrower available repayment plan options, including the standard repayment, extended repayment, graduated repayment, income contingent repayment plans, and income-based repayment plans, including a description of the different features of each plan and sample information showing the average anticipated monthly payments, and the difference in interest paid and total payments under each plan;
- (iii) Explain to the borrower the options to prepay each loan, to pay each loan on a shorter schedule, and to change repayment plans;
- (iv) Provide information on the effects of loan consolidation including, at a minimum—
  - (A) The effects of consolidation on total interest to be paid, fees to be paid, and length of repayment;
  - (B) The effects of consolidation on a borrower's underlying loan benefits, including grace periods, loan forgiveness, cancellation, and deferment opportunities;
  - (C) The options of the borrower to prepay the loan and to change repayment plans; and
  - (D) That borrower benefit programs may vary among different lenders;
- (v) Include debt management strategies that are designed to facilitate repayment;
- (vi) Explain to the student borrower how to contact the party servicing the student borrower's Direct Loans;
- (vii) Meet the requirements described in paragraphs (a)(6)(i), (a)(6)(ii), and (a)(6)(iv) of this section [see entrance counseling requirements (i), (ii), and (iv) in the first column of the previous page];
- (viii) Describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation;
- (ix) Provide—
  - (A) A general description of the terms and conditions under which a borrower may obtain full or partial forgiveness or discharge of principal and interest, defer repayment of principal or interest, or be granted forbearance on a Title IV loan; and
  - (B) A copy, either in print or by electronic means, of the information the Secretary makes available pursuant to section 485(d) of the HEA;\*
- (x) Review for the student borrower information on the availability of the Department's Student Loan Ombudsman's office;
- (xi) Inform the student borrower of the availability of Title IV loan information in the National Student Loan Data System (NSLDS) and how NSLDS can be used to obtain Title IV loan status information;
- (xii) Explain to first-time borrowers—
  - (A) How the borrower's maximum eligibility period, remaining eligibility period, and subsidized usage period are determined;
  - (B) The sum of the borrower's subsidized usage periods at the time of the exit counseling;
  - (C) The consequences of continued borrowing or enrollment, including—
    - (1) The possible loss of eligibility for additional Direct Subsidized Loans; and
    - (2) The possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized Loans and the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan during in-school status, the grace period, authorized periods of deferment, and certain periods under the Income-Based Repayment and Pay As You Earn Repayment plans;
  - (D) The impact of the borrower becoming responsible for accruing interest on total student debt;
  - (E) That the Secretary will inform the student borrower of whether he or she is responsible for accruing interest on his or her Direct Subsidized Loans; and
  - (F) That the borrower can access NSLDS to determine whether he or she is responsible for accruing interest on any Direct Subsidized Loans;
- (xiii) A general description of the types of tax benefits that may be available to borrowers; and
- (xiv) Require the student borrower to provide current information concerning name, address, Social Security number, references, and driver's license number and state of issuance, as well as the student borrower's expected permanent address, the address of the student borrower's next of kin, and the name and address of the student borrower's expected employer (if known).

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\* Section 485 requires the Secretary (i.e., the Department) to provide "descriptions of federal student assistance programs, including the rights and responsibilities of student and institutional participants," including "information to enable students and prospective students to assess the debt burden and monthly and total repayment obligations" for their loans.

Section 485(d) also refers to information

- to enable borrowers to assess the practical consequences of loan consolidation, including differences in deferment eligibility, interest rates, monthly payments, finance charges, and samples of loan consolidation profiles.
- concerning the specific terms and conditions under which students may obtain partial or total cancellation or defer repayment of loans for service.
- on the maximum level of compensation and allowances that a student borrower may receive from a tax-exempt organization to qualify for a deferment and shall explicitly state that students may qualify for such partial cancellations or deferments when they serve as a paid employee of a tax-exempt organization.
- on state and other prepaid tuition programs and savings programs and disseminates such information to states, eligible institutions, students, and parents in departmental publications.

### TEACH Grant Counseling

Students complete TEACH Grant initial and subsequent counseling and agreement to serve (ATS) processes at <https://StudentLoans.gov>.

Students complete TEACH Grant exit counseling on the NSLDS Student Access site at <https://StudentLoans.gov>.

Schools are responsible for TEACH recipients receiving exit counseling when they are no longer enrolled in the program.

## TEACH Grant exit counseling

Since TEACH Grants convert to loans if the service requirement is not completed, all grant recipients must receive initial counseling before receiving their first TEACH Grant, and subsequent counseling before receiving each subsequent TEACH Grant. TEACH Grant initial and subsequent counseling must be completed on the Department's StudentLoans.gov website.

Schools that participate in the TEACH Grant Program must also ensure that, all TEACH Grant recipients receive TEACH Grant exit counseling before they cease enrollment at the school where they received TEACH Grants, at a time determined by the school. Schools may provide TEACH Grant exit counseling themselves, or they may require TEACH Grant recipients to complete the counseling on the Department's NSLDS Student Access site [www.nsls.ed.gov/nsls\\_SA](http://www.nsls.ed.gov/nsls_SA).

Your school will receive daily system generated responses from COD when a student has completed TEACH Grant Exit counseling and chosen to notify your school. Your school will also receive a weekly report from COD on all students who have completed TEACH exit counseling and chosen to notify your school.

If a student fails to complete exit counseling electronically on StudentLoans.gov, you must ensure that the counseling is provided either in person, through interactive electronic means, or by mailing written counseling materials (such as the PDF version of the exit counseling program available on the StudentLoans.gov website) to the student's last known address.

For students who are unofficial withdrawals (see *Volume 5, Chapter 1*), you must provide exit counseling within 30 days of learning of the withdrawal.

## Counseling for correspondence and study-abroad students

If the student has enrolled in a study-abroad program (approved by a U.S. school for credit) or a correspondence or distance learning program and has not previously received an FFEL or Direct Loan at that school, the school must document that the student has completed online entrance counseling that meets FSA requirements or provide entrance counseling information by mail before releasing loan money.

In the case of exit counseling for correspondence programs or study abroad programs, the school may mail or email the borrower written counseling materials within 30 days after the borrower completes the program, with a request that he provide the contact and personal information that would ordinarily have been collected through the counseling process.

### ***Providing additional information***

Your school can take additional steps to counsel students, for example, in developing a budget, estimating need for loans, and planning for repayment. You can reinforce messages to borrowers; with each disbursement you can remind them about the importance of SAP, planning for future employment, and staying in touch with the loan servicer. More ideas for loan counseling are given in the “Sample Default Management and Prevention Plan.”

### **Financial literacy**

You should provide borrowers with counseling at various stages of enrollment, interactive tools to manage debt, repayment options, school contact information, and information about the income potential of occupations relevant to their course of study. You can give this information through a variety of media such as face-to-face counseling, classes, publications, e-tutorials, e-mailed newsletters, and supplements to award letters. You can offer a financial literacy course on a credit or non-credit basis as long as receiving a loan is not contingent upon taking the course. In addition, you should also refer borrowers to the Department’s *Financial Awareness Counseling Tool* (FACT) available at <https://studentaid.ed.gov/sa/prepare-for-college/budgeting/creating-your-budget>

### **At-risk students**

You should identify and provide special counseling for at-risk students, such as those who withdraw prematurely from their educational programs, who do not meet SAP standards, or both.

The most recent sample default plan was an attachment to GEN-05-14 and is also available under “Default Prevention Resources” on the IFAP website.

**Private education loans**

34 CFR 668.14(b)(28) and (29)

Requirements for preferred lender list

34 CFR 601.10

Self-certification form

34 CFR 601.11(d)

Information required to complete the self-certification form

34 CFR 668.14(b)(29)

**Private education loan definition**

The definition of a private education loan given at the beginning of this section is based on the definition given in the Federal Reserve System regulations, which excludes some forms of credit, including:

(1) An extension of credit under an open end consumer credit plan, a reverse mortgage transaction, a residential mortgage transaction, or any other loan that is secured by real property or a dwelling; or

(2) An extension of credit in which the educational institution is the lender if—

(i) The term of the extension of credit is 90 days or less; or

(ii) An interest rate will not be applied to the credit balance and the term of the extension of credit is one year or less, even if the credit is payable in more than four installments.

12 CFR 226.46(b)(5)

Authority: 20 USC 1019, 15 USC 1650(a)(8)

**Private educational lender definition**

15 USC 1650(a)(7)

(A) a financial institution, as defined in section 1813 of Title 12 that solicits, makes, or extends private education loans;

(B) a federal credit union, as defined in section 1752 of Title 12 that solicits, makes, or extends private education loans; and

(C) any other person engaged in the business of soliciting, making, or extending private education loans.

**Definition**

34 CFR 601.2

**Institution-affiliated organization**—one that is directly or indirectly related to a covered institution and that recommends, promotes, or endorses education loans for students attending the covered institution or their families. An institution-affiliated organization may include an alumni organization, athletic organization, foundation, or social, academic, or professional organization of a covered institution and does not include any lender with respect to any education loan secured, made, or extended by such lender.

**PRIVATE EDUCATION LOANS**

A private education loan is a non-FSA loan that is made to a borrower expressly for postsecondary education expenses, regardless of whether the loan is provided through the educational institution that the student attends or directly to the borrower from the private educational lender. (See the sidebar definition for exclusions.)

Private education loans made by schools include Public Health Service Loans, such as Health Professions Student Loans. However, Federal Perkins Loans are not considered to be private educational loans.

If a private education loan is part of a preferred lender arrangement, it is subject to the rules for those arrangements (described later in this section).

**Disclosures required for private education loans**

A school or affiliated organization that provides information regarding a private education loan from a lender to a prospective borrower must provide the following disclosures, even if it does not participate in a preferred lender arrangement.

The private education loan disclosures must

- ◆ provide the prospective borrower with the information required by 15 U.S.C. 1638(e)(1) [12 CFR 226.47(a) in the Federal Reserve System regulations], and
- inform the prospective borrower that she may qualify for FSA loans or other assistance from the FSA programs and that the terms and conditions of an FSA loan may be more favorable than the provisions of private education loans.

The school or affiliate must ensure that information about private education loans is presented in such a manner as to be distinct from information about FSA loans.

The school must, upon the request of the applicant, discuss with her the availability of federal, state, and institutional student financial aid.

### **Self-certification form for private education loans**

A lender must obtain a signed, completed self-certification form from the loan applicant before initiating a private education loan.

The applicant may obtain a copy of the self-certification form from the private lender and submit it to your school for completion or confirmation. Your school may also, at its option, provide the information needed to complete the form directly to the lender.

If the loan applicant (the student or parent) requests a copy of the self-certification form from your school, you must provide it. He may also request, if the student has been enrolled or admitted to your school, that you complete section 2 before providing him the form. You must do that to the extent that you have the information. Section 2 of the form collects the student's cost of attendance (see *Volume 3, Chapter 2*), the estimated financial assistance (EFA), and the difference between them. The EFA includes, for students who have completed the FAFSA, the amounts of aid that replace the EFC, which you determined according to the rules in *Volume 3, Chapter 7*; it does not include the private education loan(s) that the self-certification form is for.

### **Schools as private lenders**

Note that if a school solicits, makes, or extends private education loans, it is considered to be a private educational lender that is subject to the Federal Reserve's regulations on private educational lenders.

When the school is the private education lender, it must complete and provide the self-certification form to the loan applicant and subsequently obtain the signed form from the applicant before consummating the private education loan.

In some cases a school may be making more than one private education loan to an applicant. For example, a school may be providing a loan funded by the school (or from donor-directed contributions) and a Public Health Service loan. In such cases, the school can provide one self-certification form to the applicant.

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### **Self-certification form for private education loans**

Schools must provide the Private Education Loan Applicant Self-Certification (see DCL GEN-13-15) upon request from the loan applicant. A school may post an exact copy of the self-certification form on its website for applicants to download, or it may provide them a paper copy directly.

The self-certification must be printed by the school or lender with black ink on white paper. The typeface, point size, and general presentation of the form may not be changed from the version approved by OMB.

The only changes that may be made to the self-certification form are

- bold type in section headings may be removed, and bold or italic type may be added to the instructions.
- schools and lenders may use any blank spaces at the top, bottom, or sides of the form for bar coding or other school/lender-specific information. However, such space may not be used to include the student's or parent's Social Security number.

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### **Public health service loans**

Loans made under Titles VII and VIII of the Public Health Service Act are considered to be private education loans, including

- Health Professions Student Loan (HPSL)
- Primary Care Loan (PCL)
- Loans for Disadvantaged Students (LDS)
- Nursing Student Loan (NSL)

These loans are administered by the Health Resources and Services Administration ([www.hrsa.gov](http://www.hrsa.gov)).

## Preferred lender lists

### Preferred lenders

34 CFR 601.10  
12 CFR 226.47  
20 USC 1019a(a)(1)(A) and 1019b(c)  
15 USC 1638(e)(11)

As enacted in  
HEA section 153(a)(2)(A)  
Truth in Lending Act, section 128(e)(11)

### Preferred lender arrangement definition

34 CFR 601.2(b)

### Preferred lender lists

The school is required to

- exercise a duty of care and a duty of loyalty to compile the preferred lender list, without prejudice and for the sole benefit of the school's students and their families; and
- not deny or otherwise impede the borrower's choice of a lender for those borrowers who choose a lender that is not included on the preferred lender list. (This requirement is also included in the school's Code of Conduct; see *Chapter 3*).

For any year in which the school has a preferred lender arrangement, it will at least annually compile, maintain, and make available for students attending the school and the families of such students a list in print or other medium of the specific lenders for private education loans that the school recommends, promotes, or endorses in accordance with such preferred lender arrangement.

The school's preferred lender list must fully disclose

- ♦ why it participates in a preferred lender arrangement with each lender on the preferred lender list, particularly with respect to terms and conditions or provisions favorable to the borrower; and
- ♦ that the students attending the school (or their families) do not have to borrow from a lender on the preferred lender list; and
- ♦ when available, the information identified on a model disclosure form to be developed by the Department for each type of education loan that is offered through a preferred lender arrangement to the school's students or their families.

The preferred lender list must also prominently disclose the method and criteria used by the school in selecting lenders to ensure that such lenders are selected on the basis of the best interests of the borrowers, including

- ♦ payment of origination or other fees on behalf of the borrower,
- ♦ highly competitive interest rates or other terms and conditions or provisions of FSA loans or private education loans,
- ♦ high-quality servicing for such loans, or
- ♦ additional benefits beyond the standard terms and conditions or provisions for such loans.

The preferred lender list must indicate, for each listed lender, whether the lender is or is not an affiliate of each other lender on the preferred lender list. If a lender is an affiliate of another lender on the preferred lender list, the listing must describe the details of this affiliation.

### Preferred lender disclosures

For each type of private education loan offered under a preferred lender arrangement, a school (or school-affiliated organization) must disclose

- ◆ the maximum amount of FSA grant and loan aid available to students in an easy-to-understand format,
- ◆ the Truth in Lending information [15 USC 1638(e)(11)] for each type of private education loan offered through a preferred lender arrangement to the school's students and their families, and
- ◆ when available, the information identified on a model disclosure form to be developed by the Department for each type of education loan that is offered through a preferred lender arrangement to the school's students or their families.

The school must disseminate this information on its website and in all informational materials such as publications, mailings, or electronic messages or materials that are distributed to prospective or current students and their families and describe financial aid that is available at an institution of higher education.

### Use of institution and lender name

A school or school-affiliated organization that participates in a preferred lender arrangement regarding private education loans must not agree to the lender's use of its name, emblem, mascot, or logo in the marketing of private education loans to students attending the school in any way that implies that the loan is offered or made by the school or its affiliate instead of the lender. This prohibition also applies to other words, pictures, or symbols readily identified with the school or affiliate.

The school or its affiliate must also ensure that the name of the lender is displayed in all information and documentation related to the private education loans described in this section.

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#### Preferred lenders and code of conduct

Note that the code of conduct discussed in *Chapter 3* prohibits school staff from steering borrowers to particular lenders or delaying loan certifications.

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#### Truth in Lending Act

Truth in Lending Act section 128(e)(1)

15 USC 1638(e)(1)

Federal Reserve System Truth in Lending regulations (as published on August 14, 2009)

12 CFR 226.46 through 226.48.

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#### Use of school or lender name

34 CFR 612

20 USC 1019a(a)(2)–(a)(3)

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#### Definition

34 CFR 601.2

**Institution-affiliated organization**—one that is directly or indirectly related to a covered institution and that recommends, promotes, or endorses education loans for students attending the covered institution or their families. An institution-affiliated organization may include an alumni organization, athletic organization, foundation, or social, academic, or professional organization of a covered institution and does not include any lender with respect to any education loan secured, made, or extended by such lender.

## MISREPRESENTATION

### Misrepresentation

34 CFR Subpart F

Misrepresentation

34 CFR 668.71(c)

Misrepresenting educational program

34 CFR 668.72

Misrepresenting financial charges

34 CFR 668.73

Employability of graduates

34 CFR 668.74

Relationship with the Department of Education

*Misrepresentation* is defined as a false, incorrect, or misleading statement made directly or indirectly to a student, prospective student, any member of the public, an accrediting agency, a state agency, or the Department.

A *misleading statement* includes any statement that has the likelihood or tendency to mislead. Misrepresentation includes any statement that omits information in such a way as to make the statement false, erroneous, or misleading. A statement may still be misleading, even if it is true on its face.

A statement is any communication made in writing, visually, orally, or through other means. This definition applies to statements made by an eligible school, the school's representatives, or any ineligible institution, organization, or person with whom the eligible institution has an agreement to provide educational programs or those that provide marketing, advertising, recruiting, or admissions services.

Misrepresentation includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the school required the student to make such an endorsement or testimonial to participate in a program.

A school, one of its representatives, or a related party (see above) engages in *substantial misrepresentation* when it does so about the nature of its educational program, its financial charges, or the employability of its graduates. Substantial misrepresentation is defined as any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. Substantial misrepresentations are prohibited in all forms, including those made in any advertising or promotional materials or in the marketing or sale of courses or programs of instruction offered by the institution. A school is responsible for the harm caused by its misrepresentations, even if such misrepresentations cannot be attributed to institutional intent or knowledge and are the result of inadvertent or innocent mistakes.

### Sanctions

If the Department determines that an eligible institution has engaged in substantial misrepresentation, it may

- revoke the eligible institution's program participation agreement if the institution is provisionally certified under 34 CFR 668.13(c);
- impose limitations on the institution's participation in the FSA programs if the institution is provisionally certified under 34 CFR 668.13(c);
- deny participation applications made on behalf of the institution; or
- initiate a proceeding against the eligible institution under subpart G of 34 CFR 668.

## Misrepresentation Regulations

### 34 CFR 668.72 Nature of educational program

Misrepresentation concerning the nature of an eligible institution's educational program includes but is not limited to false, erroneous, or misleading statements concerning—

- (a) The particular type(s), specific source(s), nature and extent of its institutional, programmatic, or specialized accreditation;
- (b)(1) Whether a student may transfer course credits earned at the institution to any other institution;
- (2) Conditions under which the institution will accept transfer credits earned at another institution;
- (c) Whether successful completion of a course of instruction qualifies a student—
  - (1) For acceptance to a labor union or similar organization; or
  - (2) To receive, to apply to take, or to take the examination required to receive, a local, state, or federal license, or a nongovernmental certification required as a precondition for employment, or to perform certain functions in the states in which the educational program is offered, or to meet additional conditions that the institution knows or reasonably should know are generally needed to secure employment in a recognized occupation for which the program is represented to prepare students;
- (d) The requirements for successfully completing the course of study or program and the circumstances that would constitute grounds for terminating the student's enrollment;
- (e) Whether its courses are recommended or have been the subject of unsolicited testimonials or endorsements by—
  - (1) Vocational counselors, high schools, colleges, educational organizations, employment agencies, members of a particular industry, students, former students, or others; or
  - (2) Governmental officials for governmental employment;
- (f) Its size, location, facilities, or equipment;
- (g) The availability, frequency, and appropriateness of its courses and programs to the employment objectives that it states its programs are designed to meet;
- (h) The nature, age, and availability of its training devices or equipment and their appropriateness to the employment objectives that it states its programs and courses are designed to meet;
- (i) The number, availability, and qualifications, including the training and experience, of its faculty and other personnel;
- (j) The availability of part-time employment or other forms of financial assistance;
- (k) The nature and availability of any tutorial or specialized instruction, guidance and counseling, or other supplementary assistance it will provide its students before, during or after the completion of a course;
- (l) The nature or extent of any prerequisites established for enrollment in any course;
- (m) The subject matter, content of the course of study, or any other fact related to the degree, diploma, certificate of completion, or any similar document that the student is to be, or is, awarded upon completion of the course of study;
- (n) Whether the academic, professional, or occupational degree that the institution will confer upon completion of the course of study has been authorized by the appropriate state educational agency. This type of misrepresentation includes, in the case of a degree that has not been authorized by the appropriate state educational agency or that requires specialized accreditation, any failure by an eligible institution to disclose these facts in any advertising or promotional materials that reference such degree; or
- (o) Any matters required to be disclosed to prospective students under §§ 668.42 and 668.43 of this part.

(Authority: 20 U.S.C. 1094)

### 34 CFR 668.73 Nature of financial charges

Misrepresentation concerning the nature of an eligible institution's financial charges includes but is not limited to false, erroneous, or misleading statements concerning—

- (a) Offers of scholarships to pay all or part of a course charge;
- (b) Whether a particular charge is the customary charge at the institution for a course;
- (c) The cost of the program and the institution's refund policy if the student does not complete the program;
- (d) The availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans, regardless of whether the student is successful in completing the program and obtaining employment; or
- (e) The student's right to reject any particular type of financial aid or other assistance, or whether the student must apply for a particular type of financial aid, such as financing offered by the institution.

(Authority: 20 U.S.C. 1094)

### 34 CFR 668.74 Employability of graduates

Misrepresentation regarding the employability of an eligible institution's graduates includes but is not limited to false, erroneous, or misleading statements concerning—

- (a) The institution's relationship with any organization, employment agency, or other agency providing authorized training leading directly to employment;
- (b) The institution's plans to maintain a placement service for graduates or otherwise assist its graduates to obtain employment;
- (c) The institution's knowledge about the current or likely future conditions, compensation, or employment opportunities in the industry or occupation for which the students are being prepared;
- (d) Whether employment is being offered by the institution or that a talent hunt or contest is being conducted, including but not limited to the use of phrases such as "Men/women wanted to train for \* \* \*," "Help Wanted," "Employment," or "Business Opportunities";
- (e) Government job market statistics in relation to the potential placement of its graduates; or
- (f) Other requirements that are generally needed to be employed in the fields for which the training is provided, such as requirements related to commercial driving licenses or permits to carry firearms, and failing to disclose factors that would prevent an applicant from qualifying for such requirements, such as prior criminal records or preexisting medical conditions.

(Authority: 20 U.S.C. 1094)

**Foreign gifts references**

Higher Education Act: Sec. 117  
Reminder to schools of requirements for reporting foreign gifts.  
DCL GEN-04-11, Oct. 4, 2004.

**Definitions**

A **foreign source** is

- a foreign government, including an agency of a foreign government;
- a legal entity created solely under the laws of a foreign state or states;
- an individual who is not a citizen or national of the United States; and
- an agent acting on behalf of a foreign source.

A **gift** is any gift of money or property.

A **contract** is any agreement for the acquisition by purchase, lease, or barter of property or services for the direct benefit or use of either of the parties.

**Restricted or conditional gift or contract**

A *restricted or conditional gift or contract* is any endowment, gift, grant, contract, award, present, or property of any kind that includes provisions regarding

- the employment, assignment, or termination of faculty;
- the establishment of departments, centers, research or lecture programs, or new faculty positions;
- the selection or admission of students; or
- the award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin, or political opinion.

**REPORTING ON FOREIGN SOURCES AND GIFTS**

Federal law requires most 2-year and 4-year postsecondary schools (whether or not they are eligible to participate in the FSA programs) to report ownership or control by foreign sources and contracts with or gifts from the same foreign source that, alone or combined, have a value of \$250,000 or more for a calendar year.

**Who must report**

A school (and each campus of a multi-campus school) must report this information if it

- ◆ is legally authorized to provide a program beyond the secondary level within a state;
- ◆ provides a program that awards a bachelor's degree or a more advanced degree, or provides at least a two-year program acceptable for full credit toward a bachelor's degree;
- ◆ is accredited by a nationally recognized accrediting agency; and
- ◆ is extended any federal financial aid (directly or indirectly through another entity or person) or receives support from the extension of any such federal assistance to the school's sub-units.

**Timing and content of submission**

A school must report this information by January 31 or July 31 (whichever is sooner) after the date of receipt of the gifts, date of the contract, or date of ownership or control. The January 31 report should cover the period July 1–December 31 of the previous year, and the July 31 report should cover January 1–June 30 of the same year.

**Information to be reported**

Using the E-App, you must report the following information in Section K, question 71:

- ◆ For gifts received from or contracts entered into with a foreign government, the name of the country and the aggregate amount of all gifts and contracts received from each foreign government

- ◆ For gifts received from or contracts entered into with a foreign source other than a foreign government, the name of the foreign state to which the contracts or gifts are attributable and the aggregate dollar amount of the gifts and contracts attributable to a particular country. (The country to which a gift or a contract is attributable is the country of citizenship or, if unknown, the principal residence for a foreign source who is a natural person and the country of incorporation or, if unknown, the principal place of business for a foreign source that is a legal entity.)
- ◆ In the case of a school that is owned or controlled by a foreign entity—the identity of the foreign entity, the date on which the foreign entity assumed ownership or control, and a description of any substantive changes to previously reported ownership or control, or institutional program or structure resulting from the change in ownership or control
- ◆ For restricted or conditional gifts received from, or restricted or conditional contracts entered into with a foreign government—the name of the foreign country, the amount of the gift or contract, the date of the gift or contract, and a description of the conditions or restrictions
- ◆ For restricted or conditional gifts received from or restricted or conditional contracts entered into with a foreign person—the citizenship (or, if unknown, the principal residence) of that person, the amount of the gift or contract, the date of the gift or contract, and a description of the conditions and restrictions
- ◆ For restricted or conditional gifts received from or restricted or conditional contracts entered into with a foreign source (legal entity other than a foreign state or individual—the country of incorporation or, if unknown, the principal place of business for that foreign entity), the amount of the gift or contract, date of the gift or contract, and a description of the conditions and restrictions

Any conditions or restrictions on the foreign gift must be reported in question 69.

Once you've entered the appropriate information about the foreign gift, contract, or ownership and control, go to Section L to complete the signature page. You may then submit your report.

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### Where to report foreign gift information

Foreign gift, contract, and ownership or control reports must be submitted to the school participation divisions using FSA's electronic application (E-App) at ([www.eligcert.ed.gov](http://www.eligcert.ed.gov)).

Go to Section K, Question 71, and enter the appropriate information about the foreign gift, contract, or ownership and control, then go to Section L to complete the signature page. You may then submit your report.

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### Penalties

If a school fails to comply with the requirements of this law in a timely manner, the Department is authorized to undertake a civil action in federal district court to ensure compliance. Following a knowing or willful failure to comply, a school must reimburse the U.S. Treasury for the full cost of obtaining compliance.

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### For help and alternative reporting

Contact your state's school participation division. Go to <http://ifap.ed.gov> and click Help > Contact Information > Federal Student Aid Offices > School Participation Division.

## Alternative reporting

In lieu of the reporting requirements listed

- ◆ If a school is in a state that has substantially similar laws for public disclosure of gifts from, or contracts with, a foreign source, a copy of the report to the state may be filed with the Department. The school must provide the Department with a statement from the appropriate state official indicating that the school has met the state requirements.
- ◆ If another department, agency, or bureau of the executive branch of the federal government has substantially similar requirements for public disclosure of gifts from or contracts with a foreign source, the school may submit a copy of this report to the Department.

## ANTI-LOBBYING PROVISIONS

### *Prohibition on use of FSA funds*

FSA funds may not be used to pay any person for trying to influence

- ◆ a member of Congress or an employee of a member of Congress, or
- ◆ an officer or employee of Congress or any agency.

This prohibition applies to the making of a federal grant or loan, awarding federal contracts, and entering into federal cooperative agreements, as well as to the extension, continuation, renewal, amendment, or modification of a federal contract, grant, loan, or cooperative agreement.

In addition, FSA funds may not be used to hire a registered lobbyist or to pay any person or entity for securing an earmark. Schools receiving FSA funds will have to certify their compliance with these requirements annually.

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### **Prohibition on use of FSA funds**

HEOA 2008 section 119  
(no corresponding HEA section)  
Effective date: August 14, 2008

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### **Anti-lobbying certification and disclosure**

Section 319 of Pub. L. 101-121, enacted October 23, 1989, amended title 31, United States Code, by adding a new section 1352, entitled “Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions,” commonly known as the Byrd Anti-Lobbying Amendment.

As a result of that legislation, the Office of Management and Budget (OMB) issued interim final common regulations on February 26, 1990, for implementing and complying with the law. See 34 CFR Part 82.

### Campus-Based disclosure

If a school that receives more than \$100,000 in Campus-Based funds has used *non-federal* funds to pay any person for lobbying activities in connection with the Campus-Based Programs, the school must submit a disclosure form (Standard Form LLL) to the Department. The school must update this disclosure at least annually and when changes occur.

The disclosure form must be signed by the chief executive officer (CEO). A school is advised to retain a copy in its files.

The school must require that this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

## VOTER REGISTRATION

If a participating school is located in a state that requires voter registration prior to election day and/or does not allow registration at the time of voting, then the school must make a good-faith effort to distribute voter registration forms to its students. This requirement was included in the National Voter Registration Act of 1993 (also known as the “NVRA” or “motor voter law”).

The Department of Justice identified that the requirements of the NVRA apply to 44 states and the District of Columbia. Six states—Idaho, Minnesota, New Hampshire, North Dakota, Wisconsin, and Wyoming—are exempt from the NVRA. Likewise, the territories are not covered by the NVRA (Puerto Rico, Guam, Virgin Islands, American Samoa).

The school must make the voter registration forms widely available to its students and must individually distribute the forms to its degree- or certificate-seeking (FSA-eligible) students. The school can mail paper copies, or it may send an electronic message to each student with a voter registration form or with an Internet address where the form can be downloaded. The message must be devoted exclusively to voter registration.

In applicable states, schools must request voter registration forms from the state 120 days prior to the state’s deadline for registering to vote. This provision applies to general and special elections for federal office and to the elections of governors and other chief executives within a state. If a school does not receive the forms within 60 days prior to the deadline for registering to vote in the state, it is not liable for failing to meet the requirement during that election year.

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### ACA may not be used for association membership

A school may not use its administrative cost allowance (ACA) to pay for its membership in professional associations (such as the National Association of Student Financial Aid Administrators, the National Association of College and University Business Officers, etc.), regardless of whether the association engages in lobbying activities.



# Record Keeping, Privacy, & Electronic Processes

## CHAPTER 7

*Schools must maintain detailed records to show that FSA funds are disbursed in the correct amounts to eligible students. These records must be retained for a certain amount of time and made available to authorized parties in the course of audits, program reviews, or investigations. Personally identifiable information in these records must be safeguarded and may only be released to other parties under certain conditions specified in the regulations. You may wish to share the contents of this chapter with your school's IT office or provider.*

### REQUIRED RECORDS

A school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. For example, records for each FSA recipient must clearly show that the student was eligible for the funds received and that the funds were disbursed in accordance with program regulations.

In addition to the general institutional record keeping requirements discussed here, a school must also comply with all program-specific record keeping requirements contained in the individual FSA regulations.

#### *Records related to school eligibility*

A school must establish and maintain on a current basis any application the school submitted for FSA program funds. Other program records that must be maintained include:

- ◆ program participation agreement, approval letter, and Eligibility and Certification Approval Report (ECAR),
- ◆ application portion of the FISAP,
- ◆ accrediting and licensing agency reviews, approvals, and reports,
- ◆ state agency reports,
- ◆ audit and program review reports,
- ◆ self-evaluation reports, and
- ◆ other records, as specified in regulation, that pertain to factors of financial responsibility and standards of administrative capability.

#### **FSA Assessment module**

To assess your compliance with the provisions of this chapter, see Activity 2 under "Fiscal Management" at <https://ifap.ed.gov/ifap/FSAAssessments.jsp>

#### **Record keeping**

34 CFR 668.24

#### **Closed school records**

If a school closes, stops providing educational programs, is terminated or suspended from the FSA programs, or undergoes a change in ownership that results in a change of control, it must provide for the retention of required records. It must also provide for access to those records for inspection and copying by the Department. A school that formerly participated in the FFEL Program must also provide access for the appropriate guaranty agency.

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### Retaining records for a branch that closes

If a school has an additional location or branch that closes, the school should maintain its loan records beyond the end of the three-year record retention requirement to respond to the Department or to refute borrower claims of eligibility for discharge.

### Records relating to student eligibility

A school must keep records that substantiate the eligibility of students for FSA funds, such as:

- ◆ cost of attendance information,
- ◆ documentation of a student’s satisfactory academic progress (SAP),
- ◆ documentation of student’s program of study and the courses in which the student was enrolled,
- ◆ data used to establish student’s admission, enrollment status, and period of enrollment,
- ◆ required student certification statements and supporting documentation,
- ◆ documents used to verify applicant data and resolve conflicting information,
- ◆ documentation of all professional judgment decisions,
- ◆ financial aid history information for transfer students.

### Fiscal records

A school must keep fiscal records to demonstrate its proper use of FSA funds. A school’s fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

The fiscal records a school must maintain include but are not limited to the following:

- ◆ records of all FSA program transactions,
- ◆ bank statements for all accounts containing FSA funds,
- ◆ records of student accounts, including each student’s institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns, and overpayments required for each enrollment period,
- ◆ general ledger (control accounts) and related subsidiary ledgers that identify each FSA program transaction (FSA transactions must be separate from school’s other financial transactions),
- ◆ Federal Work-Study payroll records, and
- ◆ FISOP portion of the FISAP.

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### FWS records

See *Volume 6—Campus-Based Programs, Chapter 1*, for a detailed discussion of the record keeping requirements for the FWS program.

A school must also maintain records that support data appearing on required reports, such as:

- ◆ Pell Grant statements of accounts,
- ◆ cash requests and quarterly or monthly reports from the G5 payment system,
- ◆ FSA program reconciliation reports,
- ◆ audit reports and school responses,
- ◆ state grant and scholarship award rosters and reports,
- ◆ accrediting and licensing agency reports, and
- ◆ records used to prepare the income grid on the FISAP.

### **Loan program records**

There are special record keeping requirements in the Direct and FFEL loan programs. A school must maintain

- ◆ A copy of the paper or electronic loan certification or origination record, including the amount of the loan and the period of enrollment.
- ◆ The cost of attendance, estimated financial assistance, and expected family contribution used to calculate the loan amount (and any other information that may be required to determine the borrower's eligibility, such as the student's Federal Pell Grant eligibility or ineligibility).
- ◆ The date(s) the school disbursed the loan funds to the student (or to the parent borrower), and the amount(s) disbursed. (For loans delivered to the school by check, the date the school endorsed each loan check, if required.)
- ◆ Documentation of the confirmation process for each academic year in which the school uses the multi-year feature of the Master Promissory Note. This may be part of the borrower's file, but acceptable documentation can also include a statement of the confirmation process that was printed in a student handbook or other financial aid publication for that school year. The documentation may be kept in paper or electronic form. There is no retention limit for this documentation; you must keep it indefinitely because it may affect the enforceability of loans.

A school must keep records relating to a student or parent borrower's eligibility and participation in the Direct Loan or FFEL program for three years after the end of the award year in which the student last attended the school. A school must keep all other records relating to the school's participation in the Direct Loan or FFEL program for at least three years after the end of the award year in which the records are submitted.

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#### **Loan program records**

34 CFR 668.24, 682.610, and 685.309(c)

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#### **Perkins Loan Program records**

See *Volume 6—Campus-Based Programs, Chapter 1*, for a detailed discussion of the record keeping requirements for the Perkins Loan program.

## RECORD RETENTION PERIODS

### Records

34 CFR 668.24 and 27

### Retaining FISAP records

Schools participating in the Campus-Based Programs must keep the Fiscal Operations Report and Application to Participate (FISAP) and any records necessary to support the data used to create it (e.g., the source data for the income grid) for three years from the end of the award year in which the FISAP is submitted.

Consider the FISAP submitted during the 2018–2019 award year that ends on June 30, 2019. (That FISAP is based on the records of a school's 2017–2018 activity, and serves as the Application to Participate for the 2019–2020 award year.)

A school must retain the data used to create the FISAP the school was required to submit by October 1, 2018 until at least June 30, 2022 (three years from June 30, 2019).

Schools must retain all required records for a minimum of three years from the end of the award year. However, the starting point for the three-year period is not the same for all records. For example, FFEL/DL reports must be kept for three years after the end of the award year in which they were submitted, while borrower records must be kept for three years from the end of the award year in which the student last attended.

Different retention periods are necessary to ensure enforcement and repayment of Perkins loans, which are normally held by the school. Perkins Loan repayment records, including cancellation and deferment records, must be kept for three years from the date that the loan was assigned to the Department, cancelled, or repaid. Perkins original promissory notes and original repayment schedules must be kept until the loan is satisfied or needed to enforce the obligation (for more information, see *Volume 6—Campus-Based Programs*).

A school may retain records longer than the minimum period required. Moreover, a school may be required to retain records involved in any loan, claim, or expenditure questioned in any FSA program review, audit, investigation, or other review, for more than three years (see *Chapter 8* for information on program reviews and audits). If the three-year retention period expires before the issue in question is resolved, the school must continue to retain all records until resolution is reached.

There are also additional record retention requirements that apply to schools granted waivers of the audit submission requirements.

## Summary of Record Retention Requirements

*From 34 CFR 668.24 Record retention and examinations.*

### Program Records

A school must establish and maintain, on a current basis, any application for FSA funds and program records that document—

- the school's eligibility to participate in the FSA programs,
- the FSA eligibility of the school's programs of education,
- the school's administration of the FSA programs,
- the school's financial responsibility,
- information included in any application for FSA program funds, and
- the school's disbursement of FSA program funds.

### Fiscal records

**A school must account for the receipt and expenditure of all FSA program funds in accordance with generally accepted accounting principles.**

A school must establish and maintain on a current basis—

- financial records that reflect each FSA program transaction, and
- general ledger control accounts and related subsidiary accounts that identify each FSA program transaction and separate those transactions from all other school financial activity.

### Records for FSA recipients

A school must maintain records for each FSA recipient that include but are not limited to—

- The Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine a student's eligibility for FSA program funds,
- Application data submitted to the Department, lender, or guaranty agency by the school on behalf of the student or parent,
- Documentation of each student's or parent borrower's eligibility for FSA program funds (e.g., records that demonstrate that the student has a high school diploma, GED, or the ability to benefit),
- Documentation relating to each student's or parent borrower's receipt of FSA program funds, including but not limited to:
  - The amount of the grant, loan, or FWS award; its payment period; its loan period, if appropriate; and the calculations used to determine the amount of grant, loan, or FWS award;
  - The date and amount of each disbursement of grant or loan funds, and the date and amount of each payment of FWS wages;
  - The amount, date, and basis of the school's calculation of any refunds/returns or overpayments due to or on behalf of the student; and
  - The payment of any refund/return or overpayment to the FSA program fund, a lender, or the Department, as appropriate.
- Documentation of and information collected at any initial or exit loan counseling required by applicable program regulations,
- Reports and forms used by the school in its participation in an FSA program, and any records needed to verify data that appear in those reports and forms,
- Documentation supporting the school's calculation of its completion or graduation rates, and transfer-out rates (see *Chapter 6*).

## Minimum Record Retention Periods

### Pell and TEACH grants, Campus-Based Program records

3 years from the end of the award year for which the aid was awarded

*Except:*

- Fiscal Operations Report (FISAP) and supporting records—3 years from the end of the award year in which the report was submitted
- Perkins repayment records\*—Until the loan is satisfied, or the documents are no longer needed to enforce the obligation
- Perkins original promissory notes—3 years from the date the loan is assigned to ED, canceled, or repaid

### Direct Loans & FFEL

- Records related to borrower's eligibility and participation—3 years from the end of the award year in which the student last attended
- All other records, including any other reports or forms—3 years from the end of the award year in which the report was submitted

\* includes original repayment schedule, though manner of retention remains same as promissory note

## RECORD MAINTENANCE

### *Acceptable formats*

A school must maintain all required records in a systematically organized manner. Unless a specific format is required, a school may keep required records in:

- hard copy
- microform
- computer file
- optical disk
- CD-ROM
- other media formats

Record retention requirements for the Institutional Student Information Record (ISIR) are discussed here. All other record information, regardless of the format used, must be retrievable in a coherent hard copy format (for example, an easily understandable printout of a computer file) or in a media format acceptable to the Department.

Any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be maintained in its original hard copy or in an imaged media format. This includes tax returns, verification statements, and Student Aid Reports (SARs) used to determine eligibility, and any other document when a signature, seal, etc., contained on it is necessary for the document to be used for the purposes for which it is being retained.

A school may maintain a record in an imaged media format only if the format is capable of reproducing an accurate, legible, and complete copy of the original document. When printed, the copy must be approximately the same size as the original document.

Please note that promissory notes that are signed electronically must be stored electronically and the promissory note must be retrievable in a coherent format. Because MPNs are stored in COD, this requirement can be satisfied through COD.

### *Special requirements for SARs and ISIRs*

Special maintenance and availability requirements apply for SARs and ISIRs used to determine eligibility. It is essential that these basic eligibility records be available in a consistent, comprehensive, and verifiable format for program review and audit purposes.

Hard copies of SARs that students submit to schools must be maintained and available in their original format or in an imaged media format. The ISIR, an electronic record, must be maintained and available in its original format (e.g., as it was archived using EDEExpress software supplied to the school). A school that uses EDEExpress has the ability to preserve the ISIR data that it has maintained during the applicable award year by archiving the data to a disk or other computer format.

### **New media formats**

The requirement providing for other media formats acceptable to the Department allows for the use of new technology as it is developed. The Department will notify schools of acceptable media formats; schools should not apply for approval of a media format.

### **Requirements for electronic promissory notes**

34 CFR 668.24(d)(3)(i) through (iv)

### Sole possession records

Sole possession records are exempted from the definition of “education record” and thus are not subject to FERPA. They are kept in the sole possession of the maker of the record and are

- used as a memory or reference tool,
- not accessible or revealed to any other person except a temporary substitute for the maker of the record, and
- maintained by the school official unbeknownst to and not shared with other individuals, except persons acting as a temporary substitute for a school official.

### Cooperation with agency representatives

Cooperation must be extended to the following individuals and their authorized representatives:

- an independent auditor,
- the Secretary of the Department of Education,
- the Department’s Inspector General, and
- the Comptroller General of the United States.

See *Chapter 4* for more information on independent audits and *Chapter 8* for information on program reviews.

A school must also provide this cooperation to any guaranty agency in whose program the school participates and to the school’s accrediting agency.

## EXAMINATION OF RECORDS

### Location

A school must make its records available to the Department at a location of the school designated by the Department. These records must be readily available for review, including any records of transactions between a school and the financial institution where the school deposits any FSA funds.

A school is not required to maintain records in any specific location. For example, it may be more appropriate for a school to maintain some records in the financial aid office while maintaining others in the business office, the admissions office, or the office of the registrar. The responsible administrator in the office maintaining the records should be aware of all applicable record retention requirements.

### Cooperation with agency representatives

A school that participates in any FSA program and the school’s third-party servicers, if any, must cooperate with the agencies and individuals involved in conducting any audit, program review, investigation, or other review authorized by law (see sidebar).

A school must cooperate by providing

- Timely access to requested records, pertinent books, documents, papers, or computer programs for examination and copying by any of the agents listed above. The records to which timely access must be provided include but are not limited to computerized records and records reflecting transactions with any financial institution with which the school or servicer deposits or has deposited any FSA program funds.
- Reasonable access to all personnel associated with the school’s or servicer’s administration of the FSA programs so that any of the agents listed above may obtain relevant information. A school or servicer must allow those personnel to supply all relevant information and allow those personnel to be interviewed without the presence of the school’s or servicer’s management (or tape-recording of the interviews by the school or servicer).

If requested by the Department, a school or servicer must provide promptly any information the school or servicer has regarding the last known address, full name, telephone number, enrollment information, employer, and employer address of a recipient of FSA program funds who attends or attended the school. A school must also provide this information, upon request, to a lender or guaranty agency in the case of a borrower under the FFEL Program.

## PRIVACY OF STUDENT INFORMATION UNDER FERPA

The Family Educational Rights and Privacy Act (FERPA) is a federal law that protects the privacy of students' education records. The term "education records" means those records that are: (1) directly related to a student; and (2) maintained by an education agency or postsecondary institution or by a party acting for the agency or institution. At the postsecondary level, FERPA affords eligible students with certain rights. FERPA defines an "eligible student" as a student who has reached 18 years of age or is attending an institution of postsecondary education at any age.

With exceptions such as those noted in this section, FERPA affords postsecondary students the right to inspect and review their education records, the right to seek to have their records amended and the right to have some control over the disclosure of personally identifiable information from their education records.

These rules apply to all education records a school keeps, including admissions records (only if the student was admitted), academic records, and any financial aid records pertaining to the student. Therefore, the financial aid office is not usually the office that develops a school's FERPA policy or the notification to students and parents, although it may have some input.

### FERPA citations

34 CFR 99.7 Notification of FERPA Rights  
 § 99.8 Law enforcement unit records  
 § 99.10–12 Right of student to review records  
 § 99.20–22 Right of student to request amendment to records  
 § 99.30 Prior consent requirement  
 § 99.31 When prior consent is not required to disclose information  
 § 99.32 Record keeping requirement  
 § 99.33 Limitations on redisclosure  
 § 99.34 Disclosure to other agencies/institutions  
 § 99.35 Disclosure to certain authorities for audit or evaluation of education programs

### FERPA scope

The relevant law is the *Family Educational Rights and Privacy Act of 1974*. Do not confuse FERPA with the Privacy Act of 1974 that governs the records kept by government agencies, including the application records in the federal processing system.  
 20 USC 1232g

### FERPA resources

The Department has posted a model notification on the Family Policy Compliance Office website at <https://studentprivacy.ed.gov/resources/ferpa-model-notification-postsecondary-officials>

The *Guide for Developing High-Quality Emergency Operations Plans for Institutions of Higher Education* includes a helpful FERPA section, among other guidance.

### Third-party housing records

A student housing facility owned by a third party that has a contract with a school to provide housing for its students is considered under the control of the school (whether the rent is paid directly by the student or by the school on her behalf). Records maintained by the third party or the school related to students living in that housing are subject to FERPA.

### **Additional FERPA disclosures to parents**

A school may disclose information from a student's education records to parents in the case of a health or safety emergency that involves the student.

A school may let parents of students under the age of 21 know when the student has violated any law or policy concerning the use or possession of alcohol or a controlled substance.

A school official may share with parents information that is based on that official's personal knowledge or observation and that is not based on information contained in an education record.

### **Disclosures via website**

Subject to certain conditions, disclosure may be made through Internet or intranet sites. CFR 34 668.41(b) & (c)

## ***Students' and parents' rights to review educational records under FERPA***

A school must provide a student with an opportunity to review his or her education records within 45 days of the receipt of a request. A school is required to provide the student with copies of education records or make other arrangements to provide the student access to the records if a failure to do so would effectively prevent the student from obtaining access to the records. While the school may not charge a fee for retrieving the records, it may charge a reasonable fee for providing copies of the records, provided that the fee would not prevent access to the records.

While the rights under FERPA have transferred from a student's parents to the student when the student attends a postsecondary institution, FERPA does permit a school to disclose a student's education records to his or her parents if the student is a dependent student under IRS rules.

Note that the IRS definition of a dependent is quite different from that of a dependent student for FSA purposes. For IRS purposes, students are dependent if they are listed as dependents on their parent's income tax returns. (If the student is a dependent as defined by the IRS, disclosure may be made to either parent, regardless of which parent claims the student as a dependent.)

There are several other situations in which a school official may disclose information about the student to the student's parents, as noted in the sidebar.

## ***Prior written consent to disclose the student's records***

Except under one of the special conditions described in this section, a student must provide written consent before an education agency or institution may disclose personally identifiable information from the student's education records.

The written consent must state the purpose of the disclosure, specify the records that may be disclosed, identify the party or class of parties to whom the disclosure may be made, and be signed and dated.

If the consent is given electronically, the consent form must identify and authenticate a particular person as the source of the electronic consent and indicate that person's approval of the information contained in the electronic consent.

The FERPA regulations include a list of exceptions where the school may disclose personally identifiable information from the student's file without prior written consent. Several of these allowable disclosures are of particular interest to the financial aid office, since they are likely to involve the release of financial aid records.

## Disclosures to school officials

Some of these disclosures may be made to officials at your school or another school under certain conditions. Typically, these might include disclosures of admissions records, grades, or financial aid records. Disclosure may be made to the following individuals:

- other school officials, including teachers, within the school whom the school has determined to have legitimate educational interests, and
- officials of another postsecondary school or school system where the student receives services or seeks to enroll.

Third-party servicers that your school has contracted with to perform Title IV functions are considered school officials under FERPA when they perform any of the following:

- perform a school service or function for which your school would otherwise use employees,
- are under the control of your school with respect to the use and maintenance of education records, and
- comply with FERPA requirements about the use of personal information from education records.

A school official may disclose personal information from student education records to a third-party servicer who meets the above criteria if the official determines that the third-party servicer has a “legitimate educational interest.” Your school must include in its annual notification of rights under FERPA the criteria for determining who is a school official and what constitutes a legitimate educational interest. A school official has a legitimate educational interest if the official needs to review an education record in order to fulfill his or her professional responsibility. Also, for such servicers to receive disclosures without student consent as though they were school officials, they must not use that personal information to set up a bank account or maintain a credit balance for students. See DCL GEN-12-08.

If your school routinely discloses information to other schools where students seek to enroll, it should include this information in its annual privacy notification to students, or, if not, your school must make a reasonable attempt to notify students at their last known address.

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### Campus security records

Records created and maintained by a school’s law enforcement unit are exempt from the privacy restrictions of FERPA. A school may disclose information from these “law enforcement unit records” to anyone—including parents or federal, state, or local law enforcement authorities—without the consent of the student pursuant to school policy and/or state law.

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### FERPA and crime records

There are two different FERPA provisions concerning the release of records relating to a violent crime. One concerns the release to the victim of any outcome involving an alleged crime of violence [34 CFR 99.31(a)(13)]. A separate provision permits a school to disclose to anyone the final results of any disciplinary hearing against an alleged perpetrator of a crime of violence where that student was found in violation of the school’s policy on the offense [34 CFR 99.31(a)(14)].

**Health & Safety Emergency TA**

A technical assistance document issued June 2011 by the Department that provides information on FERPA and HEA legal requirements related to preparing for and addressing situations that threaten the health or safety of the campus community is posted at

<https://studentprivacy.ed.gov/resources/addressing-emergencies-campus>

**Documentation of request not required**

A school does not have to record instances where the request for access is made by:

- The parent or eligible student.
- A school official who has a legitimate educational interest.
- A party with written consent from the parent or eligible student.
- A party seeking directory information.
- Certain court orders or subpoenas.

**Subpoena citations**

20 USC 1232g(b)(1)(J)(i) and (ii), (b)(2)(B)

20 USC 1232g(b)(4)

34 CFR 99.31(a)(9)

34 CFR 99.32

**Ex-parte orders and terrorism**

"Terrorism" and "crimes of terrorism" are defined in 18 USC 2331 and 2332b(g)(5)(B).

**Disclosures to government agencies**

Disclosures may be made for audit, evaluation, and enforcement purposes to authorized representatives of the U.S. Department of Education, which include employees of the Department—such as those of the National Center for Education Statistics and the offices of Federal Student Aid, Postsecondary Education, Inspector General and Civil Rights—as well as firms under contract to the Department to perform certain administrative functions or studies.

In addition, disclosure may be made if it is in connection with financial aid the student has received or applied for. Such disclosure may only be made if the student information is needed to determine the amount of the aid or the conditions or student's eligibility for the aid or to enforce the terms or conditions of the aid.

Schools may, without violating FERPA, release personally identifiable information on nonimmigrant students with an F, J, or M visa to U.S. Immigration and Customs Enforcement in compliance with the Student Exchange Visitor Information System program.

**Disclosures in response to subpoenas or court orders**

FERPA permits schools to disclose personally identifiable information from a student's education records without the student's consent to comply with a lawfully issued subpoena or court order. In most cases the school must make a reasonable effort to notify the student who is the subject of the subpoena or court order before complying so that he may seek protective action. However, the school does not have to notify the student if the court or issuing agency has prohibited such disclosure if certain conditions are met.

A school may also disclose information from education records, without the consent or knowledge of the student, to representatives of the U.S. Department of Justice in response to an *ex parte* order issued in connection with the investigation of crimes of terrorism.

## Documenting the disclosure of information

Except as noted in the sidebar earlier in this chapter, a school must keep a record of each request for access and each disclosure of personally identifiable student information to other parties. The record of the request and disclosure must identify the parties who requested the information and their legitimate interest in the information. This record must be maintained in the student's file as long as the educational records themselves are kept.

For instance, if Department officials request student records in the course of a program review, the school must document in each student's file that his or her records were disclosed to representatives of the Department. An easy way for the school to do this is to photocopy a statement to this effect and include it in each student's file. A statement such as the following would be appropriate for a program review conducted by a Department regional office.

These financial aid records were disclosed to representatives of the U.S. Department of Education, School Participation Division, Region \_\_, on (Month/Day/Year) to determine compliance with financial aid requirements, under 34 CFR Part 99.31(a)(4).

When redisclosure is anticipated, the additional parties to whom the information will be disclosed must be included in the record of the original disclosure. For instance, to continue the example for an FSA program review, the following statement might be added.

The School Participation Division may make further disclosures of this information to the Department's Office of Inspector General and to the U.S. Department of Justice under 34 CFR 99.33(b). Schools should check with the program review staff to find out if any redisclosure is anticipated.

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### HIPAA and FERPA

Joint guidance on HIPAA and FERPA developed jointly by the U.S. Department of Health & Human Services and the Department of Education can be found at

<https://studentprivacy.ed.gov/resources/joint-guidance-application-ferpa-and-hipaa-student-health-records>

Other information about HIPAA and postsecondary institutions can be found at the HIPAA and Professionals section of the HHS website at

<https://www.hhs.gov/hipaa/for-professionals/faq/ferpa-and-hipaa>

### FERPA Responsibilities and Student Rights

A school is required to—

- ✓ annually notify students of their rights under FERPA;
- ✓ include in that notification the procedure for exercising their rights to inspect and review education records; and
- ✓ maintain a record in a student's file listing to whom personally identifiable information was disclosed and the legitimate interests the parties had in obtaining the information (does not apply to school officials with a legitimate educational interest or to directory information).

A student has the right to—

- ✓ inspect and review any education records pertaining to the student;
- ✓ request an amendment to his/her records; and
- ✓ consent to disclosure of personally identifiable information from education records, except when FERPA permits disclosure without consent.

### HIPAA (Privacy of Health Records) and FERPA

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) sets standards to protect the confidentiality of health information.

However, the HIPAA Privacy Rule excludes from its coverage those records that are protected by FERPA at school districts and postsecondary institutions that provide health or medical services to students. This is because Congress specifically addressed how education records should be protected under FERPA. For this reason, records that are protected by FERPA are not subject to the HIPAA Privacy Rule and may be shared with parents under the circumstances described here.

Your school's disability services office normally obtains and maintains health records for each student who applies for services or waivers, so the receipt and maintenance of health records by student services units is well established.

Note: In many cases a student receiving a waiver from a school's academic progress policy would also have applied for services from your school's disability services office. Since most financial aid offices are not used to handling medical records, you may find it more practical to have the disability services office maintain the record and to reference that record in your file in the financial aid office. Of course, you will have to ensure that the record maintenance requirements are complied with.

For joint guidance on FERPA and HIPAA, see

**<https://studentprivacy.ed.gov/resources/joint-guidance-application-ferpa-and-hipaa-student-health-records>**

For more information on HIPAA, see the U.S. Department of Health & Human Services website

**[www.hhs.gov/ocr/hipaa/](http://www.hhs.gov/ocr/hipaa/)**

HIPAA regulations are published as 45 CFR Parts 160, 162, and 164.

## HIGHER EDUCATION ACT DATA USE LIMITATIONS

The HEA also provides limitations on the uses of certain types of data. The provisions of the HEA apply differently to information collected on or derived from the FAFSA. This means that the HEA’s provisions apply to data on the ISIR (including award and disbursement information) and to data included in NSLDS (including data on the ISIR from NSLDS).

The HEA restricts the use of the FAFSA/ISIR data to the application, award, and administration of aid awarded under the Title IV programs, state aid, or aid awarded by eligible institutions. The Department interprets “administration of aid” to include audits and program evaluations necessary for the efficient and effective administration of those student aid programs.

The HEA also prohibits nongovernmental researchers or policy analysts from accessing PII from NSLDS and prohibits the use of NSLDS data for marketing purposes. It is important to note that these prohibitions are applicable to all NSLDS data, including NSLDS data received by institutions via the ISIR.

### FAFSA data restrictions

HEA Section 483(a)(3)(E)

### NSLDS restrictions

HEA Section 485B(d)(2)

### Sharing FAFSA Data

An institution of higher education may, with explicit written consent of an applicant who has completed a FAFSA under section 483(a), provide such information collected from the applicant’s FAFSA as is necessary to a scholarship-granting organization, including a tribal organization (defined in section 4 of the Indian Self-Determination and Education Assistance Act, 25 U.S.C. 5304), or to an organization assisting the applicant in applying for and receiving federal, state, local, or tribal assistance that is designated by the applicant to assist the applicant in applying for and receiving financial assistance for any component of the applicant’s cost of attendance (defined in section 472 of the HEA) at that institution.

An organization that receives such information is prohibited from selling or otherwise sharing such information.

Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019

### TIP

### Guidance on the Use of Financial Aid Information for Program Evaluation and Research

The Department of Education’s Privacy Technical Assistance Center (PTAC) has published *Joint Guidance on the Use of Financial Aid Information for Program Evaluation and Research* to help schools understand using student financial aid information for program evaluation and research. That guidance is available at

[https://studentprivacy.ed.gov/sites/default/files/resource\\_document/file/FSA\\_final\\_0.pdf](https://studentprivacy.ed.gov/sites/default/files/resource_document/file/FSA_final_0.pdf)

The Department established PTAC as a “one-stop” resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems and other uses of student data. Additional information regarding these matters may be found at PTAC’s website. PTAC’s resources on disclosure avoidance and de-identification, is available at

<https://studentprivacy.ed.gov/>

If you have questions about the PTAC guidance or other privacy or security matters related to student financial aid information, please contact the PTAC Help Desk by email at [PrivacyTA@ed.gov](mailto:PrivacyTA@ed.gov) or by phone at 855-249-3072.

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**E-Sign Act**

*The Electronic Signatures in Global and National Commerce Act (E-Sign Act)* was enacted on June 30, 2000. The E-Sign Act provides, in part, that a signature, contract, or other record relating to a transaction may not be denied legal effect, validity, or enforceability solely because it is in electronic form or because an electronic signature or electronic record was used in its formation.

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**Voluntary consent required**

Voluntary consent to participate in electronic transactions is required for all financial information provided or made available to student loan borrowers and for all notices and authorizations to FSA recipients required under 34 CFR 668.165—Notices and Authorizations.

See *Volume 4* for more information on notices and authorizations for disbursements.

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**Using electronic processes for notifications and authorizations**

So long as there are no regulations specifically requiring that a notification or authorization be sent via U.S. mail, a school may provide notices or receive authorizations electronically. You may also use an electronic process to provide required notices and make disclosures by directing students to a secure website that contains the required notifications and disclosures.

For additional information on electronic transactions involving student loans, see Section 2 of *Standards for Electronic Signatures in Electronic Student Loan Transactions*, in GEN-01-06, May 2001.

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**THE E-SIGN ACT AND INFORMATION SECURITY**

The E-Sign Act permits lenders, guaranty agencies, and schools to use electronic signatures and electronic records in place of traditional signatures and records that, under the HEA and underlying regulations, otherwise must be provided or maintained in hard-copy format.

The E-Sign Act provides specifically for the creation and retention of electronic records. Therefore, unless a statute or regulation specifically requires a school to provide or maintain a record or document on paper, your school may provide and maintain that record electronically. Similarly, unless a statute or regulation specifically requires schools to obtain a pen and paper signature, you may obtain the signature electronically as long as the electronic process complies with the E-Sign Act and all other applicable laws.

***Obtaining voluntary consent for electronic transactions***

Before using electronic transactions to communicate with a recipient of FSA funds, the recipient must affirmatively consent to the use of an electronic record. The recipient's consent must be voluntary and based on accurate information about the transactions to be completed.

The consent must be obtained in a manner that reasonably demonstrates that the person can access the information to be provided in an electronic form. For example, if you are going to send financial information by email, you could send a request for consent to the recipient via email, require the recipient to respond in a like manner, and maintain a record of that response.

## Safeguarding confidential information in electronic processes

Any time a school uses an electronic process to record or transmit confidential information or obtain a student's confirmation, acknowledgment, or approval, the school must adopt reasonable safeguards against possible fraud and abuse. Reasonable safeguards a school might take include password protection, password changes at set intervals, access revocation for unsuccessful logins, user identification and entry-point tracking, random audit surveys, and security tests of the code access.

If your school uses an electronic process to provide notices, make disclosures, and direct students to a secure website, it must provide notice of this each year to each student, whether via email, campus mail, or the traditional mail of the U.S. Postal Service.

The annual individual notice must

- identify the information required to be disclosed that year,
- provide the exact Web address for the information,
- state that persons are entitled to a paper copy upon request, and
- inform students how to request a paper copy.

## Establishing and maintaining an information security program

The Federal Trade Commission (FTC) has ruled that most colleges are subject to the provisions of the Financial Services Act's Security Provisions (also known as the Financial Services Modernization Act). In the regulation, the commission created a definition of financial institutions that includes most colleges on the basis of the financial relationships they have with students, donors, and others. Consequently, colleges must adopt an information security program and draft detailed policies for handling financial data covered by the law, such as parents' annual income, and take steps to protect the data from falling into the wrong hands. For specific requirements, see the discussion under *FTC Standards for Safeguarding Customer Information* later in this chapter.

While colleges have flexibility in choosing a system that provides for electronic requests for release of personally identifiable information, they must ensure that their systems provide adequate safeguards. Also, the FTC requirements apply to Title IV third-party servicers, so colleges must use servicers that are capable of maintaining such safeguards and must require servicers by contract to implement and maintain those safeguards.

### Information security requirements

- Federal Trade Commission regulations:  
16 CFR 313.3(n) and 16 CFR 314.1–5
- Financial Services Modernization Act of 1999 (also known as the Gramm-Leach-Bliley Act or GLB Act)  
Pub. L. No. 106-102  
Sections 501 and 505(b)(2)
- 15 USC 6801(b), 6805(b)(2)
- GEN-16-12, July 1, 2016

See also GEN-15-18 on protecting student information. It gives suggestions and resources for following industry standards and best practices on managing information systems.

## Protecting student information

### National Institute of Standards and Technology Special Publication 800-171

The Department strongly encourages schools to review and understand the standards defined in National Institute of Standards and Technology Special Publication (NIST SP) 800-171, the recognized information security publication for protecting “Controlled Unclassified Information (CUI),” a subset of Federal data that includes unclassified information that requires safeguarding or dissemination controls pursuant to and consistent with law, regulations, and Federal policies. NIST SP 800-171 identifies specific recommended requirements for non-Federal entities that handle CUI.

The Department understands the investment and effort required by institutions to meet and maintain the security standards established under NIST SP 800-171. Nonetheless, across the public and private sectors, it is imperative that organizations continue to enhance cybersecurity in order to meet evolving threats to CUI and challenges to the security of such organizations. Therefore, the Department strongly encourages those institutions that fall short of NIST standards to assess their current gaps and immediately begin to design and implement plans in order to close those gaps using the NIST standards as a model.

Under their Program Participation Agreement (PPA) and the Gramm-Leach-Bliley Act (Public Law 106-102), schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student financial aid programs.

The GLBA requires institutions to, among other things

- ◆ Develop, implement, and maintain a written information security program;
- ◆ Designate the employee(s) responsible for coordinating the information security program;
- ◆ Identify and assess risks to customer information;
- ◆ Design and implement an information safeguards program;
- ◆ Select appropriate service providers that are capable of maintaining appropriate safeguards; and
- ◆ Periodically evaluate and update their security program.

Presidents and Chief Information Officers of institutions should have, at a minimum, evaluated and documented their current security posture against the requirements of GLBA and have taken immediate action to remediate any identified deficiencies.

The Department is incorporating the GLBA security controls into the Annual Audit Guide in order to assess and confirm schools’ compliance with the GLBA. The Department will require the examination of evidence of GLBA compliance as part of schools’ annual student aid compliance audit.



## Reporting Security Breaches to Students and the Department

The Department considers any breach in the security of student records and information to be a demonstration of a potential lack of administrative capability.

Schools' SAIG Agreements include a provision that schools must immediately notify the Department at CPSSAIG@ed.gov when there is breach of security of student records and information, and ED strongly encourages schools to notify their students of the breach at the same time.

In their reports to the Department, schools should include the following:

- Date of breach (suspected or known)
- Impact of breach (# of records, etc.)
- Method of breach (hack, accidental disclosure, etc.)
- Information Security Program Point of Contact - Email and phone details
- Remediation Status (complete, in process - with detail)
- Next steps (as needed)

**NEW**

Federal Student Aid has consolidated its cybersecurity compliance information and resources. You can find the FSA Cybersecurity Compliance site at

<https://ifap.ed.gov/eannouncements/Cyber.html>

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**Copyright requirements**

Program Participation Agreement  
34 CFR 668.14(b)(30)  
See *Chapter 6* for requirement to disseminate copyright policies.

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**Examples of deterrents**

Technology-based deterrents include bandwidth shaping, traffic monitoring, accepting and responding to Digital Millennium Copyright Act (DMCA) notices, and commercial products designed to reduce or block illegal file sharing.  
GEN-10-08

## PREVENTING COPYRIGHT VIOLATIONS

A school must implement written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's network without unduly interfering with educational and research use of the network.

These plans must include the use of one or more technology-based deterrents and procedures for handling unauthorized distribution of copyrighted material (including disciplinary procedures). No particular technology measures are favored or required for inclusion in the school's plans, and each school retains the authority to determine its own plans, including those that prohibit content monitoring.

The school's plans must also include measures to educate its community about appropriate versus inappropriate use of copyrighted material, including the information described under the student consumer information rules in *Chapter 6*. These mechanisms may include any additional information and approaches that the school determines will contribute to the effectiveness of the plans. For instance, the school might include pertinent information in student handbooks, honor codes, and codes of conduct in addition to email and/or paper disclosures.

The school must have a written plan for the periodic review of the effectiveness of these measures, using relevant assessment criteria.

The school must, in consultation with its chief technology officer (or other designated officer), periodically review the legal alternatives for downloading or otherwise acquiring copyrighted material (and disseminate the results, as described in *Chapter 6*) and offer legal alternatives for downloading or otherwise acquiring copyrighted material (to the extent practicable and as determined by the school).

The Department anticipates that individual institutions, national associations, and commercial entities will develop and maintain up-to-date lists that may be referenced for compliance with this provision.

## FTC Standards for Safeguarding Customer Information

Colleges participating in the FSA programs are subject to the information security requirements established by the FTC for financial institutions.

### *Customer information that must be safeguarded*

These requirements apply to all customer information your school has, regardless of whether it pertains to students, parents, or others your school has a customer relationship with or pertains to the customers of other financial institutions that have given such information to you.

Customer information is any record containing nonpublic personal information<sup>1</sup> about a customer of a financial institution, whether in paper, electronic, or other form, that is handled or maintained by or on behalf of you or your affiliates.

### *Establishing and maintaining an information security program*

As a financial institution covered under these information security requirements, your school must develop, implement, and maintain a comprehensive information security program.<sup>2</sup>

The information security program must be written in one or more readily accessible parts and contain administrative, technical, and physical safeguards that are appropriate to the size and complexity of the school, the nature and scope of its activities, and the sensitivity of any customer information at issue.

The safeguards shall be reasonably designed to achieve the following objectives:

- insure the security and confidentiality of customer information,
- protect against any anticipated threats or hazards to the security or integrity of such information, and
- protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

<sup>1</sup> Personally identifiable financial information; and any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any personally identifiable financial information that is not publicly available.

<sup>2</sup> The administrative, technical, or physical safeguards you use to access, collect, distribute, process, protect, store, use, transmit, dispose of, or otherwise handle customer information.

### *Required elements of an information security program*

*Designated coordinators.* Your school must designate an employee or employees to coordinate its information security program.

*Risk assessment.* Your school must identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of such information and assess the sufficiency of any safeguards in place to control these risks.

At a minimum, the school's risk assessment should include consideration of risks in each relevant area of your operations, including

- employee training and management,
- information systems, including network and software design, as well as information processing, storage, transmission, and disposal, and
- detecting, preventing, and responding to attacks, intrusions, or other system failures.

*Safeguards and testing/monitoring.* Your school must design and implement information safeguards to control the risks you identify through risk assessment, and regularly test or otherwise monitor the effectiveness of the safeguards' key controls, systems, and procedures.

*Evaluation and adjustment.* Your school must evaluate and adjust its information security program in light of the results of the required testing and monitoring, as well as for any material changes to your operations or business arrangements or any other circumstances that it has reason to know may have a material impact on your school's information security program.

*Overseeing service providers.* A service provider is any person or entity that receives, maintains, processes, or otherwise is permitted access to customer information by providing services directly to your school. Your school must take reasonable steps to have service providers that are capable of maintaining appropriate safeguards for customer information, and you must require your service providers by contract to implement and maintain such safeguards.

Sources: FTC regulations: 16 CFR 313.3(n) and 16 CFR 314.1–5  
Gramm-Leach-Bliley Act: Sections 501 and 505(b)(2)  
U.S. Code: 15 USC 6801(b), 6805(b)(2)



# Program Reviews, Sanctions, & Closeout



## CHAPTER 8

*In this chapter we discuss program reviews conducted at schools, sanctions and corrective actions, and procedures for schools that are ending their participation in one or more of the FSA programs.*

### PROGRAM REVIEWS BY THE DEPARTMENT

The Department of Education oversees the FSA programs to ensure they are administered properly. One way we do this is by conducting program reviews to confirm that schools meet FSA requirements for institutional eligibility, financial responsibility, and administrative capability. Program reviews identify compliance problems and suggest corrective actions.

If a school is cited in a program review for improperly disbursing FSA program funds or other serious violations, it must restore the funds as appropriate. In addition to having to restore the funds it dispersed in error, a school may also be subject to correction actions and sanctions such as fines, emergency action, limitation, suspension, or termination, as discussed later in this chapter.

A program review covers many of the same areas as an audit (see *Chapter 4*), including fiscal operations and accounting procedures as well as compliance with the specific program requirements for student eligibility and awards. However, program reviews are not conducted annually at every school; priority is given to schools that meet criteria specified in the law (see the sidebar note on the next page).

Department program reviewers will

- ◆ analyze school records and identify weaknesses in the school's procedures for administering FSA funds;
- ◆ determine how those weaknesses may subject FSA funds to potential or actual fraud, waste, and abuse;
- ◆ identify corrective actions that will strengthen the school's future compliance with FSA rules and regulations;
- ◆ quantify the harm from any failings of the school and identify liabilities where noncompliance has led to loss, misuse, or unnecessary spending of federal funds; and
- ◆ when necessary, refer schools for administrative action to protect the interests of students and taxpayers.

#### Related information

- Audit requirements—*Chapter 4*
- Updating the E-App for changes to programs and locations—*Chapter 5*

#### FSA assessments

To assess your school's compliance with the provisions of this chapter, see the FSA Assessment module for "Institutional Eligibility."

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

**Program review priority**

The law specifies that the Department gives priority in program reviews to schools that

- have a high cohort default rate or dollar volume of default,

- have a significant fluctuation in Pell Grant awards or FSA loan volume that is not accounted for by changes in the programs,
- are reported to have deficiencies or financial aid problems by the appropriate state agency or accrediting agency,
- have high annual dropout rates, or
- the Department determines may pose a significant risk of failing to comply with the administrative capability or financial responsibility requirements.

20 USC 1099c-1(a)(2)

**Access to records**

Access includes the right to copy records (including computer records), to examine computer programs and data, and to interview employees without the presence of management or the presence of the school's or a servicer's tape recorder.

**Access and examination cite**

34 CFR 668.24(f)

**Administrative subpoena authority**

HEA Sec. 490A

The Department has the authority to issue administrative subpoenas to assist in conducting investigations of possible violations of the provisions of FSA programs. In addition, the law authorizes the Department to request the Attorney General to invoke the assistance of any court of the United States for purposes of enforcing a subpoena if necessary.

**Scope of the review**

A program review may be either a general assessment review, a focused review, or a compliance assurance review. A general assessment review is the most common type of review and is normally conducted to evaluate the school's overall performance in meeting FSA administrative and financial requirements. A focused review is normally conducted to determine if the school has problems with specific areas of FSA program compliance. A compliance assurance review is a tool that is used to help validate the Department's risk assessment system.

For general assessment, compliance assurance, and some focused reviews, the review team will randomly select student files. In general, a sample consists of 15 students from each award year under review. The review team will analyze the academic file, student account ledger, student financial aid file, and admissions file for each student in the sample.

Reviewers will also examine school records that are not specific to individual students. These records include required policies and procedures, fiscal records, and consumer information (i.e., the school's website, school catalog[s], pamphlets, etc.).

It may be necessary for the reviewer to conduct interviews with school officials, including academic or education personnel or the registrar, admissions personnel, financial aid personnel, fiscal office personnel, placement officer, and/or campus security personnel. In addition, the reviewer may interview students.

**Location of the review**

Program reviews are typically conducted at the institution. However, in some circumstances institutions are asked to submit copies of selected records to the Department for review at its offices, and interviews are conducted via telephone rather than in person.

**Notification of the review**

Most reviews are announced up to 30 days prior to the review by a telephone call to the president and financial aid administrator. The school also receives written notice of the review and is asked to provide relevant materials prior to the start of the review (e.g., policies and procedures, consumer publications, a list of FSA recipients, etc.). The school will also be expected to make other records available on-site at the start of the review. In some cases, notice for the review is given the day before the review (via overnight delivery or fax), the morning of the review (via fax), or at the time the review team arrives at the school.

Schools are required to cooperate with the Department in the event of a program review and provide unrestricted access to any and all information requested to conduct the review. Failure to provide this access to the program review team may lead to an adverse administrative action.

## School Participation Division

The School Participation Divisions conduct program reviews and review compliance audits, financial statements, and initial eligibility and recertification applications to get a picture of a school's overall compliance. FSA's School Eligibility Service Group (SESG) coordinates the School Participation Divisions, which are staffed by personnel in the regions and in Washington, DC. Each division is assigned a portfolio of schools and is responsible for the oversight functions mentioned above for those schools.

The entire division will evaluate information on the school from a variety of sources to identify any compliance issues at the school. The division can then assess potential risk to the FSA programs and determine appropriate action. Once appropriate actions are decided upon, the person assigned to the school ensures that the recommended actions are taken.

School Participation Divisions will collect and review information on a school from many sources, including but not limited to:

- applications for recertification,
- financial and compliance audits,
- state agencies,
- accrediting agencies and licensing boards,
- student complaints, and
- Department databases.

A School Participation Division may decide to take actions that include but are not limited to

- renewing full recertification or awarding only provisional certification;
- initiating a program review;
- establishing liabilities;
- developing a strategy for providing technical assistance;
- transferring the school to the cash monitoring or reimbursement payment method (see *Volume 4: Processing Aid and Managing FSA Funds*);
- requiring a letter of credit; and
- referring the school for an enforcement action.

Actions do not always have to be negative. For example, the School Participation Division can recommend a school for participation in the Experimental Sites Program.

Such oversight provides the additional benefit of permitting a school to contact one team that will have all information on the school available in one place. For a list of phone numbers for the regional School Participation Divisions, go to the IFAP website (<http://ifap.ed.gov>) and click on Help > Contact Information > Federal Student Aid Offices.

### Communication with state agencies

The HEA requires that each state, through at least one state agency, must

- furnish the Department, upon request, with information regarding licensing and other authorization for a school to operate in that state;
- promptly notify the Department of revocations of licensure or authorization; and
- promptly notify the Department of credible evidence that a school has committed fraud in the administration of the FSA programs or has substantially violated a provision of the HEA.

Department's recognition of state agencies  
Sec. 495 of the HEA  
20 USC 1087–1(b)  
34 CFR 603

### Department obligations

For its part in program reviews, the Department is required to

- ◆ establish guidelines designed to ensure uniformity of practice in the conduct of program reviews;
- ◆ make copies of all review guidelines and procedures available to all participating schools;
- ◆ permit schools to correct administrative, accounting, or record keeping errors if the errors are not part of a pattern and there is no evidence of fraud or misconduct;
- ◆ base any civil penalty assessed against a school resulting from a program review or audit on the gravity of the violation, failure, or misrepresentation;
- ◆ inform the appropriate state and accrediting agency whenever it takes action against a school;
- ◆ provide schools an adequate opportunity to review and respond to any program review report and related materials before a final report is issued; and
- ◆ consider a school's response in any final program review report or audit determination and include in that (1) a written statement addressing the school's response, (2) a written statement of the basis for the report or determination; and (3) a copy of the school's response. [20 USC 1099c-1(b)]

### Entrance and exit/status conference

The review team will hold an entrance conference with school officials at the beginning of the review. The purpose of the entrance conference is to provide school officials with information about the review and the program review process and for reviewers to learn how federal student aid is processed at the school.

The review team will hold an exit or status conference at the end of a program review. The purpose of the exit conference is to inform school officials about the next steps in the process, summarize preliminary findings, advise school officials of any immediate changes that must be made, and/or provide details of any remaining outstanding items. If the fieldwork is not complete or the data has not been fully analyzed, a status meeting is conducted. A return visit may be necessary or an exit conference may be conducted via telephone after further analysis is completed.

### *Written report*

The program review team prepares a preliminary written report after completion of the review. In most instances, this report will be sent to the school within 75 days of the review. The school may respond to this report if it wishes to offer additional information to support its position or if it disagrees with any of the report's findings. When the Department has fully considered the school's response and any additional documentation provided by the school, the Department will send a Final Program Review Determination (FPRD) letter to the school.

### *Final Program Review Determination (FPRD)*

An FPRD is a report that includes each finding identified in the program review report, the school's response, and the Department's final determination. The FPRD may require the school to take further action to resolve one or more of the findings. This action may include making student level adjustments in COD and the G5 payment system, and paying liabilities to the Department, student, or lenders on behalf of the student.

Any funds the school owes as a result of the FPRD must be repaid within 45 days of the school's receipt of the FPRD unless the school submits an appeal to the Department or enters into a payment plan with the Department's Financial Management Group. The cover letter of the FPRD provides instructions on how to file an appeal. If payment or an appeal is not received within 45 days, the Department may elect to use administrative offset to collect the funds owed.

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### **Appealing audit and program review determinations**

The law allows for appeals of final audit or program review determinations. Note that only a final determination may be appealed. The letter conveying a final audit determination is clearly identified as a Final Audit Determination Letter and explains the appeals procedures. For a program review, the final determination letter is identified as a Final Program Review Determination Letter.

34 CFR Part 668 Subpart H

## Accrediting Agency Role

The goal of accreditation is to ensure that the education provided by postsecondary educational institutions meets an acceptable level of quality. The Department recognizes agencies that meet established criteria, and such recognition is a sign that an agency has been determined to be a reliable authority on the quality of the institutions or programs the agency accredits.

An accrediting agency can be recognized by the Department for institutional or programmatic accreditation. An institutional accreditation agency accredits an entire institution. A programmatic accrediting agency accredits specific educational programs, departments, or schools within an institution.

An agency must have standards that effectively address the quality of a school or program in the following areas

- Success with respect to student achievement in relation to mission, including, as appropriate, consideration of course completion, state licensing examination, and job placement rates
- Curricula
- Faculty
- Facilities, equipment, and supplies
- Fiscal and administrative capacity as appropriate to the specific scale of operations
- Student support services
- Recruiting and admissions practices, academic calendars, catalogs, publications, grading, and advertising
- Measures of program length and the objectives of the degrees or credentials offered
- Record of student complaints received by, or available to, the agency
- Record of compliance with the school's FSA program responsibilities, based on items such as default rate data and the results of compliance audits and program reviews and any other information that the department may provide to the agency
- Any additional accreditation standards the accrediting agency deems appropriate

There are many additional statutory requirements a national accrediting agency must meet to qualify for recognition. For example, an accreditation agency must

- consistently apply and enforce standards for accreditation that ensure that the education or training offered by an institution or program, including any offered through correspondence or distance education, is of sufficient quality to achieve its stated objectives for the duration of the school's accreditation period;
- perform, at regularly established intervals, on-site inspections and reviews of institutions of higher education (that may include unannounced site visits), with particular focus on educational quality and program effectiveness;
- agree to submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration prior to any other legal action; and
- if it is an institutional accrediting agency, maintain adequate substantive change policies that ensure that any substantive change to the educational mission, program, or programs of an institution after an agency has accredited or preaccredited the institution do not adversely affect the capacity of the institution to continue meeting the agency's standards.

Information and a complete list of agencies recognized by the Department can be found at

**[www.ed.gov/admins/finaid/accred/index.html](http://www.ed.gov/admins/finaid/accred/index.html)**.

Department's recognition of accrediting agencies  
Sec. 496 of the HEA  
20 USC 1099b  
34 CFR 602

## CORRECTIVE ACTIONS AND SANCTIONS

### Sanctions

Sanctions include emergency actions, fines, limitations, suspensions, and terminations (see descriptions on next page). The Department may initiate actions against any school that

- ◆ violates the law or regulations governing the FSA programs, its Program Participation Agreement, or any agreement made under the law or regulations; or
- ◆ substantially misrepresents the nature of its educational programs, its financial charges, or its graduates' employability. For details on misrepresentation, see *Chapter 6*.

In addition, the Department has the authority to terminate a school or program that no longer meets the eligibility criteria given in *Chapter 1*.

Similarly, the Department may also sanction a third-party servicer that performs functions related to the FSA programs. Further, the Department has the authority to sanction a group of schools or servicers if it finds that a person or entity with substantial control over all schools or servicers within the group has violated any of the FSA program requirements or has been suspended or debarred from program participation. See *Chapters 1* and *4*.

### Criminal penalties

The law provides that any person who knowingly and willfully embezzles; misapplies; steals; obtains by fraud, false statement, or forgery; or fails to refund any funds, assets, or property provided or insured under Title IV of the Higher Education Act; or attempts to commit any of these crimes will be fined up to \$20,000 or imprisoned for up to five years, or both. If the amount of funds involved in the crime is \$200 or less, the penalties are fines up to \$5,000 or imprisonment up to one year, or both.

Any person who knowingly and willfully makes false statements, furnishes false information, or conceals material information in connection with the assignment of an FSA program loan or attempts to do so, will, upon conviction, be fined up to \$10,000 or imprisoned for up to one year, or both. This penalty also applies to any person who knowingly and willfully

- ◆ makes, or attempts to make, an unlawful payment to an eligible lender of loans as an inducement to make, or to acquire by assignment, a loan insured under such part.
- ◆ destroys or conceals, or attempts to destroy or conceal, any record relating to the provision of FSA program assistance with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under this part.

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### Regulations on corrective actions and sanctions

For details on steps that a school should follow in any of these situations, see Subpart G of the general provisions regulations and Section 600.41 of the institutional eligibility regulations.

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### Actions due to program violations or misrepresentation

If a school has violated the FSA program regulations, the Department may (at its sole discretion) allow the school to respond to the problem and indicate how it will correct it. However, if the school has repeatedly violated the law or regulations, or the Department has determined that the violations are egregious, the Department may take an emergency action, fine the school, or initiate a limitation, suspension, or termination of FSA program participation.

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### Criminal penalties

HEA Sec. 490

## Corrective Actions and Sanctions

### Emergency action

The Department may take an emergency action to withhold FSA program funds from a school or its students if the Department receives information, determined by a Department official to be reliable, that the school is violating applicable laws, regulations, special arrangements, agreements, or limitations. To take an emergency action, the Department official must determine that

- the school is misusing federal funds.
- immediate action is necessary to stop this misuse.
- the potential loss outweighs the importance of using established procedures for limitation, suspension, and termination.

The school is notified by registered mail (or other expeditious means) of the emergency action and the reasons for it. The action becomes effective on the date the notice is mailed.

An emergency action suspends the school's participation in all FSA programs and prohibits the school from disbursing FSA program funds or certifying FFEL applications. The action may not last more than 30 days unless a limitation, suspension, or termination proceeding is initiated during that period. In that case, the emergency action is extended until the proceeding, including any appeal, is concluded. The school is given an opportunity to show cause that the action is unwarranted.

### Fine

The Department may fine a school up to \$57,317 for each statutory or regulatory violation. In determining the amount of the fine, the Department considers the gravity of the offense, the nature of the violation, and the school's size. The school is notified by certified mail of the fine action, the amount of the fine, and the basis for the action. A school has 20 days from the date of mailing to submit a written request for a hearing or to submit written material indicating why the fine should not be imposed.

### Limitation

Under a limitation, which lasts for at least 12 months, the Department imposes specific conditions or restrictions upon a school and its administration of

the FSA programs. As a result, the school is allowed to continue participating in those programs. If the school fails to abide by the limitation's conditions, a termination proceeding may be initiated.

### Suspension

A suspension removes a school from participation in the FSA programs for a period not to exceed 60 days (unless a limitation or termination proceeding has been initiated or the Department and the school agree to an extension). A suspension action is used when a school can be expected to correct an FSA program violation in a short time.

### Corrective action

As part of any fine, limitation, or suspension proceeding, the Department may require a school to take corrective action. This may include making payments to eligible students from its own funds or repaying illegally used funds to the Department. In addition, the Department may offset any funds to be repaid against any benefits or claims due the school.

### Termination

A termination ends a school's participation in the FSA programs. A school that has violated the law or regulations governing the FSA programs, its PPA, or any other agreement made under FSA regulations and was terminated from participating in the FSA programs generally may not apply to be reinstated for at least 18 months.

### Possibility of reinstatement

A school requesting reinstatement in the FSA programs must submit a fully completed E-App to the Department and demonstrate that it meets the standards in 34 CFR Part 668. As part of the reinstatement process, the school must show that it has corrected the violation(s) on which its termination was based, including repaying all funds (to the Department or to the eligible recipients) that were improperly received, disbursed, caused to be disbursed, or withheld. The Department may approve the request, deny the request, or approve the request subject to limitations (such as granting the school provisional certification). If the Department approves the reinstatement request, the school will receive a new ECAR and enter into a new PPA.

## CLOSEOUT PROCEDURES (WHEN FSA PARTICIPATION ENDS)

A school may stop participating in the FSA programs voluntarily or may be required to leave involuntarily, as described below. In either situation, it must follow the closeout procedures specified in the FSA regulations.

### *Involuntary withdrawal from FSA participation*

A school's participation ends in the following circumstances:

- ◆ The school closes or stops providing instruction for a reason other than normal vacation periods or as a result of a natural disaster that directly affects the school or its students
- ◆ The school loses its accreditation
- ◆ The school loses its state licensure
- ◆ The school loses its eligibility
- ◆ The school's ppa expires
- ◆ The school's participation is terminated under subpart G
- ◆ The school's provisional certification is revoked by the department
- ◆ The school's cohort default rate exceeds allowable limits
- ◆ The school files a petition for bankruptcy or the school, its owner, or its ceo is responsible for a crime involving FSA funds

### **Notification requirement**

34 CFR 600.40

...

(d) Except as otherwise provided in this part, if an institution ceases to satisfy any of the requirements for eligibility under this part—

- (1) It must notify the Secretary within 30 days of the date that it ceases to satisfy that requirement; and
- (2) It becomes ineligible to continue to participate in any HEA program as of the date it ceases to satisfy any of the requirements.

**Definition of commitment**

A commitment under the Pell and TEACH grant programs occurs when a student is enrolled and attending the school and has submitted a valid Student Aid Report to the school or when a school has received a valid institutional student information report.

A commitment under the Campus-Based Programs occurs when a student is enrolled and attending the school and has received a notice from the school of the amount that he or she can expect to receive and how and when that amount will be paid.

34 CFR 668.26(e)(1)

**Effect on student eligibility for interest subsidies**

A student enrolled at a school that loses eligibility or discontinues participation in the Direct Loan program can continue to receive interest subsidies if the student enrolls and remains enrolled at an eligible school.

**Closeout procedures**

In general, a school that ceases to be eligible must notify its School Participation Division within 30 days of its loss of eligibility to participate in the FSA programs. The school must also do the following:

- ◆ Within 45 days of the effective ending date of participation, submit to the Department all financial reports, performance reports, and other reports, as well as a dated letter of engagement for an audit by an independent certified public accountant of all FSA program funds received. The completed audit report must be submitted to the Department within 45 days after the date of the letter of engagement.
- ◆ Report to the Department on the arrangements for retaining and storing (for the remainder of the appropriate retention period described in *Chapter 7*) all records concerning the school's management of the appropriate FSA programs.
- ◆ Tell the Department how the school will provide for collecting any outstanding federal loans held by the school.
- ◆ Refund students' unearned FSA student assistance. (See *Volume 5, Chapter 2*.)
- ◆ Liquidate its Perkins Loan portfolio and fund if it participated in the Perkins Loan program. (See *Volume 6, Chapter 5*.)

In addition, a school that closes must refund to the federal government or, following written instructions from the Department, otherwise distribute any unexpended FSA funds it has received (minus its administrative cost allowance, if applicable).

**Unpaid commitments and loss of program eligibility**

If a school's participation ends during a payment period or if a program loses its eligibility, but the school continues to provide education in the formerly eligible program until the end of the payment or enrollment period, the school may use FSA funds it possesses to

- ◆ satisfy unpaid Pell Grant or Campus-Based Program commitments made to students for that payment period or for previously completed payment periods before the school's participation ended;
- ◆ use the FSA funds in its possession to satisfy unpaid Direct Loan commitments made to students for that period of enrollment before participation ended by delivering subsequent Direct Loan disbursements to the students or by crediting them to their accounts (if the first disbursement already was delivered or credited to the students' accounts before the school's participation ended).

**Note:** The school may request additional funds from the Department to meet these commitments.

## Teach-out plan

A school must submit a teach-out plan to its accrediting agency if

- the Department initiates an emergency action or initiates the limitation, suspension, or termination of the school's participation in any FSA program;
- the school's accrediting agency acts to withdraw, terminate, or suspend the accreditation or preaccreditation;
- the school's state licensing or authorizing agency revokes the institution's license or legal authorization to provide an educational program;
- the school intends to close a location that provides 100% of at least one program; or
- the school otherwise intends to cease operations.

## Closure of a branch or location

A separate closeout audit is not required if a school closes an additional location or a branch campus because the next due compliance audit for the school must report on the use of FSA program funds at the closed location. However, the school must notify the Department of the additional location or branch closure. See *Chapter 5* for information on reporting information to the Department.

## Loss of eligibility or withdrawal from the Direct Loan Program

If a school is notified that it has lost its eligibility to participate in the Direct Loan Program and the school does not intend to appeal the decision, it must immediately inform all current and prospective students of its loss of eligibility. The school must also explain that it can no longer originate Direct Loans for students or parents. If the school appeals its loss of eligibility within the required timeframe, the school may continue originating Direct Loans during the appeal process. Once a final decision on the appeal is made, the school must take the actions described in the Department's final appeal determination letter.

If a school plans to withdraw from participation in the Direct Loan Program, it must notify the Department of its decision in writing. Once the effective date of withdrawal has been established, the school is prohibited from disbursing loan funds to the student. However, if your school made a first disbursement to the student before it lost eligibility, it may still be able to make a subsequent disbursement to that student. See the conditions in 34 CFR 668.26(d).

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### Teach-out plan

34 CFR 668.14(b)(31)

*Federal Register* October 29, 2009

Also see:

Teach-out plan definition

34 CFR 600.2

Eligibility of additional locations for teach-out purposes

34 CFR 600.32(d)

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### Recovery of loan discharges when branch/location closes

If an additional location or branch of an institution closes and borrowers who attended the school obtain loan discharges by reason of the closure of the location or branch (or improper ATB or loan certifications), the Department will pursue recovery against the larger institution, its affiliates, and its principals.

20 USC 1087(c)(1)

## End of FSA Participation

### *School closes or stops providing instruction*

If the school closes its main campus or stops providing instruction on its main campus, its loss of eligibility includes all its locations and programs.

If a school ceases to provide educational instruction in all FSA-eligible programs, the school should make arrangements for its students to complete their academic programs. If the school chooses to enter into a formal teach-out arrangement, it should contact its school participation division for guidance.

### *School loses eligibility*

A school loses its eligibility to participate in the FSA programs when it no longer meets the requirements of 34 CFR Part 600, certain requirements of Part 668, or when the Department terminates the school under Subpart G of the General Provisions.

### *Voluntary withdrawal from FSA participation*

For many reasons a school may voluntarily withdraw from participating in one or all of the FSA programs. For instance, a school might wish to withdraw from the Direct Loan Program to work on lowering high student loan cohort default rates. To withdraw from one or all of the FSA programs, the school must notify the Department via the electronic application. The school participation division has more information about this procedure.

A school that withdrew voluntarily (for instance, to lower its default rate) can request to participate again without the waiting period required for a school that was terminated from the program involuntarily or withdrew voluntarily while under a show cause or suspension order.

Withdrawing from the FSA programs while under a termination order or other sanction—or to avoid being placed under them—is not considered a voluntary withdrawal.

### *School loses primary accreditation*

When a school loses its institution-wide accreditation, the Department generally may not certify or recertify that school to participate in any FSA program for two years after the school has had its accreditation withdrawn, revoked, or otherwise terminated for cause or after a school has voluntarily withdrawn under a show cause or suspension order. If a school wishes to be reinstated, it must submit a fully completed E-App to the Department.

The Department will not recertify a school that has lost its institution-wide accreditation in the previous two years unless the original accrediting agency rescinds its termination of the school's accreditation. Also, if a school voluntarily withdrew from accreditation during the last two years under a show cause or suspension order, the Department will not recertify the school unless the accrediting agency rescinds the original order. Finally, a school may not be recertified on the basis of accreditation granted by a different accrediting agency during the two-year period.

There are two exceptions to the two-year rule:

1. If the Department determines that loss of institution-wide accreditation was due to the school's religious mission or affiliation, the school can remain certified for up to 18 months while it obtains alternative accreditation.
2. If a school's institution-wide accrediting agency loses its Department recognition, the school has up to 18 months to obtain new accreditation.

**Note:** It is possible for accreditation to be withdrawn from one of the programs at a school without affecting the accreditation (and eligibility) of other programs at the school.

# Introduction



*This volume of the Federal Student Aid (FSA) Handbook discusses how to calculate, award, and disburse the proper amounts for the various Title IV programs.*

## RECENT CHANGES

Here are some of the significant changes to Volume 3 for the 2018-19 award year:

### Chapter 2

- Clarified treatment of costs for attending a conference, when a conference is a standard part of a student's program.

### Chapter 3

- E-Announcement link and updated dates added to The Sequester and Iraq & Afghanistan Service Grants sidebar.
- Updated Pell Grant award amounts throughout for 2018-19.
- Added links for 2018-19 Pell Grant payment schedules and related Dear Colleague Letters.
- Clarified guidance on rounding Pell awards—FAAs may round up twice in a row, but only if the amount calculated for the following term is different, for example, due to a change in enrollment status.
- Added link to the 2018-19 SAR Comment Code Guide, for purposes of identifying students eligible for additional aid eligibility for children of soldiers (Zero EFC & IASG).
- New sidebar added: SAR Comment Code 298.
- Added DCL citation to Crossover payment periods sidebar.
- Expanded and updated Year-Round Pell guidance.

## Program and systems information online

### <https://fsadownload.ed.gov>

Software:

- Direct Loan tools
- EDconnect
- EDExpress for Windows
- SSCR for Windows

Technical References and User Guides for:

- CPS (ISIR, Summary of Changes, etc.)
- COD
- Electronic Data Exchange
- EDExpress Packaging

### <https://ifap.ed.gov>

- Federal Registers
- Electronic Announcements
- Dear Partner/Colleague Letters
- FSA Assessment modules

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**Comments? Questions?**

If you have any comments or questions regarding the FSA Handbook, please contact Research and Publications via email at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov).

- Added new examples illustrating Year-Round Pell awards for semester based and clock-hour based programs.
- Added link to 2018-19 ISIR Guide in Pell/IASG LEU sidebar.
- Added new guidance on restoring Pell eligibility for students who attended closed schools.
- Sidebar on Children of Fallen Heroes Act added.
- Added new guidance on making changes to Pell awards due to changes in LEU.

**Chapter 4**

- Added E-Announcement link to The Sequester and TEACH Grants sidebar.

**Chapter 5**

- Revised guidance on 150% Rule/Subsidized Usage Limit Applies (SULA).
- Expanded the list of common mistakes in reporting and tracking the 150% limit/SULA.
- Added new sidebar: New COD SULA edit codes.

**Chapter 6**

- Added DCL link to GEN-17-10, describing wind-down of Perkins program.

# Academic Calendar, Payment Periods & Disbursements

## CHAPTER 1

*Award limits are generally connected to a period of time and to credit or clock-hours attended. For instance, all of the programs except Federal Work-Study (FWS) have a maximum amount that can be awarded for an academic year or award year. Measurement of time is important for another reason—in most cases, awards from the Federal Student Aid (FSA) programs must be paid in at least two installments. For most programs, the amount and timing of the payments is based on the academic terms or payment periods in the program.*

### ACADEMIC YEAR REQUIREMENTS

Every eligible program, including graduate programs, must have a defined academic year. The academic year is one component used in determining the student's eligibility for Title IV aid.

A school may have different academic years for different academic programs. For example, a school may choose to define the academic year for a term-based program differently from a non-term program. In some cases, the definition *must* be different, such as in the case of a clock-hour program and a credit-hour program. For FSA purposes, the academic year is defined in weeks of instructional time and for undergraduate programs in credit or clock-hours. The program's academic year does not have to coincide with a program's academic calendar.

A school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version. If your school establishes separate versions of a program, with different academic years, but allows individual students to take courses from both versions, your school must be able to demonstrate in which program the student is actually enrolled. Generally, to be considered enrolled in a particular program or version of a program, a student must be taking the majority of his or her coursework in that program. Although a school may have different academic years for different programs, it must use the same academic year definition for **all** FSA awards for students enrolled in a particular program, and for all other FSA program purposes.

#### *Weeks of instructional time in an academic year*

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time. The number of weeks of instructional time is based on the period that begins (generally, see below for an exception) on the first day of classes in the academic year and ends on the last day of classes or examinations.

For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction,

### CHAPTER 1 HIGHLIGHTS

#### Academic Year requirements

#### Academic calendars & terms

#### Payment periods

#### Grant programs

- Standard and nonstandard terms
- Clock-hour and non-term credit-hour

#### Direct Loan program

- Standard terms and substantially equal nonstandard terms
- Clock-hour, non-term credit-hour, and nonstandard terms not substantially equal in length

#### "Successfully complete"

#### "Substantially equal" terms

#### Direct Assessment payment periods

#### Disbursement issues

#### Payment period completion requirements

#### Timing of disbursements

#### Related topics

Payment periods when student re-enters a program after withdrawing—see *Volume 5, Chapter 2*.

Annual loan limit progression—see *Volume 3, Chapter 5*.

### 2017-18 COD Technical Reference

November 20, 2017 E-Announcement   
 COD School Relations Center:  
 Grants (800) 474-7268  
 Direct Loans (800) 848-0978  
 CODsupport@ed.gov

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## Citations

Award Year: 34 CFR 600.2  
 Academic Year: 34 CFR 668.3  
 Payment Period: 34 CFR 668.4  
 Weeks of instructional time: 34 CFR 668.3(b)  
 Weeks of instructional time are used in the Pell Grant and Direct Loan calculations (*Chapters 3 and 5* of this volume).

Note that the Department has not set a regulatory standard for the number of hours of instructional time that make up one day of instruction. This has been left to the reasonable interpretation of schools and their accrediting agencies.

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## Reductions in academic year

34 CFR 668.3(c)  
 HEA Sec. 481(a)(2)(B)  
 Schools that provide 2- or 4-year associate or baccalaureate degree programs may apply to ED if they want to establish a full academic year of less than 30 weeks of instructional time. ED is permitted to grant a reduction for good cause to no less than 26 weeks of instructional time. These requests are handled on a case-by-case basis (send requests to your School Participation Divisions).

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## Weeks of instructional time in distance education and competency-based programs

DCL GEN-14-23  
 Q&A #8 in the DCL applies to both distance education and CBE programs.

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## Minimum program length

Although most programs are at least one academic year in length, some eligible programs are shorter than an academic year. See *Volume 2, Chapter 2* for more detail on the requirements for such programs.

examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination. Therefore, the weeks of instructional time may be less than the number of calendar weeks that elapse between the first day of classes and the last day of classes or examinations.

### Weeks of instructional time:

- Cannot overlap, and a school cannot use a single day of scheduled instruction, exams, or study time to create more than one week of instruction;
- May begin and end on a day other than Monday, provided that each week of instructional time comprises a seven consecutive day period (for example, a Wednesday through the following Tuesday) which includes at least one day of scheduled instruction, exams, or study time, as required by the regulations; and
- May begin up to six days prior to the first day of scheduled instruction or exams in a payment period.

### *Credit or clock-hours in an academic year*

The law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year in an *undergraduate* educational program (including direct assessment programs):

- 24 semester or trimester credit-hours or 36 quarter credit-hours for a program measured in credit-hours; or
- 900 clock-hours for a program measured in clock-hours.

There is no minimum hours component to the definition of an academic year for *graduate and professional* programs.

For purposes of Direct Loans, a loan period certified for an academic year in a graduate or professional program would include the weeks of instructional time in the academic year and the hours a full-time student is expected to complete in those weeks. See *Chapter 5* for more details on loan limits.

### *Awards are affected when a program does not meet one of the academic year standards*

The FSA academic year that a school defines for a program has to meet the regulatory minimums for both clock or credit-hours AND weeks of instructional time. In some instances, the academic year may not coincide with the academic calendar of the school. These cases may affect Pell Grants and loan disbursements, and, in Direct Loans, annual loan limits and annual loan limit progression.

For example, awards would be affected if a program is an academic year in length in credit or clock-hours but not in weeks of instructional time. Also, for a program longer than an academic year in length, awards would be affected if the completion of the credit or clock-hours in the program's academic year does not coincide with completing the weeks of instructional time in the academic year.

## Counting Weeks of Instructional Time

August						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	(23)	24	25	26	27	28
29	(30)	31				

September						
			1	2	3	4
5	(6)	7	8	9	10	11
12	(13)	14	15	16	17	18
19	(20)	21	22	23	24	25
26	(27)	28	29	30		

October						
				1	2	
3	(4)	5	6	7	8	9
10	(11)	12	13	14	15	16
17	(18)	19	20	21	22	23
24	(25)	26	27	28	29	30
31						

November						
	(1)	2	3	4	5	6
7	(8)	9	10	11	12	13
14	(15)	16	17	18	19	20
21	(22)	23	24	25	26	27
28	(29)	30				

December						
			1	2	3	4
5	(6)	7	8	9	10	11
12	(13)	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

This graphic illustrates how you would count weeks of instructional time in a standard semester term where classes are held Monday through Friday. In this hypothetical term,\* August 1st is a Sunday, and classes begin on August 23rd and end December 10th, with examinations held December 13th-17th.

The circles indicate the points at which each of the weeks of instructional time begin. There are 17 weeks of instructional time.

There are no classes on Labor Day (September 6th), Veterans Day (November 11th), nor during Thanksgiving break (November 24th-26th), however, each of these weeks still counts as a week of instructional time (as does the week of exams in December), since each includes at least one day of qualified instruction.

If a week in the term has no days of instruction, examination, or (after the last day of classes) study for examination, that week does NOT count as a week of instructional time. For example, a week comprised entirely of vacation days is not a week of instructional time.

\*Note that this example is not meant to illustrate any specific calendar year.

## Typical length of standard terms

For additional information on this topic, see the preamble to the General Provisions regulations (published November 29, 1996 page 60581).

## Credit-hour definition

34 CFR 600.2

DCL GEN-11-06

A credit-hour is now formally defined, for Title IV aid purposes, as an amount of work that **reasonably approximates** not less than:

1. One hour of classroom or direct faculty instruction and a minimum of two hours of out-of-class student work each week for approximately fifteen weeks for a semester or trimester hour, or ten to twelve weeks for one quarter-hour of credit (or the equivalent amount of work over a different amount of time); or
2. At least an equivalent amount of work as required in #1 for other academic activities such as laboratory work, internships, practica, studio work, or other academic work leading to the award of credit-hours.

Note that the classroom/direct faculty instruction time and out-of-class student work requirement in #1 does not mean you must have a certain number of hours of those specific types of instruction every week; it is an average required over the length of the course and may be institutionally established equivalencies that **reasonably approximate** the minimum standard using different measures of student work.

You may set a higher standard that requires more student work per credit-hour, and you may use a measure or metric different from this definition for academic and non-federal aid purposes.

If the program in question is using the clock-hour to credit-hour conversion formula, the above guidance does not apply to the definition of a credit-hour.

## ACADEMIC CALENDARS & TERMS

Schools offer programs with many kinds of academic calendars that differ from the traditional fall-spring school year. For purposes of the FSA programs, there are three basic types of academic calendars: standard term, nonstandard term, and non-term.

Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame, and academic progress is measured in credit-hours. However, if these periods overlap within a program, they may not be treated as a term-based program for FSA purposes. Term-based programs can have either standard terms or nonstandard terms.

If any of the terms in a program contain a class or classes which begin and/or end a total of more than 2 weeks before or after the start of a standard term, the program must be considered a nonstandard term program for Title IV purposes.

### *Standard terms: semesters, trimesters, and quarters*

Semesters and trimesters are terms that are generally 15 to 17 weeks long. An academic calendar that uses semesters traditionally has two terms, in the fall and spring, and a trimester academic calendar traditionally has three terms, in the fall, spring, and summer. Academic progress is measured in semester credit-hours, and full-time is at least 12 semester credits. Similarly, quarter terms are approximately 10 to 12 weeks in length and the academic calendar includes three quarters in the fall, winter, spring, and often a summer term. Academic progress is measured in quarter credit-hours, and full-time is at least 12 quarter credits.

You may combine shorter terms or modules to meet the requirements of a standard term such as a semester. For example: a program is offered in 8 nonstandard terms, each 6 weeks in length, and students earn 6 quarter credits in each term. You may choose to combine each consecutive pair of nonstandard terms and consider the program to be offered in 4 quarters.

In certain limited cases for academic programs offered in standard terms, a short nonstandard term may be treated as part of one of the standard terms, and the combined terms may be considered to be a single standard term. For example, a program is offered in a calendar consisting of two 15-week semesters and a 4-week intersession. To consider the program as consisting only of semesters, the intersession may be treated as part of one of the two semesters as long as the same treatment is applied for all FSA purposes to all students enrolled in the program. In addition, hours taken in the intersession must count toward a student's enrollment status for the combined term and costs for the intersession must be appropriately included in the cost of attendance.

If you choose not to combine a nonstandard term in this manner, the program must be treated as a non-term program for Direct Loans, and a Formula 3 program for Pell and TEACH Grants. The fact that you did not combine the term does not negate the requirement that a student must be considered for Title IV aid if enrolled and eligible in the term.

Periods of clinical work such as medical and education program work which is conducted outside the classroom may not be included in a standard term, unless **all** of the following apply:

- All students in the program must participate in practicum or clinical experience and its completion is required for graduates to apply for licensure or authorization or practice occupation those students intend to pursue;
- The school has little or no control over the length or start/end dates of practicum or clinical experience. This may be due to constraints imposed by outside licensing bodies, or the need to accommodate schedules of entities with which students are being placed (e.g., school districts or hospitals, etc.); and
- Credit hours associated with practicum or clinical experience must be associated with the term in which most of the training occurs, even if starting and ending dates do not exactly align with term dates and/or overlap with another term.

If the clinical work meets all of the above criteria, terms which include such clinical work are not required to be considered nonstandard, nor are such programs required to be considered nonterm, even if the clinical work overlaps another term. This flexibility is limited to required clinical periods associated with standard term programs in medicine (allopathic, osteopathic, nursing and veterinary), pharmacy, physical therapy, and student teaching required to obtain a state teaching certificate.

### *Nonstandard terms*

Nonstandard terms are terms (where all coursework is expected to begin and end within a set period of time) that are not semester, trimester, or quarter terms. In some cases, the terms may be of unequal length, though it is also possible for programs with terms of equal length to be considered nonstandard. For instance, a school could offer a program with six consecutive 5-week modules, with each module counting as a nonstandard term.

Unlike standard terms, the length of the term is not necessarily associated with the type of credit-hours awarded. Some nonstandard terms are the length of a semester (15-17 weeks) but award quarter credits. Others are the length of a quarter (10-12 weeks) but award semester credits.

### *Non-term characteristics*

If a program measures progress in clock-hours, it is always treated as a non-term program. A program that measures progress in credit-hours is considered to be using a non-term calendar if it has:

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

### **Credits and nonstandard terms**

Remember, just because progress in a program is measured in semester or quarter credits, this does not necessarily mean that the program is offered in semester or quarter terms. Also, even though a school may label a term as a quarter, semester, or trimester, it may be considered a nonstandard term for FSA purposes if it does not conform to the FSA standards for a semester, trimester, or quarter.

### **Combining terms examples**

See the example at the end of this section for guidance on combining concurrent and consecutive terms.

### **Credit to clock-hour conversion**

34 CFR 668.8(k) & (l)

Credit Hour Q&As

For more on credit hour to clock-hour conversion, see *Volume 2, Chapter 2*.

### **Open entry–term or non-term?**

If a student whose academic program is term-based is enrolled primarily in non-term coursework (i.e., open-entry/exit courses), you must award and disburse aid to the student using non-term rules, for example:

- Calculating the student's Pell Grant using a Pell formula appropriate for the student's enrollment;
- Using a borrower-based academic year (BBAY) when awarding loans to the student; and
- Withholding a second disbursement until the student has successfully completed the coursework and half of the weeks of instructional time.

### Combining concurrent terms

Grace University offers a program in both 15-week terms and 8-week terms. Grace University combined two 8-week terms with a 15-week term to make each semester; each semester provides 16 weeks of instructional time.\*



### Combining consecutive terms

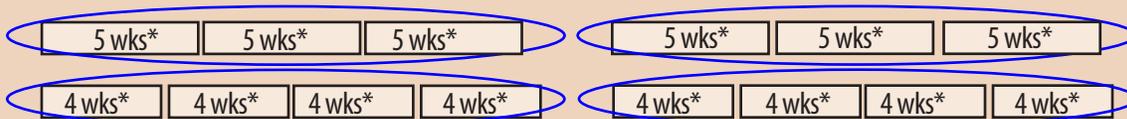
Dunston College offers a separate degree program in education with a 4-week\* intersession between two 15-week\* semesters. The terms don't overlap. Dunston College has defined the academic year for this program as 24 semester hours and 34 weeks of instructional time. Dunston College could combine the intersession with one of the standard terms, and, for purposes of FSA programs, treat the program as being offered in two semesters:



Dunston College can also choose not to combine the terms. In this case, the program would have a 4-week nonstandard term and two semesters. For certain FSA program requirements, this may mean you will treat all terms in a nonstandard term manner, or as part of a non-term program. For more details, see discussion on previous pages.

### Treatment of modules

A school may choose to group modules together and treat the entire period as a term. (For example, grouping three five-week\* modules together may create a 15-week\* semester; or grouping four one-month modules into a 16-week semester would be acceptable.)



On the other hand, programs that are offered in modules may sometimes be counted as programs measured in nonstandard terms. For example, in a program that offers six 5-week modules, each module could be treated as a nonstandard term. In addition, a school may choose to consider a program that consists of consecutive modules as a non-term program. Whatever academic calendar your school adopts for a program, you must apply it to all students enrolled in that program and document the program's treatment in your policies and procedures manual.

\*Weeks in these examples are weeks of instructional time, as defined earlier in this chapter.

## PAYMENT PERIODS

The definition of a payment period is applicable to all FSA programs except FWS. The common definition is integral to requirements for the administration of FSA funds. For example, FSA program disbursements (except FWS payments) must be made on a payment period basis. Another example is that a student's satisfactory academic progress (SAP) evaluation is required to correspond with the end of a payment period.

For clock-hour programs, the payment period is defined not only in clock-hours but also in weeks of instructional time. A student must successfully complete the clock-hours and weeks of instructional time in a payment period to progress to the next payment period.

For Pell Grants and Direct Loans, the payment period for clock-hour programs and non-term credit-hour programs, are defined in clock or credit-hours and weeks of instructional time (as has been the case for the other FSA programs). This also is the case for nonstandard term Direct Loans programs with terms not substantially equal in length. Previously for such programs, second disbursements in loan periods were based on the calendar midpoint of the academic year. A student must successfully complete the clock-hours and weeks of instructional time in a payment period to progress to the next payment period (as has been the case for annual loan limit progression and for grant payment period progression in clock-hour and non-term credit-hour programs).

For FSA purposes, you will use either "term-based" payment periods (the payment period is the term), or payment periods based on the completion of credit or clock-hours and weeks of instructional time. The payment period you use depends on the kind of academic calendar your school uses, as described here, and the FSA program for which you are disbursing funds.

### *Programs using standard terms or substantially equal nonstandard terms (term-based)*

For credit-hour programs that use standard terms, or that use nonstandard terms that are substantially equal in length (see sidebar), the payment period is the term itself.

### *Programs with nonstandard terms not substantially equal in length*

For purposes of Pell Grants, TEACH Grants, and FSEOGs, if the program uses nonstandard terms, the payment period is the term. This includes terms that are not substantially equal in length.

For Direct Loans, if a credit-hour program has nonstandard terms that are not substantially equal in length, use the non-term payment periods described in the following section, under "Clock-hour and non-term programs."

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## Payment periods

34 CFR 668.4

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### Two payment period limit in an academic year or program

Unless you are using terms as payment periods under FSA rules, there are no more than two payment periods in the lesser of the program, the academic year, or the remainder of the program.

You may make multiple disbursements within a single payment period; however, schools should note that making multiple disbursements within a payment period does not create a new or additional payment period.

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### "Successfully Completes"

34 CFR 668.4(h)(2)

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

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### "Substantially Equal in Length"

34 CFR 668.4(h)(1)

For purposes of measuring payment periods in programs offered in nonstandard terms, "substantially equal" means that no term in the program is more than 2 weeks of instructional time longer than any other term in that program. "Not substantially equal in length" means nonstandard terms that have at least 1 term more than 2 weeks of instructional time longer than another in the same program.

### Direct Loan payment periods for graduate/professional students (clock-hour, non-term, etc.)

For a graduate or professional student in a clock-hour or non-term program, or a program with terms not substantially equal in length, the Direct Loan payment period is 1/2 of what a full-time student would be expected to complete, in both weeks of instructional time and credit or clock-hours. This policy also relates to annual loan limit progression for graduate or professional students (for more on loan limits, see *Chapter 5* of this volume).

### Unable to determine completion of hours in payment period

34 CFR 668.4(c)(3)

If your school is tracking progress by clock or non-term credit-hours and is unable to determine when a student has successfully completed half of the credit or clock-hours in a program, academic year, or remainder of a program, the student is considered to have begun the second payment period of the program, academic year, or remainder of a program at the later of the date (identified by the school) that the student has successfully completed:

- half of the academic coursework in the program, academic year, or the remainder of the program; **or**
- half of the number of weeks of instructional time in the program, academic year, or the remainder of the program.

### Clock-hour programs with terms

The payment periods for clock-hour programs that use terms are determined in the same way as for non-term clock-hour programs. The student must successfully complete all the clock-hours in the payment period before receiving any more FSA funds. If a student doesn't complete all the hours scheduled for a term, each payment period still contains the number of clock-hours originally scheduled, even if this means that none of the student's succeeding payment periods coincide with the terms.

### Clock-hour and non-term programs

The following types of programs must use payment periods that are based on the time it takes for the student to successfully complete the credit or clock-hours and weeks of instructional time in the payment period:

- non-term credit-hour programs,
- clock-hour programs, and
- for Direct Loan purposes, nonstandard term credit-hour programs with terms not substantially equal in length

*If you are determining the payment periods for a program for which one of the measures (either clock or credit-hours or length of instructional time) is less than an academic year and the other measurement is not, the program is considered less than an academic year in length, and you follow the payment period rules for a program that is less than an academic year.*

*If the program is one academic year or less, the academic year or program is divided into two payment periods. The first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the program. The second payment period is the period in which the student completes the remainder of the program.*

*If the program is more than one academic year in length:*

- Use the rule for one academic year (above) for each full academic year in the program.
- For any remaining portion of a program that is half of an academic year or less, the remaining portion is treated as a single payment period.
- For any remaining portion of a program that is more than half of an academic year but less than a full academic year, the remaining portion is divided into two payment periods and the first payment period is the period in which the student successfully completes half of the credit or clock-hours AND half of the weeks of instructional time in the remaining portion.

## Appendix A: Nonterm Examples

### Nonterm Example 1: Clock-hour program

A student enrolls in a clock-hour program with an academic year (AY) of 900 clock hours and 26 weeks of instructional time. The program is 900 clock hours and 26 weeks of instructional time in length and consists of 6 successive graded courses. Each course has 150 clock hours and is completed over 4 weeks of instructional time. Our student successfully completes all 6 courses except the second course that the student immediately repeats and passes.

In this case the scheduled payment periods are identical for the student's Pell Grant and Direct Loan and are ½ of the length of the program in clock hours and weeks of instructional time: 450 clock hours and 12 weeks of instructional time. However, the first payment period is extended since the first 450 clock hours attended were not successfully completed. The student does not complete the first payment period until after attending for 600 clock hours and 15 weeks of instructional time due to the need to successfully complete the 450 clock hours in the payment period. As a result, the second disbursement date must be rescheduled, and the school will need to report the rescheduled disbursement date for the second disbursement to COD for Pell and Direct Loans.

#### Payment periods

← First disbursement

450 clock hours AND 12 weeks of instruction			
150 hours earned.	150 hours failed. No hours earned. Payment period extended.	150 hours earned by passing repeat of 2 <sup>nd</sup> course.	3 weeks of instruction & 150 hours earned. Complete 1 <sup>st</sup> payment period.

← Second disbursement

450 clock hours AND 12 weeks of instruction		
150 hours earned.	150 hours earned.	150 hours earned. Program completed.

### Nonterm Example 2: Work completed fast in 2<sup>nd</sup> year

A nonterm, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. Students in the program are expected to complete the first 24 hours over 36 weeks of instructional time, and the final 24 semester hours in 24 weeks of instructional time. The student completes each of hours 1-12 and 13-24 in 18 weeks of instructional time and each of hours of 25-36 and 37-48 in 12 weeks of instructional time.

For the grant programs, by definition, all four payment periods are 1/2 of the defined academic year: 12 hours and 15 weeks of instructional time.

#### Pell Grant Payment Periods

12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction	12 semester hours AND 15 weeks of instruction
15 weeks of instruction attended	15 weeks of instruction attended	15 weeks of instruction attended	15 weeks of instruction attended
12 hours completed	12 hours completed	12 hours completed	12 hours completed
<p>1<sup>st</sup> Pell 1<sup>st</sup> payment period completed after student has completed 18 weeks of instruction and earned 12 hours (3 weeks of instruction toward the 2<sup>nd</sup> payment period)</p>	<p>2<sup>nd</sup> Pell 2<sup>nd</sup> payment period completed after student has completed 18 weeks of instruction and earned 12 hours (6 weeks toward the 1<sup>st</sup> payment period of 2<sup>nd</sup> Pell)</p>	<p>2<sup>nd</sup> Pell 1<sup>st</sup> payment period completed after student has completed 15 weeks of instruction and earned 12 hours (3 weeks toward the 2<sup>nd</sup> payment period)</p>	<p>2<sup>nd</sup> Pell 2<sup>nd</sup> payment period completed after student has completed 12 weeks of instruction and earned 12 hours</p>
1 <sup>st</sup> disbursement – 1 <sup>st</sup> Pell	2 <sup>nd</sup> disbursement – 1 <sup>st</sup> Pell In 19 <sup>th</sup> week of instruction	1 <sup>st</sup> disbursement – 2 <sup>nd</sup> Pell In 37 <sup>th</sup> week of instruction	2 <sup>nd</sup> disbursement – 2 <sup>nd</sup> Pell In 49 <sup>th</sup> week of instruction

For Direct/Direct PLUS, the first loan must be certified for 36 weeks of instructional time to ensure the loan period covers both measures of the FSA academic year. The first loan period will have two payment periods of 12 hours and 18 weeks.

The second loan period, for the balance of the program, will have the same number of semester hours (24), but will be certified for fewer weeks of instructional time (24). Thus, the second loan period is divided into two payment periods of 12 hours and 12 weeks of instructional time. There is no proration of the annual loan limits since the remaining balance of the semester hours equals the semester hours of the academic year.

(continued on next page)

### Non-term Example 2, continued

#### Direct Loan Payment periods

12 semester hours AND 18 weeks of instruction	12 semester hours AND 18 weeks of instruction	12 semester hours AND 12 weeks of instruction	12 semester hours AND 12 weeks of instruction
18 weeks of instruction attended	18 weeks of instruction attended	12 weeks of instruction attended	12 weeks of instruction attended
12 hours completed	12 hours completed	12 hours completed	12 hours completed
<b>1<sup>st</sup> loan</b> 1 <sup>st</sup> payment period completed after student has completed 18 weeks of instruction and earned 12 hours	<b>2<sup>nd</sup> loan</b> 2 <sup>nd</sup> payment period completed after student has completed 18 weeks of instruction and earned 12 hours	<b>2<sup>nd</sup> loan</b> 1 <sup>st</sup> payment period completed after student has completed 12 weeks of instruction and earned 12 hours	<b>2<sup>nd</sup> loan</b> 2 <sup>nd</sup> payment period completed after student has completed 12 weeks of instruction and earned 12 hours

1<sup>st</sup> disbursement – 1<sup>st</sup> loan

2<sup>nd</sup> disbursement – 1<sup>st</sup> loan  
In 19<sup>th</sup> week of instruction

1<sup>st</sup> disbursement – 2<sup>nd</sup> loan  
In 37<sup>th</sup> week of instruction

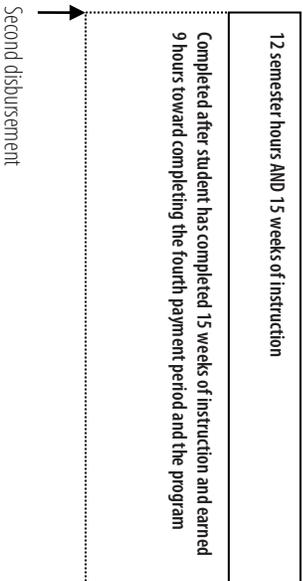
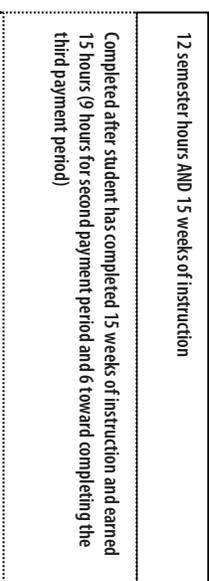
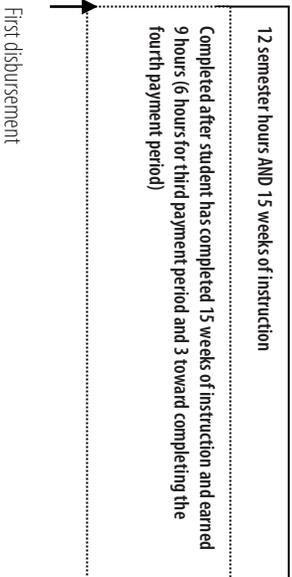
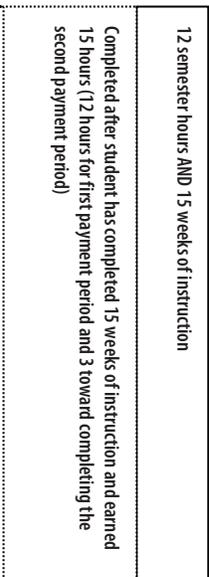
2<sup>nd</sup> disbursement – 2<sup>nd</sup> loan  
In 49<sup>th</sup> week of instruction

### Nonterm Example 3: More hours earned in the first academic year

A nonterm, two-year program of 48 semester hours and 60 weeks of instructional time has an academic year of 24 semester hours and 30 weeks of instructional time. Students are expected to complete the first 30 semester hours over 30 weeks of instructional time in the first period of enrollment. They are then expected to complete 18 semester hours in the last 30 weeks instructional, 9 hours in each half of 15 weeks of instructional time.

For the grant programs, the payment periods are half of the weeks and half the hours of the academic year: 12 hours and 15 weeks each.

#### Pell Grant Payment Periods



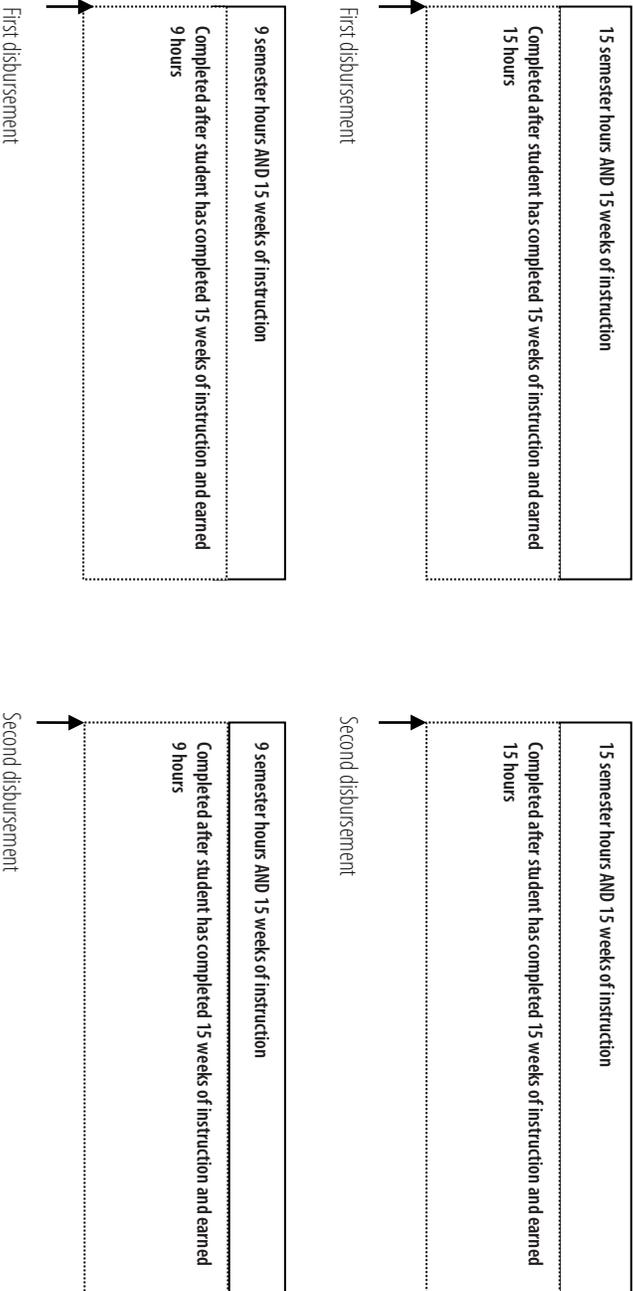
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### Non-term Example 3, continued

For Direct/Direct PLUS, you will certify a loan for the first academic year using start and end dates reflecting the first 30 weeks of instructional time since a student would complete the hours of an academic year within that time. Note that where 6 semester hours in the first period of enrollment would be considered part of the third payment period for grants/Perkins, for Direct/Direct PLUS, they would be considered as part of the initial BBAY loan period. Thus, for Direct/Direct PLUS, the second loan period is the remaining balance of the program: 18 hours and 30 weeks of instructional time.

For the first loan period, the payment periods are 15 hours and 15 weeks of instructional time, i.e., half of the weeks of instructional time and half of the hours the student is expected to complete in the loan period. For the second loan period, the remaining balance of the program is less than an academic year in length based on the hours; however, both hours and weeks of instructional time are greater than 1/2 of the academic year. Therefore, there are two equal payment periods of 9 hours and 15 weeks of instructional time. Note that the annual loan limits must be prorated for this second period of enrollment by 18/24 based on the semester hours in the loan period and the hours in the defined academic year.

#### Direct Loan Payment periods

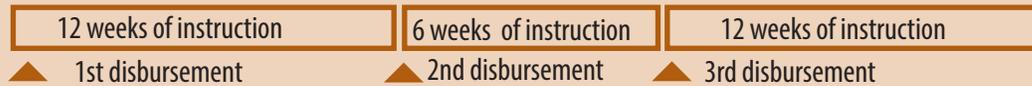


## Nonstandard Term Example: Terms not substantially equal

For a nonstandard term program, you may have to use different payment periods for Direct Loans than the ones you use for FSA grants. In this example, we show how the payment periods for a Pell Grant and a Direct Loan can differ in a program that has nonstandard terms that are not substantially equal in length. In this program, the payment periods for Pell Grants are the terms, while the payment periods for the Direct Loan are the non-term payment periods.

Academic Year =  
24 semester hours and 30 weeks of instructional time

Pell Grant: Payment periods are the nonstandard terms (3 disbursements)



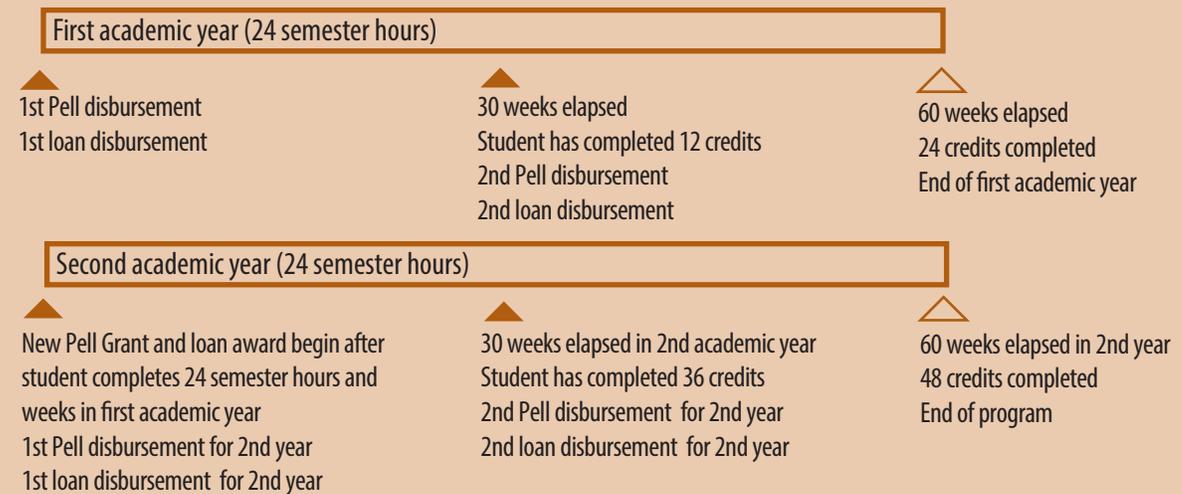
Direct Loan: Payment periods are determined by credit-hours and weeks (2 disbursements)



## Example: Disbursement for half-time student in a non-term program

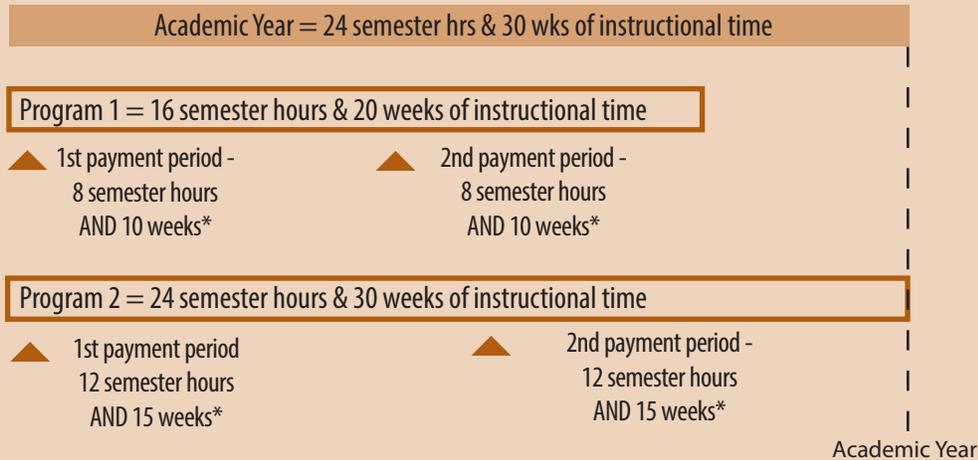
The illustration shows the disbursements for a half-time student enrolled in a program of 48 semester credits that a full-time student completes in 60 weeks of instructional time. For this program, the school has defined the academic year as 24 semester credits and 30 weeks of instructional time.

Under the regulations, this half-time student would receive second disbursements after completing half of the credit-hours AND half of the weeks of instructional time in the academic year. Because the student in the example is a half-time student, it takes the student 30 weeks of instructional time to successfully complete 12 credit-hours. The student is eligible for a new loan and a new Pell Grant once the student has successfully completed 24 credit-hours and 60 weeks.



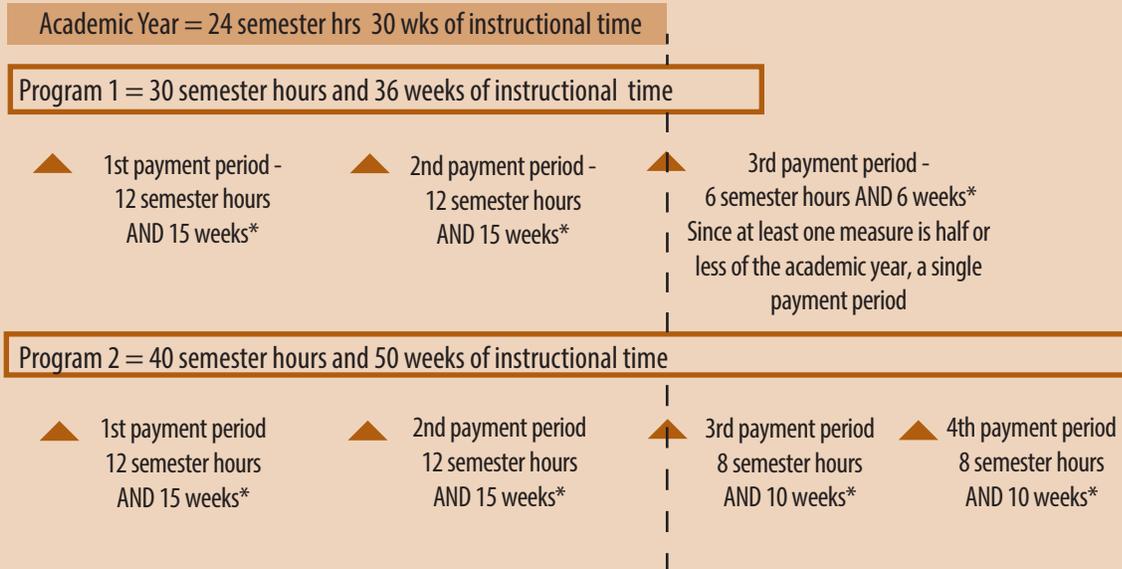
## Non-term Programs—One Academic Year or Less

In both of these examples, the school defines the academic year for the program as 24 semester hours and 30 weeks of instructional time. The first program is less than an academic year; the second program is a full academic year.



## Non-term Programs—More than an Academic Year

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



\*Weeks of instructional time.

### *Progression based on completion of hours and weeks (rather than term-based progression)*

As described in the previous section, there are two cases where you must use credit or clock-hours and weeks of instructional time to determine the length of the payment period:

- Clock-hour and non-term credit-hour programs; and
- For Direct Loans, programs with terms not substantially equal in length.

For these programs, each subsequent payment period cannot begin until the student successfully completes the credit or clock-hours and weeks of instruction in the previous payment period.

Except for a second or subsequent loan period in Direct Loans, if a student completes additional weeks of instructional time or hours while completing the other measure of a payment period, these additional weeks or hours count toward completing the next payment period. For Direct Loans, the first payment period of a second or subsequent loan period includes only the weeks of instructional time and hours that begin on the first calendar day of the new loan period.

### **Clock-hour payment period progression and weeks of instructional time**

Payment period progression in clock-hour programs requires that the student complete both the clock-hours and weeks of instructional time.

### **Completion requirements**

Payment periods: 34 CFR 668.4

Pell Grants: 34 CFR 690.75(a)(3)

Direct Loans: 34 CFR 685.301(b) and (b)(6)

TEACH: 34 CFR 686.11

Excused absences: 34 CFR 668.4(e)

## **Excused absences in clock-hour programs**

In a clock-hour program, you are allowed to count a limited number of excused absences when deciding whether the student has completed the hours in a payment period. An excused absence may only be counted if the student is excused from hours that were actually scheduled, were missed, and do not have to be made up for the student to receive the degree or certificate for the program.

For instance, a student in a program that has 450-clock-hour payment periods might miss 20 clock-hours and only have attended 430 clock-hours at the point where other students that did not miss any clock-hours had received 450 clock-hours of instruction. If your school has an excused absences policy, the 20 missed clock-hours are considered excused, and this student could be paid the next disbursement.

To be counted for FSA purposes, excused absences must be permitted in your school's written policies. Under FSA regulations, no more than 10% of the clock-hours in a payment period may be considered excused absences. If your school's *accrediting agency* or the *state agency that legally authorizes your school to operate* allows fewer hours to be counted as excused absences, you must follow the stricter standard rather than the FSA standard.

## **Direct Assessment program payment periods**

34 CFR 668.10, Dear Colleague Letter GEN-13-10

Because Direct Assessment programs don't use credit or clock-hours as measures of learning, you must establish a method to reasonably equate the Direct Assessment program (or Direct Assessment portion of any program) to credit or clock-hours for the purpose of determining the payment periods in the program. You must provide a reasonable written description that supports your claim that the program or portion of a program is equivalent to a specific number of credit or clock-hours (note that any credits awarded for "life experience" are not counted for FSA purposes).

Once you have established credit or clock-hour equivalencies, Direct Assessment program payment periods are measured in the same manner as other programs, according to the payment period rules described earlier in this chapter.

<b>Disbursement by Payment Period Required</b> (except as provided in the discussion following this chart)		
<b>Program Type</b>	<b>Direct Loan</b>	<b>Pell, TEACH, &amp; FSEOG</b>
Credit-hour programs offered in standard terms & nonstandard term programs offered in terms that are substantially equal in length.	Term	Term
Credit-hour programs offered in nonstandard-terms that are not substantially equal in length. <sup>1</sup>	The payment period is the <b>successful completion</b> <sup>2</sup> of: <ul style="list-style-type: none"> <li>• half of the weeks of instructional time in the academic year/program less than an academic year; and</li> <li>• half of the credit-hours in the academic year/program less than an academic year.</li> </ul> For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	Term
Clock-hour programs and non-term credit-hour programs.	The payment period is the <b>successful completion</b> <sup>2</sup> of: <ul style="list-style-type: none"> <li>• half of the weeks of instructional time in the academic year/program less than an academic year; and</li> <li>• half of the clock/credit-hours in the academic year/program less than an academic year.</li> </ul> For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.	The payment period is the <b>successful completion</b> <sup>2</sup> of: <ul style="list-style-type: none"> <li>• half of the weeks of instructional time in the academic year/program less than an academic year; and</li> <li>• half of the clock/credit-hours in the academic year/program less than an academic year.</li> </ul> For the remainder of a program equal to or less than half of an academic year, the payment period is the remainder of the program.

<sup>1</sup> If a program is offered in a combination of standard and nonstandard terms and the program does not qualify to use a Scheduled Academic Year, or "SAY" (see Chapter 5 for details on SAYs and Borrower Based Academic Years—BBAYs), then for Direct Loan purposes, the program is subject to the disbursement requirements that apply to nonstandard programs that are not substantially equal in length.

<sup>2</sup> **Successful completion** means that the student has earned a passing grade or otherwise received credit for the credits or clock-hours in the payment period.

**Direct Loan Disbursements within a single term/payment period**

Unless it qualifies for the special rule based on low cohort default rates (see below), a school must generally make two disbursements of a Direct Loan that is certified or originated for a single term or a single payment period:

- For credit-hour programs offered in standard terms or nonstandard terms that are substantially equal in length with no term less than 9 weeks of instructional time in length (SE9W, see later in this chapter for more on SE9W), the second disbursement may not be paid until the calendar midpoint between the first and last scheduled days of class in the loan period.
- For all other programs, including clock-hour and non-term credit-hour programs, and nonstandard term programs with terms that are not substantially equal or with terms that are substantially equal and less than 9 weeks of instructional time in length, for a remainder of a program equal to or less than ½ an academic year (or the term if the terms are substantially equal) the second disbursement may not be paid until the student successfully completes ½ of the weeks of instructional time in the payment period, and half of the clock or credit-hours in the payment period.

Special rule: Schools with cohort default rates of less than 15% for each of the 3 most recent fiscal years for which data are available, may disburse, in a single installment, loans that are made for: 1 semester, 1 trimester, 1 quarter or, for loans made for a 4-month period or less, for one nonstandard or non-term loan period. Note that a program offered in substantially equal terms at least nine weeks in length (SE9W) may not disburse in a single installment for a term if the term is longer than four months. In the case of loans made to students in study abroad programs, the home school’s default rate must be less than 5 percent for the most recent fiscal year for which data are available to qualify for this special rule.

**Pell or TEACH Grant disbursements within a single term**

If a school uses Formula 3 to calculate a Pell Grant or TEACH Grant, the student’s total payment for a payment period may exceed 50 percent of the student’s annual award. However, the disbursements of the student’s Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student’s annual award until the student completes, in the payment period, at least half of the weeks of instructional time in the academic year.

## Review of completion

### *Term-based programs using credit-hours*

For a credit-hour term program, there is no requirement that a student successfully complete all of the coursework to receive payment in the next term. For instance, a student could receive a Direct Loan disbursement in the spring term after failing several courses in the fall term, provided that the student was still making satisfactory progress under the school's policy. (However, if the program uses nonstandard terms that are not substantially equal in length, you must use the non-term-based rules for Direct Loan disbursements, below.)

### *Pell Grants, FSEOG and TEACH Grants in clock-hour or non-term programs*

For a credit-hour program without terms or a clock-hour program, a school may disburse a Pell Grant, FSEOG or TEACH Grant only after it determines that the student has successfully completed the credit or clock-hours and weeks of instructional time in the prior payment period.

### *Direct Loans in clock-hour, non-term, and certain nonstandard term programs*

If an educational program does not use terms to measure academic progress for FSA purposes, the school may not make the second loan disbursement until the student successfully completes the weeks of instructional time **and** the credit or clock-hours in the payment period. These coursework completion requirements apply to clock hour and non-term programs, and programs with nonstandard terms that are not substantially equal in length.

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## Disbursement timing citations

Disbursement by payment period:

34 CFR 668.164(b),

HEA Sec. 428G(a)

Early disbursements: 34 CFR 668.164(f)

30-day delay for 1st-time Direct Loan

borrowers: 34 CFR 685.303(b)(5)

Disbursement of 2nd and subsequent

disbursements: 34 CFR 685.303(d)(3)

Late Direct Loan disbursements: 34 CFR

685.303(d)(4)

For more on methods of disbursement to

students/parents, see *Volume 4*.

## TIMING OF DISBURSEMENTS—GENERAL RULES

Except for Federal Work Study (FWS) wages, FSA disbursements are made on a payment period basis. Except for FWS and late Direct Loan disbursements, you must disburse the Title IV funds during the payment period to which they apply. The timing of disbursements is especially important for Pell Grants, TEACH Grants, and Direct Loan funds, because you must report disbursement dates to the Department (through the Common Origination and Disbursement [COD] system).

### *Basic rules for early and delayed disbursements*

In general, the earliest that a school may disburse FSA funds by crediting the student's account or by paying directly to the student or parent is 10 days before the first day of classes for that payment period.

For non-term credit-hour and clock-hour programs, the earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- 10 days before the first day of classes for that payment period; or
- The date the student completed the previous payment period for which he or she received FSA funds.

This disbursement timing limitation is also applicable to Direct Loan and Direct PLUS Loan disbursements in credit-hour programs with non-standard terms that are not substantially equal in length. In some cases, as we'll discuss, other restrictions apply.

If a student is in the first year of undergraduate study and is a first-time borrower, your school may not disburse the first installment of the Direct Loan until 30 calendar days after the student's program of study begins. You are not required to delay disbursement for such students if you have a cohort default rate of less than 15 percent for each of the three most recent years for which data are available, or if you are a home institution originating a loan to cover the cost of attendance in a study-abroad program and have a cohort default rate of less than 5 percent for the single most recent year for which data are available.

If a student is scheduled to begin class in a module of a term-based program that starts after the first day of classes for the semester, you may not make the initial disbursement until 10 days before the start of the first module in which the student is scheduled to begin attendance. Also, if you post a credit to a student's account before the earliest date permitted by regulation, the date the FSA funds are considered to be disbursed is the earliest date permitted by regulation.

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## Disbursement by payment periods

The Cash Management regulations specify that a school must disburse all FSA grant and loan funds on a payment period basis. For all types of programs other than FWS, FSA funds are disbursed using the payment period definitions in 34 CFR 668.4.

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## First-time borrower

34 CFR 685.303(b)(5)(i)

A first-time borrower is someone who has not previously received a Direct Subsidized Loan, a Direct Unsubsidized Loan, a Subsidized or Unsubsidized Federal Stafford Loan, or a Federal Supplemental Loan for Students (SLS).

***Retroactive disbursements for completed periods***

Your school must pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if you don't receive a valid SAR/ISIR for a student until the spring term, but the student was also enrolled and eligible for a disbursement in the previous fall term, that student must be paid retroactively for the fall term.

If you are paying a Pell or TEACH Grant for a completed term in the same award year in which no disbursement has been made, the *grant must be based on the hours completed by the student for that term*. If the student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive disbursement must be based on half-time status. At a term school, all completed coursework counts toward enrollment status, including earned F's and incompletes that have not converted to "F" grades because the student failed to complete the coursework.

For Direct Loans, an eligible student may receive loans for all payment periods within the loan period, unless the student was ineligible for the prior payment period due to failure to meet SAP standards, in which case the student may not receive Direct Loan funds for the prior period(s) in which they did not meet SAP requirements. If one or more payment period have elapsed before you make a loan disbursement, you may include loan proceeds for a completed payment period *if the student completed at least a half-time course-load in that period*. For instance, you could include the Fall term and its costs when originating a loan for the student in the Spring, if your school's half-time standard is 6 credit-hours and the student received a "B" and an incomplete in two 3-hour courses taken that fall.

In the case of loans disbursed on a payment period basis, if a student attended the previous payment period but did not maintain eligibility for a Direct Loan, you may not include the previous payment period or its costs in the loan period.

A school can make the retroactive disbursements in one lump sum.

**Retroactive disbursements**

General: 34 CFR 668.164(k)

Pell: 34 CFR 690.76(b)

Direct Loans: 34 CFR 685.303(d)(4)

For more on methods of disbursement to students/parents, see *Volume 4*.

**Prior year charges allowance**

34 CFR 668.164(c)(3)

You may include up to \$200 for prior-year charges in one or more payment periods in the current award year (\$200 total, not in each payment period in the current award year). This \$200 allowance must only be for tuition, fees, school-provided room & board, and, with the student's or parent's authorization, educationally related goods and services provided by the prior-year school.

## Multiple loan disbursements within a payment period

A school may schedule multiple disbursements *within* a payment period, as long as the disbursements in a loan period are substantially equal.

However, for non-term and clock-hour programs, a school may not elect to have more than two payment periods per loan.

Schools that use payment periods as the basis for their Return of Funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period. See *Volume 5* of the *FSA Handbook* to see how withdrawal calculations handle multiple disbursements.

## FSEOG disbursements

Payment by payment period:

34 CFR 676.16(a)

Uneven costs/uneven payments:

676.16(b)

### *Multiple disbursements within a payment period*

FSA regulations generally permit schools to pay FSA funds at such times and in such installments *within* each payment period as will best meet students' needs. This gives schools the ability to apportion the payment if doing so will be in the best interest of the student. For example, if a payment period is particularly long, a school might choose to pay in multiple installments to the extent program requirements permit to ensure that a student will have funds to pay rent later in the payment period.

Also bear in mind that FSA funds must be provided to students in a timely manner to best assist them in paying their educational expenses. Consequently, a school may not delay the disbursement of funds until after the 60% point, for example, to avoid performing a Return of Title IV Funds calculation and the requirements that go along with it, or to prevent the student from having to return funds upon withdrawal.

## TIMING OF FSA GRANT DISBURSEMENTS

### *Disbursements in credit-hour term-based programs*

As noted earlier, for a student enrolled in a credit-hour program that uses any type of academic term, for Pell, TEACH, and FSEOG funds, the payment period is the academic term. Under the advance payment method, actual disbursement information can be submitted no earlier than 7 calendar days prior to the disbursement date.

### *Disbursements in clock-hour and non-term credit-hour programs*

For clock-hour programs and non-term credit-hour programs, a student can receive the first disbursement of FSA grant funds when the student begins the program or academic year. The student becomes eligible to receive a disbursement of FSA grant funds for the second payment period when the student successfully completes half of the weeks of instructional time AND half of the credit-hours/clock-hours in the academic year or program or the remaining portion of a program that is more than one-half of an academic year but less than a full academic year.

### *Timing of grant disbursements within a payment period*

You may time the disbursement of Pell and TEACH Grant funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as is permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse funds, or pay students in monthly installments to help meet living expenses throughout the payment period. (If, as opposed to making multiple disbursements within the payment period, your school rations disbursements to students by crediting the entire disbursement for the payment period to the student's account and making periodic disbursements to the student from these funds, you must have the student's voluntary written authorization.)

### *Uneven disbursements of FSEOG*

A school that is awarding an FSEOG for a full academic year must disburse a portion of the grant or loan during each payment period. In general, to determine the amount of each disbursement, a school will divide this award amount by the number of payment periods the student will attend. However, if the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, your school may disburse the additional FSEOG-amounts to the student in whatever manner best meets the student's needs.

### *Timely Pell & Iraq & Afghanistan Service Grant reporting*

With the addition of Pell and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU) monitoring, it is important to submit Pell and Iraq & Afghanistan Service Grant disbursement information in a timely manner. You must submit Pell and Iraq & Afghanistan Service Grant disbursement information to COD no later than 15 calendar days after making a disbursement or adjustment. To ensure you and other schools have the most accurate information available about students' LEUs, you should submit information to COD as early as possible in the required 15 day time frame. Doing so may help prevent an overaward. Failure to submit the data in the 15 days could result in the Department disallowing the disbursement.

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### **Submitting disbursement records**

A school must submit disbursement records to the COD system no later than 15 days after making a Pell or Direct Loan disbursement.

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### **Books and supplies Pell disbursement**

34 CFR 668.164(m)

You must provide a means by which a Pell recipient can obtain or purchase, by the seventh day of a payment period, books and supplies for the payment period (assuming the student has a credit balance to be disbursed).

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### **Timely FSA Grant reporting**

Federal Register Feb 28, 2013

Electronic Announcement Mar 15, 2013

## Interim Disbursements

34 CFR 668.58—Interim disbursement options  
34 CFR 668.59—Consequences of change in FAFSA information

## Timing of correspondence program disbursements for Pell and TEACH Grants

Pell: 34 CFR 690.66  
TEACH: 34 CFR 686.25

For non-term correspondence programs, you make the first disbursement to a student after the student completes 25 percent of the lessons or otherwise completes 25 percent of the work scheduled for the program or academic year, whichever occurs last. You make the second disbursement to a student after the student completes 75 percent of the lessons or otherwise completes 75 percent of the work scheduled for the program or academic year.

For term-based correspondence programs, you make the first disbursement to a student for each payment period after the student completes 50 percent of the lessons or otherwise completes 50 percent of the work scheduled for the term, whichever occurs last.

## INTERIM DISBURSEMENTS

Under certain limited circumstances, you may make interim disbursements to students. If you have no reason to believe that an applicant's FAFSA information is incorrect, *prior to verification*, you may do the following:

1. Make one Pell or FSEOG disbursement for the applicant's first payment period;
2. For FWS, employ or allow another entity to employ the applicant, once he or she is an eligible student, for the first 60 consecutive days after the student's enrollment in the award year; or
3. Originate a Direct Subsidized Loan, *but not disburse loan funds*.

If, after verification, and ensuring that you've addressed any corrections (in accordance with the regulation on the consequences of changes in FAFSA data, 34 CFR 668.59), none of the changes to the applicant's FAFSA data will result in a change in the amount he is eligible to receive under any Title IV program, you may take any of the three actions noted above, as well as disburse a Direct Subsidized Loan prior to receiving the corrected valid SAR or ISIR.

## Additional grant disbursement notes

### ***Disbursements exceeding 50 percent of award***

If you use Formula 3 to calculate a Pell or TEACH Grant, the student's total payment for a payment period may exceed 50 percent of the student's annual award. However, the disbursements of the student's Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student's annual award until the student completes, in the payment period, at least half of the weeks of instructional time in the academic year. Therefore, you generally must make at least two disbursements to the student in the payment period.

You may not withhold funds as an administrative convenience if you wish to make a single disbursement.

## DIRECT LOAN DISBURSEMENTS

*Standard terms and substantially equal nonstandard terms at least nine weeks in length (SE9W)*

If the program uses *standard academic terms* (semesters, trimesters, or quarters) or it has *nonstandard terms of substantially equal length*, at least one disbursement must be made in each term in the loan period. A program is considered to have substantially equal terms if no term in the program is more than two weeks of instructional time longer than any other term in the program.

*If there is more than one term in the loan period*, the loan must be disbursed over all terms of the loan period. For example, if a loan period is for an academic year that includes three quarters, the loan must be disbursed in three substantially equal disbursements.

If there is only one term in the loan period, the loan generally must be disbursed in two payments. In a credit-hour program that uses a semester, trimester, or quarter system, or is “SE9W,” (see sidebar) the second disbursement may not be made until the student reaches the calendar midpoint between the first and last scheduled days of class of the loan period.

### Direct Loan disbursements

Standard terms and terms that are substantially equal in length:

34 CFR 668.4(a)

Programs without terms, clock-hour programs & terms not substantially equal:

34 CFR 668.4(b), (c), and (h)(2)

Late disbursements: 34 CFR 685.303(d)(4)

### Nonstandard “SE9W” terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to as “SE9W.”

The length of terms are measured in weeks of instructional time, as defined in this chapter. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

For more detail on SE9W terms, see *Chapter 5* of this volume.

## Disbursements that include funds for completed payment periods

34 CFR 685.303(b)(4)

The regulations allow a school to include in a single disbursement the disbursements for any payment periods that have ended. However, the COD system (except for schools exempted because of low default rates) requires schools to enter at least two anticipated disbursement dates. Therefore, when creating a loan origination record for a Direct Loan when you intend to include disbursements for any payment periods that have ended in a single disbursement, you should enter the actual date you anticipate making the disbursement as the anticipated date for all disbursements that would be included. For example, consider a school attempting to submit an origination when the data is as follows:

Loan period: 9/1/15 - 5/30/16

Number of disbursements typically required: 2

Payment period 1: 9/1/15 - 12/20/15

Payment period 2: 1/6/16 - 5/30/16

Date school creates origination record: 1/9/16

If you anticipate making the single required disbursement on January 16, you should enter January 16 as the date for both the first and second disbursements when you create the origination record.

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### Low cohort default rate exemptions

Section 428 G (a)(3) and (b)(1) of the HEA,  
Direct Loans 34 CFR 685.303(d)(6)

### *Clock-hour programs, non-term credit-hour programs, and programs with non-standard terms that are not substantially equal*

If the program is one academic year or shorter, the loan period is usually the length of the program. (For more information on non-term loan periods, see *Chapter 5*.) If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year.

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### Single disbursements for study-abroad students

34 CFR 685.303(d)(6)(i)(B)

If a borrower is enrolled in a study-abroad program approved for credit by the home school and the home school had a cohort default rate less than 5% in the single most recent fiscal year for which data are available, the school may make a single disbursement of the loan proceeds. Also see the Cohort Default Rate Guide on IFAP.

For each loan period in these programs:

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- For a program less than an academic year in length, the second half of the loan proceeds may not be disbursed until the student has successfully completed half of the coursework and half of the weeks of instructional time in the loan period. For a program of an academic year or greater in length, the second disbursement may be made when half of the hours and weeks of instructional time in the program's academic year are successfully completed.

The payment period for the remainder of a program less than or equal to one-half of an academic year is the remainder of the program.

When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has successfully completed half the number of credit or clock-hours and half the weeks of instructional time in the payment period.

### *Exceptions to disbursement rules for schools with low default rates*

Schools with cohort default rates of less than 15 percent for each of the three most recent fiscal years for which data are available, including eligible foreign schools, may disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. Such schools also are not required to delay the delivery or disbursement of a first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school's most recently calculated cohort default rate is less than 5 percent for the single most recent fiscal year for which data are available.

When a school that qualifies for the cohort default rate exemption offers:

- terms not substantially equal in length;
- non-term credit-hour programs; or
- clock-hour programs;

the payment period, for purposes of Direct Loan funds, is the portion of the program to which the cohort default rate exemption applies. For example, if the loan period for a non-term credit-hour program is three months in length and the institution meets the cohort default rate exemption, the three-month loan period is the payment period, and only one disbursement of the loan is required for that period.

#### *When a student fails to begin attendance or attends less than half-time after receiving a Direct Loan disbursement*

Although you may be able to make a first disbursement of a Direct Loan before the student begins attending classes (as described above), in order to remain eligible for a Direct Loan, the student must actually begin attendance, on at least a half-time basis, in the period of enrollment (i.e., the loan period) for which the loan was intended.

If the student doesn't attend at least half-time, or doesn't begin attendance in any classes, they will lose eligibility for the loan, and you must take some further steps. In either case, you must report the change in the student's enrollment status using NSLDS enrollment reporting. The student's loan servicer will then change the student's loan status from in-school to grace period, or from an in-school deferment to repayment status.

If the student fails to begin attendance in any classes in the loan period, you must return any Direct Loan funds that were applied to the student's account, as well as the amount of any payments made for the payment period by the student (or on behalf of the student) to the school, up to the amount of the loan funds disbursed. Submit a downward adjustment to the loan amount through the COD system; you may be able to disburse the funds to another student rather than returning the funds, since Direct Loan funds are not student-specific. If you actually need to return funds, this must be done through G5. You must not return Direct Loan funds to the federal loan servicer in this circumstance. You must also notify the federal loan servicer that the student has not or will not begin attendance. The servicer then will issue a final demand letter to the student for any funds disbursed directly to the student.

If the student who has already received Direct Loan funds begins attendance in the loan period, but does so on a less-than-half-time basis, the student becomes ineligible for the loan, and you must not make any further disbursements of the loan, unless the student resumes enrollment on at least a half-time basis, but neither your school nor the student is required to return any loan proceeds.

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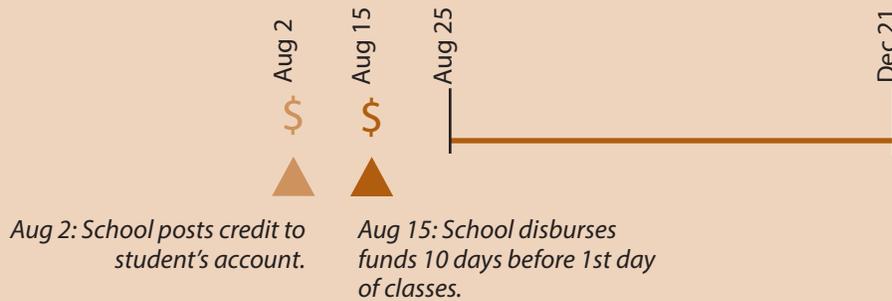
#### **Failing to begin attendance & Direct Loan eligibility**

DCL GEN-13-02

34 CFR 685.309(b)

34 CFR 668.21(a)(2)(i),(ii)

## Early disbursement & advance credit to account



The earliest a school may disburse funds is 10 calendar days before the first day of class in the semester (August 15 is the example).

If you post a credit to a student's account before the earliest date permitted by regulation (August 2nd vs. August 15 in the example), for FSA purposes, the date the aid is considered to be disbursed is the earliest date permitted by regulation: August 15.

## Disbursement rules for terms made up of modules

When a student is attending a modular program, but won't attend the first module, the date when classes begin for making disbursements is the starting date of the first module that the student will actually attend.

The earliest the school can pay a student who is scheduled to begin attendance in the second of three 5-week modules that make up the payment period is 10 days before the first day of the second module (or 30 days after the second module begins, if the student is a first-time, first-year borrower and the school does not meet the requirements for a waiver in 34 CFR 685.303(b)(5)).

**Module Example:** A 1-year program with no terms awards 24 credit-hours, which are taught in a series of six 4-hour modules. The school groups the modules into two 12-hour payment periods. The first payment period takes 15 weeks to complete. The student cannot progress to the second payment period until the student successfully completes 12 credit-hours and the 15 weeks of instruction have elapsed. If the student fails the first 4-hour module, he or she will still need to successfully complete three modules (for a total of 12 credits) to progress to the next payment period.

## RETAKEING COURSEWORK IN TERM PROGRAMS

You may count toward enrollment status and award Title IV funds to a student who is repeating, for the first time only (i.e., one repetition per class), a previously passed course in a term-based program, including when the student is retaking a passed class due to failing other associated coursework. Students enrolled in non-term-based programs may not receive credit for retaking coursework.

The regulatory definition for full-time enrollment status has been revised to allow a student to retake (one time only per previously passed course), any previously passed course. For this purpose, passed means any grade higher than an “F,” regardless of any school or program policy requiring a higher qualitative grade or measure to have been considered to have passed the course. This retaken class may be counted toward a student’s enrollment status and the student may be awarded Title IV aid for the enrollment status based on inclusion of the class.

A student may be repeatedly paid for repeatedly failing the same course (normal SAP policy still applies to such cases). If a student withdraws before completing the course that they are being paid Title IV funds for retaking, then that is not counted as their one allowed retake for that course. However, if a student passed a class once and then is repaid for retaking it and fails the second time, that failure counts as their paid retake and the student may not be paid for retaking the class a third time. If your school has a policy that requires students to retake all of the coursework for a term in which a student fails a course, any courses retaken that were previously passed in this case will not be eligible for Title IV aid.

If a student who received an incomplete in a course in the prior term is completing the coursework in the subsequent term to erase the incomplete in the prior term, the student is not considered to be enrolled in the course for the subsequent term. Therefore, the hours in the course do not count toward the student’s enrollment status for the subsequent term, and the student may not receive FSA funds for completing the course. However, if a student who received an incomplete in a course in the prior term is retaking the entire course for credit in the subsequent term, the hours in the course count toward the student’s enrollment status, and the student may receive FSA funds for retaking the course.

In any case, remember that retaken classes may count against satisfactory academic progress, and the student’s eligibility is still constrained by all the requirements of satisfactory academic progress, as discussed in *Chapter 1* of *Volume 1* of the FSA Handbook. Also, the one-year academic limitation on noncredit and reduced credit remedial coursework still applies. So, for example, a student repeating a remedial course that exceeds the one-year limitation could not have the class included in his or her enrollment status.

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### Enrollment status and retaking coursework provisions and limitations

34 CFR 668.2(b)

34 CFR 668.20(d),(f)

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### Retaking coursework school policy and operations

Your school may establish a policy that permits or bars students from retaking previously passed coursework, for example, to improve grade point average. Based on such policies, the applicable guidance in the *FSA Handbook* and regulations can be used to determine how to award Title IV aid.

You may wish to consult with your school’s registrar to ensure that your school’s class repetition policy is properly coordinated and implemented by both offices, including any changes that need to be made to the registrar’s policies and operations for enrolling students or reporting enrollment to NSLDS.

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### Repeating after program completion

Any student who completes an entire non-term credit-hour or clock-hour program, and later re-enrolls to take that same program again or to take another program, may be paid for repeating coursework regardless of the amount of time between completion of the first program and beginning the program or another program again.

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### Satisfactory progress & repeated coursework

For satisfactory academic progress purposes, each time a course is taken counts as an attempt; but only the first time a passing grade is received is it counted as completion.

**Transfer students**

34 CFR 685.301

DCL GEN-12-06, Attachment, page 5

**Re-entry within and after 180 days**

34 CFR 668.4(f),(g)

**Pell Grant disbursements for re-entering students**

For Pell and TEACH Grant disbursements in the award year, if a student enrolled in a clock-hour or non-term credit-hour educational program re-enters the program within 180 days after initially withdrawing and before the deadline for the award year, a school may request administrative relief to disburse the student's grant by the earlier of 15 days after the student re-enrolls or the deadline for the award year published in the Federal Register.

**Clock-hour to credit-hour conversion formula**

34 CFR 668.8(k),(l)

In determining the eligibility for and amount of Title IV aid for a student in a program subject to the clock-hour to credit-hour conversion, you must first apply the conversion formula to determine the number of semester, trimester, or quarter hours required to be considered a Title IV eligible program. You must also apply the conversion formula to each course in the payment period when determining a student's Title IV enrollment status. When applying the conversion formula, any eligible converted credit-hours are used to determine the amount of Title IV funds that a student enrolled in the program is eligible to receive.

For a full discussion of credit-hour to clock-hour conversion, including when the conversion must be done, see *Volume 2, Chapter 2*.

**TRANSFER, RE-ENTRY, & REPEATING COURSEWORK WHEN PROGRESS IS NOT TRACKED BY TERMS***Re-entry within 180 days*

A student who withdraws from a clock-hour or credit-hour non-term program and then re-enters within 180 days is considered to remain in the same payment period when he or she returns and, subject to conditions imposed by ED, is eligible to receive FSA funds for which he or she was eligible prior to withdrawal, including funds that were returned under the R2T4 rules in *Volume 5, Chapter 2*.

*Re-entry after 180 days and transfer students*

Generally, you must calculate new payment periods for a clock-hour or non-term credit-hour program for:

- A student who withdraws and then re-enters the same program at the same school *after 180 days*; or
- A student who withdraws from a program and enrolls in a new program at your school, or at another school within *any time period*.

For purposes of calculating payment periods ONLY, the length of the program is the number of credit or clock-hours and weeks of instructional time the student has remaining in the program that he or she re-enters or transfers into. If the remaining hours and weeks constitute half of an academic year or less, the remaining hours constitute one payment period. In this circumstance, the student may be paid for repeating coursework if the student is receiving credit for repeating the course.

However, you may consider a student who transfers from one program to another at your school to remain in the same payment period if all of the following conditions apply:

- The student is continuously enrolled at your school;
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking in the program into which he/she is transferring;
- The payment periods are substantially equal in length in weeks of instruction and credit or clock-hours;
- There are little or no changes in school charges associated with the payment period; and
- The credits from the payment period the student is transferring out of are accepted for credit in the new program.

# Cost of Attendance (Budget)

## CHAPTER 2

*Awards for each of the Federal Student Aid (FSA) programs are based on some form of financial need, beginning with cost of attendance. This chapter picks up at the point where you have established the student's Expected Family Contribution (EFC); see the Application and Verification Guide for more info on EFCs, and Volume 1 for more info on the student's basic eligibility requirements. Most schools establish average costs for different categories of students and set these cost categories in EDExpress or other software that they use to determine awards and package aid. The typical costs that you establish for your students will be used to calculate their FSA award amounts and package their aid.*

Unlike scholarship programs that may award funds based on academic merit or the student's field of study, "need-based" grants, loans, and work-study are based on the family's demonstrated financial need for assistance. The cost of attendance (COA) is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive for purposes of the TEACH Grant, Campus-Based Programs, and Direct/Direct PLUS Loans, and is one of the basic components of the Pell Grant calculation.

### ALLOWABLE COSTS

The cost of attendance for a student is an estimate of that student's educational expenses for the period of enrollment. As you'll see, you can use average expenses (for students with the same enrollment status) at your school, rather than actual expenses. For example, for the tuition and fees component, you can use the same average amount for all full-time students instead of figuring the actual tuition and fees for each individual student. You can have different standard costs for different categories of students, such as a cost of attendance for out-of-state students (who have higher tuition) and a lower cost of attendance for in-state students. However, you cannot combine the COA figures for each separate enrollment status and award aid to a student on the basis of the average COA. Students must be awarded on the basis of a COA comprised of allowable costs assessed all students carrying the same academic workload.

If a student is enrolled in a program that has extra fees or costs, such as lab fees, you can add those fees to the student's cost or use a standard cost that you've established for all students in that program. If you establish standard cost categories, you must apply the cost allowances uniformly to all students in those categories.

There are a variety of methods to arrive at average costs for your students: periodic surveys of your student population, assessing local housing costs or other pertinent data, or other reasonable methods you may devise which generate accurate average costs for various student cohorts.

### CHAPTER 2 HIGHLIGHTS

#### Allowable Costs

Determined by school, taking into account:

- Tuition and fees
- Books, supplies, transportation, personal, miscellaneous
- Room and board
- Dependent care
- Study-abroad expenses
- Disability expenses
- Employment expenses for co-op study
- Loan fees

#### Exceptions

- Less-than-half-time enrollment
- Correspondence study
- Incarcerated students
- Professional judgment

#### Costs met from other sources

- Tuition and fees not paid by student
- Free room and board
- Other cost specified by source

#### Costs for period of enrollment

- Campus-Based, TEACH Grants, and Direct/Direct PLUS Loans are based on costs for the period of enrollment; for instance, costs for a student attending a single semester in the school year would be limited to the costs for that time period.
- Pell is always based on the cost of full-time attendance for a full academic year.

### Cost of attendance components

The cost of attendance (COA) is determined by law (Higher Education Act, Sec. 472) and is not subject to regulation by the Department. The law specifies the types of costs that are included in the cost of attendance, but **you** must determine the appropriate and reasonable amounts to include for each eligible COA category for students at your school, based on the criteria described in this chapter.

### Less than half-time COA components

For students who are less than half-time, COA can include only:

- Tuition and fees;
- An allowance for books and supplies;
- Transportation (but not miscellaneous & personal expenses);
- An allowance for dependent-care expenses; and
- Room and board for a limited duration (see less-than-half-time room and board component later in the allowable costs section).

### Books and supplies timing

34 CFR 668.164(m)

For all eligible students who could receive Title IV funds 10 days before the beginning of a payment period, you must, by the seventh day of the payment period, provide a way for eligible students to obtain or purchase the books and supplies applicable to the payment period.

For more on the timing of disbursements, see *Volume 4*.

### Books and supplies in tuition & fees

34 CFR 668.164(c)(2)

Books & supplies may be counted as a COA component as part of tuition and fees for a program under the conditions described in the body text.

### Documentation of exceptional expenses

The law doesn't specify what documentation you must collect for expenses such as dependent care or disability-related expenses. You can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student or other appropriate sources.

### Allowable costs in general

The types of costs that may be included are the same for all FSA programs. The cost of attendance, based on the student's enrollment status, for the Campus-Based, TEACH Grant, and Direct/Direct PLUS Loan programs is a student's cost for the period for which the aid is intended. The cost of attendance used for Pell Grants and Iraq & Afghanistan Service Grants 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 program) or prorate down for students who are attending for periods longer than an academic year. We'll discuss this at the end of this chapter.

A student's cost of attendance is the sum of the following. If a cost is not mentioned in these categories (which are derived from the only source on COA components, Section 472 of the HEA), it is not to be included as COA:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes graduation fees, if incurred while the student is still enrolled and when required by the program and paid by all students, and costs of rental or purchase of equipment (including equipment for instruction by telecommunications), materials, or supplies required of all students in the same course of study.
- An allowance for books and supplies may be included in tuition and fees for a program if you:
  - Have an arrangement with a book publisher or other entity which allows you to make the books and/or supplies available to the students below competitive market rates; **and**
  - You provide a way for students to obtain the books & supplies by the seventh day of the payment period. You **must** also have a policy under which students may opt out of this way of providing books and supplies.

### OR

You document that:

- The books or supplies, including digital or electronic course materials are not currently available elsewhere or accessible by students enrolled in that program from sources other than those provided or authorized by your school; or
- There is a compelling health or safety reason for books and supplies to be included in the tuition and fees COA component.
- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** This can include a reasonable amount, as determined by your school, for the documented rental or purchase of a personal computer that the student will use for study for the enrollment period. For example, a computer purchased in the

summer for use in the fall term may be included. This allowance may also include costs for operating and maintaining a vehicle that is used to transport the student to and from school, but not for the purchase of a vehicle.

- **An allowance for room and board.** For all students, schools must include in their “cost of attendance” an allowance for room and board. For students residing in institutionally owned or operated housing, the allowance should be based on the amount normally assessed most of the school’s institutionally-housed residents for room and board. For all other students, the allowance should be based on the expenses reasonably incurred by each type of students for room and board.
- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during periods that include but are not limited to class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the type of care provided.
- **An allowance for the one-time direct costs of obtaining a first professional license or certificate for students who are enrolled in a program that requires such professional licensure or certification.** This allowance may only be provided one time per student per eligible academic program. Examples of allowable costs include fees charged to take a licensing exam, costs of applying for and obtaining the license or certification, and, at the discretion of the school, costs incurred in traveling to a residency interview for a medical student. Under this provision, the costs must be incurred during (not after) a period of enrollment, even if the exam is after the end of the period. You may include costs of attending a required conference, but only if these costs are included in the standard cost of the program for which the conference is required. Including these costs does not require exercising professional judgment, as they will be included as a cost of the program for all students in the program.
- **For study-abroad programs approved for credit by the student’s home institution, reasonable costs associated with such study.** For example, U.S. citizens may count VISA/passport costs when studying at a foreign school.
- **For a student with a disability, an allowance for expenses related to the student’s disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided by other agencies.
- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**
- **For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan).** You may also include the fees required for non-federal student loans (i.e., non-federal loans that must be considered Estimated Financial Assistance [EFA] for the student when packaging aid). In all cases, you can either use the

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### Checking foreign diplomas

If you hire a transcription/diploma evaluation service to aid in the process of determining student eligibility, the cost of evaluating a foreign credential must be incurred as a charge of admission prior to enrollment in an eligible program and thus cannot be included in COA. For more detail on checking foreign diplomas, see *Volume 1, Chapter 1*.

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### Free room and board/tuition waivers

Dawson University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges. If the student quits the job, the waiver is removed, and the student has to pay the room and board charges. All the students have the room and board charges in their cost of attendance. For students who are Resident Assistants because of their financial need, Dawson must count the room and board waiver as estimated financial assistance. The waiver would not be counted as untaxed income, but if included in the AGI, such a waiver would be reported as “grant and scholarship aid reported to the IRS” and would be excluded from total income in the EFC formula.

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### Student with a disability

A student is considered to have a disability if he or she has a physical or mental impairment that substantially limits a major life activity, such as if the student is deaf, has a mental disability, is hard of hearing, has a speech or language impairment, is visually disabled, is seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.

### Treatment of Estimated Financial Assistance component of COA

HEA Sec. 480(j)

DCL GEN 06-05

If the source of assistance is a state and is designated by the state to offset a specific component of the student's COA, the amount of that assistance may be excluded from both COA and EFA. You may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and EFA. If the amount excluded is less than the allowance provided in the student's COA, you must exclude the lesser amount.

### Changes in Pell Grant COA

For more on when changes in Pell COA

necessitate a recalculation of a Pell award, see *Volume 3, Chapter 3*.

### COA for intersessions and modules

Whether or not you merge an intersession or module with a standard term, you must not include costs in a student's COA for an intersession or module period of enrollment for which the student is not expected to be enrolled.

### Limitations to tuition and fees COA component

HEA Sec 472 COA includes tuition and fees normally assessed a student carrying the same academic workload as determined by the institution.

34 CFR 668.14(b)(3) Prohibits requesting or charging any student a fee for processing or handling any application, form, or data required to determine eligibility for, and amount of, Title IV HEA program assistance.

34 CFR 668.14(b)(21) Prohibits imposing a penalty on any student because of a student's inability to meet his or her financial obligations to the school as a result of the delayed disbursement of the proceeds of a Title IV loan due to compliance with Title IV requirements.

exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended.

- **For less-than-half-time students, room and board for a limited duration.** Schools have the option to include in the COA for a less-than-half-time student an allowance for room and board for up to three semesters (or equivalent), with no more than two of the semesters being consecutive at any one school. You are not required to monitor COA components from other schools attended by the student.
- **For students living in housing located on a military base or housing for which they receive a military housing allowance (Basic Allowance for Housing, or "BAH"), the room and board COA component shall include an allowance for board only. This applies to:**
  - Independent students who receive, or whose spouses receive, a military housing allowance (BAH) or who live on a military base; and
  - Dependent students who are living with parents who are receiving a military housing allowance (BAH) or who live on a military base.

### Exceptions to the normal cost allowances

The following are the exceptions to the normal cost of attendance allowances:

- For students who are enrolled **less than half-time**, only the costs for tuition and fees and allowances for books and supplies, transportation, room and board for a limited duration, and dependent care expenses may be included as part of the cost of attendance (miscellaneous expenses and personal expenses may not be included).
- Generally, the cost of attendance for **correspondence study** is restricted to tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the cost of attendance. If the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred for the period of residential training (as mentioned in *Chapter 1 of Volume 1*, a student isn't eligible to receive FSA aid for correspondence courses unless the student is enrolled in an associate, bachelor's, or graduate-degree program).
- The cost of attendance for **incarcerated students** is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for Title IV loans, and if the student is in a federal or state penal institution, the student is ineligible for Pell Grants as well.
- When a student does not take any classes for a period of time in the

middle of a term, for example, by skipping a module in a multi-module term, you may not include in the student's COA costs (if any) for such a period, even if they are studying for tests or coursework related to an eligible program. Note that the costs of such a test itself may be an allowable COA component—see “**An allowance for the one-time direct costs of obtaining a first professional license or certificate...**” section above. The weeks that comprise the non-coursework period may not count toward the weeks of instructional time for the term or program, and any separate credits earned (if any) during such a period do not count towards a student's enrollment status. For more detail on Title IV leaves of absence, see *Chapter 1 of Volume 5 of the FSA Handbook*.

- You have the authority to use **professional judgment** to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See “Professional Judgment” in the *Application and Verification Guide*.)

### *Limitations to tuition and fees component*

**Tuition discounting:** In establishing the tuition and fees component of Title IV applicants, you must use an amount that is required for all students in the same course of study. Therefore, a recipient of Title IV aid cannot be assessed charges that are higher than what is charged to a student not receiving aid under the Title IV programs.

Offering a discount to students who pay early is not permitted because Title IV recipients may not be able to, and should not be required to, meet that requirement and would, therefore, in effect be assessed higher amounts than other students. Of course, it would be permissible for you to provide the discount to all Title IV eligible students without regard to when their charges are paid. However, doing so would require an adjustment to such students' cost of attendance.

**Overtime charges:** A school may not use Title IV funds to pay overtime charges for a student who fails to complete his or her academic program within the normal time frame. Section 472 of the HEA defines cost of attendance as the tuition and fees normally assessed a student carrying the same academic workload required of all students in the same course of study. Overtime charges are in addition to normal tuition and fees, and since they are not charges normally assessed, they may not be included in a student's cost of attendance for Title IV purposes, and therefore Title IV funds may not be used to pay charges, even if a school obtains a student's (or parent's) authorization to do so.

This restriction applies to both clock-hour and credit-hour programs. For example, some clock-hour programs assess “overtime charges” for students who don't complete the program within an established timeframe. Some credit-hour programs also charge additional tuition or fees for each course a student takes if the student fails to complete his/her program(s) within an established time-frame. In both cases, such charges may not be counted in the Title IV COA, and Title IV funds may not be used to pay for the additional charges.

### **Cost of attendance for a distance education student**

The law prohibits you from making a distinction based on the mode of instruction when determining the cost of attendance for a student receiving all or part of the student's instruction through distance education. However, you have the authority to use professional judgment to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. For example, you may exclude transportation costs if you determine that such costs will not be incurred by a student. Such adjustments must be documented in the student's file. (See “Professional Judgment” in the *Application and Verification Guide*.)

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

When awarding aid, you may not count toward the student's Cost of Attendance (COA) any costs incurred in any payment period before the program gained Title IV eligibility, nor any costs incurred in periods that the student has already completed.

For more details on how programs gain Title IV eligibility, see *Volume 2, Chapter 5 of the FSA Handbook*.

### **NCAA Considerations and recent changes**

The “Power Five” conferences\* of the National Collegiate Athletic Association (NCAA) have voted to expand their athletic scholarships to cover the full cost of attendance for athletes. Previously, only the components listed under “Allowable costs in general” in this chapter were included in COA. This change only applies to the colleges in the Power Five, but may also be adopted by other Division I participating schools, at their discretion.

One exception to the full cost COA is the practice of a school's paying the costs of an athlete's insurance against injury to protect against loss of future income. This expense may not be included in COA (because it is not related to a student's educational program), but it **is** included as Estimated Financial Assistance (EFA) for the student in the aid packaging process. For packaging guidance, see *Chapter 7 of this volume*.

\*The ACC, Big Ten, Big 12, Pac 12, and SEC

### Effects of waivers on COA

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered Estimated Financial Assistance (EFA) and the full amount of the tuition and fees are included in a student's cost of attendance. For more details, see *Chapter 7* of this volume.

On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the charges actually assessed the student would be included in the student's cost of attendance.

### Payment plans

Large Midwestern University (LMU) charges full-time students \$10,000 per semester in tuition, payable either at registration, or, in a new alternative payment plan, over the course of the semester, in four payments of \$2,600 each, for a total of \$10,400. LMU may establish the alternate payment plan, but can't use Title IV funds to pay for any amount in excess of what it charges those students not paying via the alternate plan (in this case, \$400).

**Finance charges:** You may not use Title IV funds to pay finance charges or fees that are incurred because a student utilizes a financing method provided by the school to pay for educational expenses over time. Because students or families choose to incur these additional expenses rather than paying the balance due at registration, the additional charges are not considered educational expenses, and may not be included in a student's cost of attendance.

**Test prep class costs:** You may not include in a student's COA the costs for a test prep class which is not part of the student's eligible program.

### Costs waived or paid by other sources

When a specific component of a student's cost of attendance is waived or explicitly paid by another source, special treatment may be necessary. In some situations, the student is assessed the normal tuition and fees charge with an offsetting credit issued. In other situations, the student is never charged tuition and fees at all. Although this section discusses this concept in terms of tuition and fee charges, it applies to any of the components of a student's cost of attendance.

In some cases, such as under Workforce Innovation and Opportunity Act (WIOA) programs, a student's tuition and fees are paid by another organization or are waived. The student's costs are based on what the school is actually charging the student, based on the agreement between the school and the student.

## Pell Grant awards & COA with mixed enrollment status

Ryne plans to attend Maddon University for a fall and spring semester. In the fall term, Ryne attends full-time, and has a COA of 5300 and an EFC of 0. Ryne's Scheduled Award is taken from the full-time Pell Grant Payment Schedule for the fall semester, with the calculated amount being \$5,350. Maddon disburses the fall semester Pell award of \$2,675.

In the spring semester, Ryne suffers from a variety of physical ailments, and finds that he can only attend a fraction of the classes he had hoped to, and so his enrollment status drops to less-than-half time. Ryne's COA is also reduced, as less-than-half-time enrollment means that not all of his previously included COA elements may be included in his Spring COA used for Pell calculation. Ryne's EFC remains at 0. Maddon may not include in Ryne's spring COA for Pell calculation miscellaneous personal expenses or room and board if Ryne has exhausted his less-than-half-time room and board allowance (3 semesters or equivalent in total, no more than two of which may be consecutive at any one school).

Maddon now consults the less-than-half-time Pell payment and disbursement schedule and finds the amount for an EFC of 0 and the reduced COA, 5000. The result is \$1,263, which Maddon divides in half for the spring semester disbursement, resulting in a spring payment to Ryne of \$631.50. These awards are also subject to the Pell Lifetime Eligibility Used limits (LEU). See *Volume 3, Chapter 3* for information about Pell Grant recalculations and LEU limits.

### Pell Grant cost of attendance for a consortium program

A student receiving a Pell Grant for attendance at two schools through a consortium agreement may have costs from both schools at the same time. The student's cost of attendance is calculated in the same way as for a student taking classes at only one school. The student's charges for tuition and fees and books and supplies at the consortium schools have to be combined into a single charge for a full academic year for purposes of the Pell calculation.

The school paying the student may choose to use actual charges for the student, which would simply be the sum of the actual charges at both schools. Of course, if the student isn't attending full-time, your school will have to prorate these tuition & fees and books & supplies charges so that they are the correct amounts for a full-time, full-year student.

If the disbursing school uses average charges, then the average full-time charges at each of the schools must be prorated and combined. If the student is taking a full-time load at each school, the full-time tuition and fees charges for an academic year at each school can be averaged to determine the tuition and fee cost. However, if the student is taking an unequal course load, the disbursing school must prorate the charges based on the number of hours the student is taking at each school.

### Pell Grant cost of attendance for a co-op program

If a student has a co-op job for the first term, the tuition and fees for that period can be prorated over the full academic year for the program (which must include at least 24 semester/trimester hours, 36 quarter credit-hours, or 900 clock-hours, as well as 30 weeks of instructional time, or, for clock-hour programs, 26 weeks). This prorated amount is then added to the other cost of attendance components to arrive at the total cost for a full-time student for a full academic year.

For the rest of the year, your school can either use the cost of attendance with the projected amount or can recalculate the student's tuition and fees at the end of the first term to determine a new cost of attendance for the remaining payment periods. This decision must be consistent with your school's overall policy on recalculating for changes in a student's costs. (See the discussion of Pell Grant recalculations in *Chapter 3* of this volume for more information.) Note that the cost of attendance can also include employment-related expenses.

### Pell Grant Cost Example 1: Prorating total costs by lesser of two fractions

You may take the student's entire cost of attendance (tuition and fees, room and board, etc.) and multiply it by the lesser of the two fractions that represent the length of the academic year. If the lesser fraction is one, then you don't prorate the cost of attendance. One fraction is based on credit or clock-hours and the other is based on weeks of instructional time, as shown in this example.

Let's use the example of a program that charges \$10,500, awards 18 semester credits, and is completed by most full-time students within 20 weeks of instructional time.

$$\frac{\text{Credit/clock-hours in academic year definition} = 24}{\text{Credit/clock-hours awarded} = 18}$$

$$\frac{\text{Weeks in academic year definition} = 30}{\text{Weeks provided} = 20}$$

Since the fraction using credit-hours is the lesser fraction, the program cost of \$10,500 is multiplied by 24/18 to find the full-year Pell cost.

$$\$10,500 \times 24/18 = \$14,000$$

The full-time cost is \$14,000. Note: If one of the fractions is equal to one, for instance, if the program awards 24 credit-hours, then the prorated cost is the same as the original cost of attendance.

### Pell Grant Cost Example 2: Prorating academic costs & living expenses separately

As an alternative, you can separately prorate the costs associated with credit or clock-hours (tuition and fees, books and supplies, loan fees) and the costs associated with weeks of instructional time (room and board, miscellaneous expenses, disability expenses, transportation, dependent care, study abroad, reasonable costs associated with employment as part of a cooperative education program). Using our earlier example of a program lasting 20 weeks and awarding 18 credit-hours, and specifying that the student's tuition, books, supplies, etc., come to \$4,500 and living expenses amount to \$6,000, the calculation would look like this:

$$\frac{24 \text{ credit-hours}}{18 \text{ credit-hours}} \times \$4,500 = \$6,000$$

$$\frac{30 \text{ weeks}}{20 \text{ weeks}} \times \$6,000 = \$9,000$$

In this example, the student's Pell budget is the sum of the two prorated costs, or \$15,000.

### Pell Grant Cost Example 3: Prorating costs for a non-term program longer than an academic year

Costs must also be prorated if they are charged for a period longer than an academic year. You may use either of the proration methods shown in Examples 1 and 2. We'll use the example of a program awarding 1,000 clock-hours and providing 40 weeks of instructional time. Let's assume that the school uses the regulatory minimums in defining the academic year as 900 clock-hours and 26 weeks. The total costs over the 40 weeks, including tuition and living expenses, are \$5,900. If we use the method in Example 1, this amount must be prorated by the lesser of the following two fractions:

$$\frac{\text{Credit/clock- hours in academic year definition} = 900}{\text{Credit/clock-hours awarded} = 1,000}$$

OR

$$\frac{\text{Weeks in academic year definition} = 26}{\text{Weeks provided} = 40}$$

The lesser of the two fractions is the one based on weeks (26/40). Multiply the total program cost by this fraction to determine the Pell costs for a full academic year:  $\$5,900 \times 26/40 = \$3,835$ .

If the student is charged for the tuition and fees, even if the charge is eventually paid by someone other than the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance in most circumstances (see sidebar on “Alternate example of waived or paid COA component”). The tuition and fees payment would then be counted as estimated financial assistance. The charge is documented in the same way as for any non-WIOA student—for instance, in your school’s contract with the student or in the agreement with the WIOA agency. (If your school charges the student for tuition and fees, your school would have to expect the student to pay the charge if the WIOA agency or other source of assistance doesn’t pay on the student’s behalf.)

If the student is never charged for tuition and fees, then the cost of attendance wouldn’t include the tuition and fees component. Some WIOA agreements with schools provide that the school can’t charge the tuition and fees to the student, even if WIOA doesn’t cover the costs. If your school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren’t included in the student’s cost of attendance, and, therefore, that amount would not be included as estimated financial assistance.

Even if there’s no tuition and fees component, the student’s budget still includes the other costs listed previously, such as an allowance for living expenses. The option to either include the cost and aid in both COA and EFA versus excluding both from COA and EFA only applies to non-federal sources of assistance, and only when that assistance is designated to offset specific components of COA (i.e., tuition, room, and board).

### COSTS FOR PERIODS OTHER THAN NINE MONTHS

The cost of attendance used to package Campus-Based aid and Direct/ Direct PLUS loans and TEACH covers the student’s actual period of enrollment. Therefore, if the student will be attending for more than 9 months, you must use a higher cost of attendance that includes living expenses, such as room and board, for the longer period of time. If the student will be attending for less than 9 months, you must use a lower cost of attendance. You can choose to prorate the allowances you use for 9 months, or you can calculate the cost in any other **reasonable** way.

When calculating for periods other than nine months, be sure to use the rules for the corresponding EFC type. There are three types of EFC for periods other than 9 months, each with their own treatment: EFC for dependent students; EFC for independent students without dependents other than a spouse; and EFC for independent students with dependents other than a spouse. For the full discussion of the treatment for these various EFC types, see *Chapter 3 of the Application and Verification Guide (AVG)*.

### Alternate example of waived or paid COA component

The state in which Montero University was founded charges all full-time students the same tuition charge. However, in-state students receive a voucher to cover the difference between what most states consider in-state versus out-of-state tuition. Montero has two options. The first option would allow Montero to include the same tuition charge in the full-time COA for all students and include the amount of the voucher as estimated financial assistance (EFA) in the respective students’ financial aid packages. Alternatively, Montero could exclude the amount of the voucher from both COA and EFA because the voucher must be used to explicitly pay a specific component of the COA. Regardless of the option Montero chooses, it must apply the option consistently.

### WIOA reimbursement contracts

Some WIOA contracts operate on a reimbursement basis; that is, the student must fulfill the terms of the contract before WIOA will reimburse the school for tuition and fee costs. If the student doesn’t fulfill the terms of the contract, the school is left with an unpaid tuition and fees charge. The school isn’t permitted to hold the student liable for the unpaid tuition and fees. Contracts are established this way to offer schools an incentive to properly train and place students enrolled in the training programs. However, if a tuition and fees charge is included in an FSA aid recipient’s budget, the student would be liable for any outstanding charges that are not reimbursed by WIOA. Therefore, schools that enter into reimbursement contracts must remove the tuition and fees component from the FSA budget because, under these contracts, schools are prohibited from holding the student liable for outstanding charges.

### Costs for non 9 months example

For Direct Loans, Campus-Based aid, and TEACH, the COA used for packaging must reflect the student's cost for that period that the student is actually enrolled.

For instance, if a student is completing her program of study by taking a 1/2-time course load for the fall semester at your school, and that's the only term that she'll be attending in the award year, you could use the actual tuition and fee charges for the student's costs. If you use average costs for living expenses for a 9-month academic year for students in that program, you may divide your average costs by the number of terms in the academic year to find the cost for this enrollment period (assuming the terms are substantially equal in length).

For Pell Grants, the full nine-month EFC must always be used regardless of the actual period of attendance of the student (see GEN-15-02). You could either use an average tuition cost for a full-time, full-year student in the program or prorate the student's actual tuition for the fall term to arrive at a full-year, full-time cost. Costs for living expenses may also be average costs for a full academic year—if a full-year average cost is used, it doesn't have to be prorated for Pell Grant awards.

### Costs for full program charged at start

A school may charge the total tuition cost for a program at the beginning of the first period of enrollment. If the program is longer than an academic year, for Direct/Direct PLUS Loans and Campus-Based aid, the tuition costs apply only to the first period of enrollment. For Pell, you must prorate these charges to reflect the academic year in accordance with the procedures outlined in Chapter 3.

### Adjusting costs for Pell Grants

The types of costs included in the Pell Grant budget are the same as those for the other FSA programs; however, Pell Grant costs are always based on the costs for a *full-time student for a full academic year*.

For Pell, costs for programs or enrollment periods longer or shorter than an academic year must be prorated so that they are the costs for one full academic year. This is true for both parts of the academic year definition: if either the number of weeks or the number of clock/credit-hours differs from the academic year standard, the costs must be prorated to determine the full-time, full-year Pell budget. The need to prorate Pell costs is most likely to occur in these situations:

- A term-based program that provides fewer weeks of instructional time than the minimum number of weeks of instructional time in an academic year;
- A non-term program that provides less than 24 semester hours, 36 quarter hours, or 900 clock hours and/or provides fewer weeks of instructional time than the minimum number of weeks of instructional time in an academic year; or
- A program that is longer than an academic year, where the costs for the entire program are charged at the beginning of the program.

There are two ways to prorate Pell costs, as shown in the previous examples. Both of these examples are based on a program that is shorter than an academic year. The third example shows how costs are prorated when they are charged for a program that is longer than an academic year. Note that prorating the cost of attendance usually does not affect the amount of Pell Grant the student receives. However, you're required to report the full-time, full-year Pell budget when reporting disbursements to COD.\*

\*If the student is in a category where costs are limited, such as less-than-half-time enrollment, those costs that are allowable must be based on costs for a full-time student for a full academic year. For instance, the tuition component of the Pell cost of attendance for a less-than-half-time student must be based on the tuition costs that would be incurred by a full-time student attending a full academic year.

# Calculating Pell and Iraq & Afghanistan Service Grant Awards

## CHAPTER 3

Pell Grant awards are based on the 9-month Expected Family Contribution (EFC) on the student's valid SAR or ISIR, the academic year structure (see Chapter 1 of this volume), and the cost of attendance for a full-time student for a full academic year (see Chapter 2 of this volume). The Scheduled Award amounts are specified on the Pell Grant payment schedules released by the Department. For term-based programs, awards for part-time students are also based on enrollment status, using the part-time charts in the Pell Grant payment schedules.

In this chapter, we'll show you how to calculate Pell and Iraq & Afghanistan Service Grant (IASG) payments for your students, using the appropriate formula for the term or non-term calendar.

### SCHEDULED AWARD, AWARD YEAR, & ANNUAL AWARD

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends *full-time* for a *full* academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2018-19 award year begins July 1, 2018, and ends June 30, 2019.

The student's **Scheduled Award** is established by the Pell Grant payment schedule that the Department issues prior to the start of each award year. The amount of the Scheduled Award is always taken from the full-time payment schedule, and is based on the student's EFC and Cost of Attendance (COA). The **annual award** is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. Note that for a full-time student, the annual award will be the same as the Scheduled Award.

At a term school, a part-time student will have an *annual award* that is less than the Scheduled Award. If the student attends part-time, the student's annual award is taken from the 3/4-time, 1/2-time, or less-than-1/2-time payment schedules. For instance, if a student's Scheduled Award is \$6,095, but the student is enrolled as a 1/2-time student in a term program, the student's annual award would only be \$3,047.50.

Cost	Pell payment schedule					
	Expected Family Contribution					
	0	500	1000	1500	2500	3000
2,000						
3,000						
4,000						
5,920 +	6,095					

Cost	Pell payment schedule					
	Expected Family Contribution					
	0	500	1000	1500	2500	3000
2,000						
3,000						
4,000						
5,920 +	3,047.50					

### CHAPTER 3 HIGHLIGHTS

Calculations for:

- Zero EFC treatment for children of soldiers
- Iraq & Afghanistan Service Grants
- Credit-hour term programs with fall through spring standard terms that provide 30+ weeks of instructional time and certain other standard term programs (Formula 1 or Formula 3)
- Credit-hour term programs with fall through spring standard terms that provide less than 30 weeks of instructional time (Formula 2 or Formula 3)
- Any credit-hour term programs including nonstandard term programs (Formula 3)
- Clock-hour programs and non-term credit-hour programs (Formula 4)
- Pell/Iraq & Afghanistan Service Grant LEU
- Summer terms, crossover payment periods, and mini-sessions
- Transfer students
- Recalculations (required and optional)

### Appendices to Chapter 3

Appendix A - Pell Formula 2: Calculations for standard-term

programs with less than 30 weeks in fall through spring

Appendix B - Pell Formula 5: Calculations for correspondence study programs

Appendix C - Pell Formula summaries for all five Pell formulas

### The Sequester and Iraq & Afghanistan Service Grants



Dec 24, 2013

E-Announcement June 17, 2017

The Budget Control Act (BCA) of 2011 put into place a federal budget cut known as the sequester. The Pell Grant program is exempt from the effects of the sequester. As such, Pell Grant payment schedules are unchanged under the sequester. Unlike Pell, the Iraq & Afghanistan Service Grant is not exempt from the effects of the sequester. Iraq & Afghanistan Service Grant awards first disbursed on or after October 1, 2017, and before October 1, 2018 require reductions of 6.6% from the award amount for which the student would otherwise have been eligible to receive. We will notify the community of the FY 2019 sequester-related reductions for the IASG in a future announcement.

**Scheduled Award limit**

34 CFR 690.63(g)

**Pell Grant payment schedules**<https://ifap.ed.gov/ifap/wst.jsp>

DCL GEN-18-04 (Revised Pell Payment Schedules for 2018-19)

E-Announcement May 10, 2018 (COD &amp; CPS implementation of revised Pell Payment Schedules)

**Minimum Pell Grant and LEU for 2018-19**

HEOA Section 401(b)(4)

DCL-GEN-18-04

The HEOA eliminated the \$400 minimum award and instead set a new minimum award at 10 percent of the maximum award appropriated each year. Because midpoints are used for the EFC and COA columns in constructing the Pell payment schedules, the minimum Pell award for a full-time student is actually slightly higher than 10 percent of the maximum Pell award. Students who are eligible for less than \$650 are not Pell eligible for 2018-19, unless the reason for their low Pell eligibility was truncation due to Lifetime Eligibility Used (LEU) limitations (for more on LEU, see the “Pell & IASG LEU” section later in this chapter).

There is no *de minimus* award amount for purposes of determining a student’s award because of the 600% LEU limitation. As such, even a student with a very small remaining LEU is eligible to receive the calculated amount of the Pell Grant, as long as the LEU is not exceeded. For example, a student with an EFC of 3750 and an LEU of 599.500% would be eligible for the remaining 0.500% which is \$10.85, rounded to \$11 (if your school only disburses in whole dollars, this amount must be rounded down to \$10, because \$11 would exceed the student’s maximum LEU).

**Children of Fallen Heroes Scholarship Act**

HEA Sec 473, 42 U.S.C. 3796b

E-Announcement November 19, 2018

Beginning with the 2018-19 award year, 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 (defined under 42 U.S.C. 3796b, or a fire police officer) may receive the maximum Pell Grant and increased amounts of other federal student aid if the student was less than 24 years old when the parent or guardian died, or was enrolled at an institution of higher education at the time of the parent or guardian’s death.

A school must use an EFC of 0 to package all federal student aid if the student meeting the above criteria has a Pell-eligible EFC. Note that the zero EFC is only used for packaging purposes; you do not actually change the student’s calculated EFC. See Electronic Announcement, November 19, 2018 for more details on eligibility and treatment of the Children of Fallen Heroes Scholarship.

**Pell Grant awards for 2018-19**

The maximum Pell Grant award is \$6,095. The maximum eligible EFC for the 2018-19 award year is 5486. For 2018-19, the minimum award is \$650. For more detail, see the Pell Grant payment schedules and accompanying guidance in Dear Colleague Letter GEN-18-01, available on the IFAP website. Actual Pell awards are unique to each student and are based upon and limited by their enrollment status, EFC, COA, and Lifetime Eligibility Used (LEU). For more on LEU, see the subsection “Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU).”

**Career Pathway Alternative for Title IV Eligibility**

Students who do not have a high school diploma or its recognized equivalent (see *Chapter 1 of Volume 1*), and have not completed a secondary education program in a home-school setting, may, if enrolled in an eligible career pathway program, become eligible for Title IV aid by passing an Ability-to-benefit (ATB) test approved by the Secretary or by completing at least 6 credit-hours at an eligible school.

**Ground rules for Pell Grants****Fractions**

When using fractions, be careful to multiply first, and then divide to avoid an incorrect result. For example, here’s the correct way to prorate a \$2,150 Scheduled Award for a payment period that is a nonstandard term of 10 weeks of instructional time, for a program that has 30 weeks of instructional time.

$$\$2,150 \quad \times \quad \frac{10}{30} \quad \text{is multiplied as} \quad \frac{2,150 \times 10}{30} = 716.67$$

In this case, if you divide the fraction to get a decimal (.33333...) and then round the decimal either down (.33) or up (.34), your calculation will result in a number that’s too low (709.50) or too high (731).

**Rounding**

The Common Origination and Disbursement System (COD) accepts cents and whole dollar amounts in payment amounts for Pell. When rounding, you may round up if the decimal is .50 or higher; round down if it’s less than .50. When rounding for a student expected to be enrolled for more than one payment period in the award year, alternate rounding up and down. The amount used to round (whether it be a dollar or penny) is usually carried forward to the next payment and applied before the rounding calculation is performed for that payment period, unless a different Pell award amount is calculated for the following term, for example, when a student’s enrollment status, changes, in which case you may round up for two consecutive terms. Your policy on rounding must be applied equally to all students.

**Important: These rounding rules do not apply if the amount disbursed would exceed the student’s Scheduled Award or place the student’s LEU over 600%.** For more on LEU for Pell and Iraq & Afghanistan Service Grants, see “Pell and Iraq & Afghanistan Service Grant LEU” later in this chapter.

## Additional Aid Eligibility for Children of Soldiers: Zero EFC treatment or Iraq & Afghanistan Service Grant

HEA Sec. 420R, Nov 6, 2009 E-Ann, April 26, 2013 E-Ann, DCL GEN-15-07

An otherwise Pell-eligible 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 federal student aid if the student was less than 24 years old when the parent or guardian died, or was enrolled at an institution of higher education at the time of the parent or guardian's death. There are two different provisions for eligible children of soldiers, depending on whether the student has an EFC that falls within the range for Pell Grant eligibility or not.

### **Zero EFC treatment for children of soldiers**

A school must use an EFC of 0 to package all federal student aid if the student meeting the above criteria has a Pell-eligible EFC. (Note that the zero EFC is only used for packaging purposes; you do not actually change the student's calculated EFC.) When submitting an origination to COD for a student of this type, you must include the CPS transaction containing the Department of Defense Match Flag set to "Y;" or the award will not be accepted. A student with an EFC that is not Pell eligible is potentially eligible to receive an award under the Iraq & Afghanistan Service Grant program (see Iraq & Afghanistan Service Grant below).

### **Iraq and Afghanistan Service Grant**

To receive the Iraq & Afghanistan Service Grant, the student must have an EFC that is not Pell eligible. (The student must meet the other criteria for Pell eligibility.) Iraq & Afghanistan Service Grants are made under the same terms and conditions as Pell, and disbursements for each payment period are calculated in the same manner as described in this chapter for Pell. Due to the sequester, all Iraq & Afghanistan Service Grant award amounts first disbursed on or after Oc-

tober 1, 2017 and before October 1, 2018 must be reduced by 6.6%. For example, a student otherwise eligible for a Grant of \$5,920 (the maximum Scheduled Award for 2018-19) would have the grant reduced by \$408.48, resulting in a grant of \$5,511.52.

When submitting an origination to COD for a student receiving an Iraq & Afghanistan Service Grant, you must include the CPS transaction containing the DoD Match Flag set to "Y;" or the award will not be accepted. The award may not exceed the student's cost of attendance. Iraq and Afghanistan Service Grants are not considered Estimated Financial Assistance for packaging purposes. For more detail on packaging awards, see *Chapter 7* of this volume. Note that children of public safety officers (Fallen Heroes Scholarship Act) are not eligible for Iraq & Afghanistan Service Grants.

The Year-Round Pell provision also applies to Iraq & Afghanistan Service Grants. For more detail on how to calculate Year-Round Pell & IASGs, see the Year-Round Pell & IASG section later in this chapter.

**Identification of eligible students and notification by ED:** The Department will notify the student when a student appears to meet the criteria for Zero EFC treatment for children of soldiers or the Iraq & Afghanistan Service Grant, based on a match with a Department of Defense (DoD) file of eligible dependents. The match will be performed when a student submits a FAFSA or FAFSA correction (and periodically thereafter). When an eligible student is identified, ED will generate a Central Processing System (CPS) transaction for the student, and the resulting ISIR will include a "DoD Match Flag," associated comment code 298, and the parent or guardian's date of death.

Note that Zero EFC treatment under this provision will not force an auto-0 EFC; the EFC will be calculated based on the student's financial situation, but you must use the flag and date of the parent or guardian's death, along with the student's calculated EFC, to determine if the student is eligible for Zero EFC treatment for children of soldiers, or an award under the Iraq & Afghanistan Service Grant program. ED will also send a letter to each matched student that informs the student of his or her possible increase in eligibility for FSA funds. The letter advises the student to contact his or her financial aid administrator for more information.

For more information on code 298 and other SAR comment codes, see the 2018-19 SAR Comment Code Guide: <https://ifap.ed.gov/eannouncements/072517SARCommentCodesandTextGuide1819.html>

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### Full-time enrollment status for students with intellectual disabilities enrolled in comprehensive transition and postsecondary programs

34 CFR 668.230-233

HEA Sec. 484(s)

Students enrolled in certain programs for students with intellectual disabilities may qualify to receive aid as a full-time student by meeting the full-time enrollment status criteria using alternative credit “equivalencies.” These equivalent credits, earned from audited courses and other normally non-credit activities undertaken as part of a program for students with disabilities may be awarded for purposes of determining enrollment status. For more detail, see *Chapter 1 of Volume 1 of the FSA Handbook*.

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### Pell Grant Administrative Cost Allowance

34 CFR 690.10

HEA Sec. 489(a)

For each student that receives a Pell Grant at your school each award year, your school is paid \$5 to help pay the associated administrative costs. This money must be used solely to pay for the costs of administering the Federal Pell Grant, Federal Work-Study (FWS), and FSEOG programs.

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### Prohibition on concurrent enrollment and Pell Grant

20 USC Sec. 1070a(c)(3)

34 CFR 690.11

A student may not receive Pell Grant payments concurrently from more than one school, nor from the Secretary and a school.

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### Second Pell Grant Scheduled Award repeal and crossover payment periods

34 CFR 690.64

To conform with the removal of second Pell Grant Scheduled Award availability, you are no longer required to assign a crossover payment period to the award year in which the student would receive the greater Pell award, but are free to 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 must source Pell funds from the award year to which the payment period is assigned), provided that you never make a payment that will result in the student receiving more than his or her Scheduled Award for an award year. For more detail on crossover payment periods, see the section on crossover payment periods later in this chapter.

## TERMS AND PAYMENT METHODS FOR CALCULATING PELL

Generally, if all the coursework is scheduled to be completed within a specific time frame, the program can be considered term-based. Term-based programs can have either standard terms or nonstandard terms. Pell Grants are usually calculated differently for the two types of terms. Standard term programs may be treated similarly to nonstandard term programs if the program does not conform to a traditional academic calendar or meet certain other conditions. When calculating Pell Grants, you must use the same formula for all years in a student’s program.

### Standard terms

Standard terms are semesters, trimesters, or quarters, as these words are traditionally used. In traditional usage, an individual semester or trimester provides about 14 to 17 weeks of instructional time and full-time is defined as at least 12 semester or trimester hours. The program’s academic calendar generally consists of three terms, one each in fall, spring, and summer. In traditional usage of the term “quarter,” an individual quarter provides about 10 to 12 weeks of instructional time, and full-time is defined as at least 12 quarter hours. The program’s academic calendar generally includes three quarters in the fall, winter, and spring, and often a summer quarter as well.

### Nonstandard terms

Any term that isn’t one of the standard terms described above is a nonstandard term. Sometimes schools refer to terms by standard names when they are, in fact, nonstandard terms. For example, a program may be made up of terms called quarters, but progress is measured in semester hours. **If a student’s program contains any nonstandard terms, it cannot be considered a standard term program.**

### Non-term programs

Non-term programs may be measured in either clock-hours or credit-hours. **If a student’s program contains coursework not offered for completion within set beginning and end dates, the program cannot be considered a term-based program.**

## CREDIT-HOUR TERM-BASED PROGRAMS

### ***Annual award based on enrollment status***

In a term-based program, academic progress is always measured in credit-hours, and the student's annual award depends on his or her enrollment status. Your school's standards for enrollment status must meet the minimum regulatory requirements, which are discussed in further detail in *Volume 1, Chapter 1 of the FSA Handbook*.

For standard terms, the minimum enrollment standards are:

- Full-time: 12 semester hours per semester/trimester  
12 quarter hours per quarter
- 3/4-time: 9 semester hours per semester/trimester  
9 quarter hours per quarter
- 1/2-time: 6 semester hours per semester/trimester  
6 quarter hours per quarter
- Less-than-1/2-time: less than half of the workload of the minimum full-time requirement.

If the student is enrolled full-time, then the annual award is the Scheduled Award, which is based on the full-time payment schedule. If the student is attending part-time, you must use the 3/4- time, 1/2-time, or less than 1/2-time payment schedules, depending on the number of credit-hours in which the student enrolls. If the student is enrolled less-than-half-time, it will also affect the cost components that are used in the student's Budget (see *Chapter 2 of this volume*). *Schools do not have the discretion to refuse to pay an eligible part-time student, including during a summer term or intersession.*

On the appropriate full-time or part-time payment schedules, use the student's Cost of Attendance and EFC to look up the Pell annual award for the year at that enrollment status. Most student aid software programs, such as EDEExpress, will do this for you automatically, but you can also refer to the Pell Grant payment schedules online at the IFAP website.

### ***Pell Grant payments by term***

Pell Grants must be paid in installments over the course of a program of study to help meet the student's cost in each payment period. The payment period affects when Pell funds are disbursed and the exact amount to be disbursed. For credit-hour term programs, the payment period is the term. If the student doesn't enroll in one of the terms, he or she won't receive a portion of the award for that payment period. If the student's enrollment status changes in the next term, his or her annual award will be different for that term. (See discussion of terms and payment methods.)

### **Academic calendar and enrollment status changes**

Because the academic calendar for a program determines which Pell formula you use, you need to review the conditions for the use of each formula if the calendar for the program changes. This is particularly true if you are using Formulas 1 and 2, since they have the most restrictive conditions.

If a student's enrollment status changes during the year, your school may have to recalculate the student's Pell Grant payment based on the new enrollment status. At the end of this chapter we'll discuss when a school is required to recalculate due to a change in enrollment status.

34 CFR 690.63

34 CFR 690.80(b)

### **Enrollment status under consortium agreement**

The enrollment status of a student attending more than one school under a consortium agreement is based on all the courses taken that apply to the degree or certificate at the home institution.

The disbursing school may have to make some adjustments if the coursework at the other school is measured in different units.

### **Enrollment status for cooperative education**

In a cooperative education program, your school assesses the work to be performed by the student and determines the equivalent academic course load. The student's enrollment status is based on the equivalent academic course load.

### **SAR Comment Code 298**



If you received an ISIR containing the DoD Match Flag "Y", with the parent's date of death and SSN, the student could potentially be eligible for additional Title IV aid. A SAR comment code is not always printed. When a student matches with the DoD file, the ISIR always shows a "Y" in the DOD Match Flag field and the parent's date of death is populated. But SAR comment code 298 is only generated when the CPS DOD Table is updated after the student filed his FAFSA (a system generated transaction occurs and generates the comment).

**Consortium Different Units Example**

Chris is taking 6 semester hours at Aroldis University, the home institution, and 9 quarter-hours at Coghlan Technical Institute. To determine his enrollment status, Aroldis needs to convert the hours at Coghlan into semester hours. Because a quarter-hour is about two-thirds of a semester hour, Aroldis multiplies the number of quarter- hours by two-thirds:

$$9 \text{ quarter hours} \times 2/3 = 6 \text{ semester hours.}$$

Then the hours taken at both schools can be added together:

$$\begin{aligned} &6 \text{ semester hrs. at Aroldis} \\ &+ 6 \text{ semester hrs. at Coghlan} \\ &12 \text{ semester hours} \end{aligned}$$

Linda is also taking 6 semester hours at Aroldis University and 9 quarter-hours at Coghlan Technical Institute, but her home institution is Coghlan Technical Institute. Because Coghlan is paying her, it needs to convert the semester hours taken at Aroldis into quarter hours:

$$6 \text{ semester hours} \times 3/2 = 9 \text{ quarter-hours.}$$

Then, the hours taken at both schools can be added together:

$$\begin{aligned} &9 \text{ quarter hours at Coghlan} \\ &+ 9 \text{ quarter hours at Aroldis} \\ &18 \text{ quarter hours} \end{aligned}$$

**Variations in enrollment status standards**

If any program uses standard terms, the enrollment status standards in the program don't have to be proportional—for instance, a program could have a 15-hour standard for full-time enrollment, but set a 9-hour minimum for 3/4-time status and a 6-hour minimum for 1/2-time status.

In addition, your school's academic standard may differ from the enrollment standard used by the financial aid office for FSA purposes. For example, your school may define full-time as six hours during the summer; however, the financial aid office uses 12 hours as full-time for all terms, including the summer term. Your school must apply its FSA full-time enrollment standards consistently to all students enrolled in the same program of study for all FSA purposes. For more on enrollment status, see *Volume 1, Chapter 1*.

**Enrollment status for students taking regular and correspondence courses**

If a student is enrolled in a non-correspondence study program, but correspondence coursework is combined with regular coursework, the correspondence courses must meet the following criteria to be included in the student's enrollment status:

- The courses must apply toward the student's degree or certificate or must be remedial work to help the student in his or her course of study.
- The courses must be completed during the period required for the student's regular coursework, e.g., a term.
- The amount of correspondence work counted can't be more than the number of credit-hours of regular coursework in which the student is enrolled (although a student taking at least a half-time load of correspondence courses must be paid as at least a half-time student, regardless of the credit-hours of regular coursework).

A student will be paid as a less-than-half-time student for any combination of regular and correspondence work that is less than 6 credit-hours or the appropriate equivalent of half-time.

Enrollment Status for Enrollment in Correspondence and Regular Coursework			
Regular Work	Correspondence Work	Adjusted Total Coursework	Enrollment Status
3	3	6	Half-time
3	6	6	Half-time
3	9	6	Half-time
6	3	9	Three-quarter time
6	6	12	Full-time
2	6	6	Half-time

This chart assumes that the school defines full-time enrollment as 12 credit-hours per term, and half-time enrollment as 6 credit-hours per term. As you can see in the second and third examples, the number of correspondence hours counted in the total course load was adjusted so that the correspondence hours never exceeded the regular hours taken. Note that in the last example, the student is eligible for payment based on half-time enrollment in correspondence courses, because not all of the correspondence work can be counted toward enrollment status.

## PELL FORMULA 1: CREDIT-HOUR TERM-BASED PROGRAMS

To use Pell Formula 1, the program must meet one of two sets of requirements.

For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs:

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

For Formula 1, the term is the payment period, and you divide the student's award by the number of terms in the program's FSA academic year.

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### Requirements for using Formula 1

34 CFR 690.63(a)(1)

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### Basic Pell Grant calculations

Pell payment schedules: 34 CFR 690.62

Pell Grant formulas: 34 CFR 690.63

"Crossover" payment periods (e.g., summer sessions):

34 CFR 690.64

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### Consistent use of formula

You must use the same formula for a program for all payment periods in an award year.

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### Standard term composed of shorter terms or modules

Remember that you can combine shorter terms or modules into a standard term that meets the requirements for Formula 1. See the discussion of academic calendars in *Chapter 1* for examples.

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### Alternate calculation

If you're working with a standard-term program that meets the rules for Formula 1 or Formula 2, you may divide the annual award by the number of all the terms (including the summer term) in the award year.

## Formula 1: Basic Calculation

In Formula 1, the annual award is simply divided by the number of terms in the fall through spring at a school with a traditional academic calendar.

Take the case of Jake, who is enrolled full-time in a program that has an academic year of 30 weeks of instructional time and 24 semester hours. The program has fall and spring semesters that provide a total of 30 weeks of instruction and a 12-week summer nonstandard term with 12 semester hours as full-time. Jake has a Scheduled Award of \$3,050, and because he is enrolled full-time, that is also his annual award. Because the fall through spring has standard terms, it doesn't matter that the summer term is nonstandard; you still calculate summer payment based on Formula 1.

$$\frac{\$3,050}{2} = \$1,525 \text{ disbursement for a semester}$$

The same formula would be used if Jake enrolled in a program that has fall, winter, and spring quarters that provide at least 30 weeks of instruction and has a summer term with 12 quarter hours as full-time. The only difference is that Jake's annual award of \$3,050 is divided by 3.

$$\frac{\$3,050}{3} = \$1,016.66 \text{ disbursement for each payment period}$$

Note that Jake is receiving a full Scheduled Award because he is attending for two semesters or three quarters as a full-time student. If Jake enrolls at least half-time for a term in the summer, he may be eligible to receive further Pell funds from the Year-Round Pell provision, see the Year Round Pell & IASG section later in this chapter.

## Formula 1: Basic Calculation Nontraditional Academic Calendar

Majel is enrolled full-time at Roddenberry University in a program that has an academic year of 36 weeks of instructional time and 36 quarter hours, and is offered exclusively in quarters. A new cohort of students starts a quarter on the first workday of each month, and a student is not allowed to take courses in overlapping terms outside that student's cohort.

Any three quarters of the program provide at least 36 weeks of instructional time since each quarter is 12 weeks of instructional time in length. To be full-time, a student must be enrolled in at least 12 quarter hours for a quarter. Majel has a Scheduled Award of \$3,000, and because she is enrolled full-time, that is also her annual award.

Because any three quarters are at least 30 weeks of instructional time and the academic year encompasses three quarters, Majel's payment for each payment period is calculated by dividing the annual award by 3:

$$\frac{\$3,000}{3} = \$1,000$$

Note that Majel is receiving a full Scheduled Award because she is attending for three terms as a full-time student and may be eligible for further Pell funds for the subsequent payment period if she satisfies the requirements for a Year-Round Pell award; for more details, see the Year-Round Pell & IASG section later in this chapter.

## Formula 1: Enrollment status change

Jose enrolls full-time in the fall semester at Wieters College of Competitive Catching (WCCC). He has a cost of \$10,000 and EFC of 100, so his Scheduled Award, taken from the full-time payment schedule, is \$5,750. Since he's attending full-time, this is also his annual award. If WCCC defines its academic year as 30 weeks of instructional time and 24 semester hours, Jose's annual award is divided by 2 to arrive at the disbursement for the fall semester.

$$\frac{\$5,750}{2} = \$2,875 \text{ for Fall}$$

Jose decides that a full-time schedule is too ambitious, so he enrolls in the spring term as a 3/4-time student. His EFC is the same, and even though his tuition is slightly less, the Pell award is still based on full-time costs. However, his annual award is now based on the 3/4-time payment schedule, so his spring payment will be less than his fall payment.

$$\frac{\$4,238}{2} = \$2,119 \text{ for Spring}$$

Note that Jose's Scheduled Award is still \$5,750, and he has only received \$4,994. This means that he is still eligible for up to \$756 Pell funds from his first Scheduled Award if he attends a summer term assigned to the same award year (if this will not put him over his Pell Grant LEU limit). Jose may also be eligible for a Year-Round Pell award if he continues to be enrolled at least half-time. A student may receive funds from the initial Pell award and from the Year-Round Pell award in the same payment period. For more detail, see the Year-Round Pell & IASG section later in this chapter.

## PELL FORMULA 2: STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN THE FALL THROUGH SPRING

Pell Formula 2 may be used for programs that would qualify for Formula 1 except that the program's academic calendar provides less than 30 weeks of instructional time in the fall through spring terms. Like Formula 1, it simplifies the calculation payments by providing for the same calculation for all payment periods in the award year. Only a small number of schools use Formula 2; therefore, it is covered in *Appendix A* of this chapter.

## PELL FORMULA 3: GENERAL FORMULA FOR ANY TERM-BASED PROGRAM

Any term-based program may use this formula for Pell calculations, but you *must* use this formula for a term-based program that does not qualify for Formulas 1 or 2 (for instance, a program that uses only nonstandard terms).

To calculate the payment for the term, you must prorate the annual award that you looked up on the appropriate Pell Grant payment schedule. Unlike the term calculation in Formula 1, the annual award can't simply be divided evenly among the terms. Instead, you must multiply the annual award by a fraction that represents the weeks of instructional time in the term divided by the weeks of instructional time in the program's academic year.

$$\frac{\text{weeks* in term}}{\text{weeks* in academic year (at least 30)}}$$

If the resulting amount is more than 50 percent of the annual award, your school generally (see exception in sidebar) must make the payment in at least two disbursements in that payment period regardless of whether the term is a standard term or a nonstandard term. A single disbursement for a payment period can generally not be for more than 50 percent of the annual award. You may disburse more than 50 percent of the annual award once the student has completed half of the weeks of instructional time in the program's academic year definition.

### Enrollment status standards for nonstandard terms

If you are using Formula 3 for a program that contains standard terms, the minimum enrollment standards previously discussed would still apply for the standard terms. However, if a program has nonstandard terms, the enrollment standard must be calculated for the nonstandard terms. The full-time enrollment status is determined for a nonstandard term based on the length of the term in relation to the academic year.\*\*

$$\text{Credit-hours in academic year} \times \frac{\text{weeks* in nonstandard term}}{\text{weeks* in academic year (at least 30)}}$$

\*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which are not necessarily the same number as the calendar weeks in an academic year.

\*\* If the resulting number isn't a whole number, it is rounded up to the next whole number. For example, 3.3 is rounded up to 4 if the program's coursework is offered in whole credits. If the program's coursework is offered in fractions, the full-time enrollment status need not be rounded. For example, 3.3 would remain 3.3 as full-time, and a student taking 3.4 credits in the term would be full-time.

### Disbursing more than 1/2 the annual award and the 50% Requirement

34 CFR 690.63(f)

If the disbursement for the payment period results in more than 1/2 of the annual award and occurs after half of the weeks of instructional time of the academic year have passed during the payment period, you can make a disbursement of the full payment for the payment period.

For example, your school has a program that must use Formula 3. The program has 3 terms with 17, 14, and 6 weeks of instructional time and defines its academic year as 30 weeks of instructional time and 24 semester hours. Debbie is attending half-time for all three terms. Her payments for each payment period are 17/30, 14/30, and 6/30 of her half-time annual award. For the first term, you may disburse 15/30 of her award at the beginning of the term and the final 2/30 only after the 15th week of instructional time in the term. However, if Debbie establishes eligibility in the 16th week of the term, you can make a disbursement of 17/30 of the annual award at that time. Her award for the 2nd and 3rd terms may be disbursed in a single disbursement.

### When to use Formula 3

- If a term program uses only nonstandard terms, or if a term program has standard terms but does not qualify for Formulas 1 or 2, you must use Formula 3 for Pell calculations.
- Any term program can opt to use Formula 3. However, standard term programs that qualify for Formula 1 or 2 generally prefer to use Formula 1 or 2.

### Regulatory citations

Formula 3 described: 34 CFR 690.63(a)(3)

Enrollment status for nonstandard terms:

34 CFR 668.2

Disbursement cannot exceed 50% of the annual award:

34 CFR 690.63(f)

### Fractions

When using fractions, multiply first, and then divide. Dividing the fraction first to produce a decimal can cause an error if you need to round the decimal up or down.

### Alternate calculation that includes summer term

If you're working with a standard-term program that meets the rules for Formula 1 or Formula 2, you may divide the annual award by the number of all the terms (including the summer term) in the award year.

After you determine the number of credit-hours required for full-time enrollment, you can then determine the less-than-full-time status for the nonstandard term using the following formula:

$$\frac{\text{Credit-hours student takes in the nonstandard term}}{\text{Credit-hours required for full-time enrollment in the nonstandard term}}$$

### Formula 3: Payments for standard terms

Montgomery College has a semester-based program with a 2-semester academic calendar that comprises 28 weeks of instructional time. The program's academic year is defined as 24 semester hours and 30 weeks of instructional time. If both semesters are 14 weeks in length, the Pell payment for a full-time student with a Scheduled Award of \$4,550 would be calculated as follows:

$$\frac{14 \text{ weeks* in term}}{30 \text{ weeks* in academic year}} \times \$4,550 = \$2,123.33$$

### Formula 3: Payments for nonstandard terms of equal length

Just a few miles down the road from Montgomery College, Edwards University has a program that consists of four 8-week terms. Edwards University defines the academic year as 40 quarter hours and 32 weeks of instructional time. Because this program does not use standard terms (semesters, trimesters, or quarters), Edwards University must use Formula 3 to calculate Pell disbursements for students in the program. Let's use the example of a student who attends all four terms for 10 quarter-hours each term in the award year, and has a Scheduled Award of \$3,750.

Because the program has nonstandard terms, Edwards University must determine the number of credit-hours required for full-time enrollment in each term, as follows:

$$\frac{8 \text{ weeks* in term}}{32 \text{ weeks* in academic year}} \times 40 \text{ quarter hours} = 10 \text{ quarter hours}$$

A student enrolled for 7 hours could be paid as a half-time student ( $7/10 = .7$ , which is less than  $3/4$  [.75] but greater than  $1/2$  [.5]). Because the student in our example will be enrolled for 10 hours each term, she is a full-time student and her annual award is the same as her Scheduled Award. This is a term-based, credit-hour program, so the payment period is the term.

To determine the student's payment for each payment period, multiply her annual award by the length of the nonstandard term compared to the length of the academic year:

$$\frac{8 \text{ weeks* in term}}{32 \text{ weeks* in academic year}} \times \$3,750 = \$937.50$$

\*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which will not necessarily be the same number as the calendar weeks in an academic year.

### Formula 3: Payments for nonstandard terms of unequal length

Ryne is enrolled in a semester-hour program at Hendricks University that has a 10-week nonstandard term between two 12-week nonstandard terms. The terms do not overlap. The academic year for the program is defined as 34 weeks of instructional time and 24 semester hours. Courses are offered in whole credits. Hendricks must use Formula 3 to calculate Pell Grant payments for students in this program. He enrolls for 6 semester hours in each of the three terms. Because the program has nonstandard terms, Hendricks must determine the number of credit-hours required for full-time enrollment in each term, as follows.

For the first and third term:

$$\frac{12 \text{ weeks* in term}}{34 \text{ weeks* in academic year}} \times 24 \text{ semester hours} = 8.47 \text{ (round up to 9)}$$

For the second term:

$$\frac{10 \text{ weeks* in term}}{34 \text{ weeks* in academic year}} \times 24 \text{ semester hours} = 7.06 \text{ (round up to 8)}$$

A student must enroll in 9 semester hours (rounded up from 8.47) in the first and third terms, and 8 semester hours (rounded up from 7.06) in the second term, to be full-time. Ryne is enrolled half-time in the first and third terms (6 semester hours/9 semester hours = .67). He is enrolled three-quarter time in the second term (6 semester hours/8 semester hours = .75). The cost of attendance does not need to be prorated because the fall through spring terms provide the same number of weeks of instructional time as in the academic year definition. Further, the school has determined the costs for a full-time student for a full academic year.

The half-time payment schedule shows that Ryne is eligible for an annual award of \$2,075. Because this is a term-based credit-hour program, the payment period is the term. To calculate Ryne's payment for the first and third terms, the school uses the fraction 12/34:

$$\frac{12 \text{ weeks* in term}}{34 \text{ weeks* in academic year}} \times \$2,075 = \$732.35$$

Ryne's payment for each of the first and third terms will be \$732.35.

Because Ryne's enrollment status for the middle term is three-quarter time, the payment for that term is based on a three-quarter-time annual award of \$3,075. To calculate the payment for the middle term, the school uses the fraction 10/34:

$$\frac{10 \text{ weeks* in term}}{34 \text{ weeks* in academic year}} \times \$3,075 = \$904.41$$

Ryne's payment for the middle term (the second payment period) is \$904.41.

\*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which will not necessarily be the same number as the calendar weeks in an academic year.

**Formula 4 requirements**

34 CFR 690.63(a) and (e). All clock-hour and non-term credit-hour programs must use Formula 4.

**Enrollment status standards for clock-hour and other non-term programs**

For non-term programs, the enrollment minimums are:

Full-time in credit-hours: 24 semester hours, 24 trimester hours, or 36 quarter hours per academic year.

Less than 1/2-time status is defined as less than half of the workload of the minimum full-time requirement.

Full-time in clock-hours: at least 24 clock-hours per calendar week.

**Coursework completion requirement & withdrawal/re-entry**

Students in non-term programs must successfully complete a payment period to receive subsequent payments. We'll discuss the effect of withdrawal and re-entry into a program in *Volume 5*.

**Receiving less than the Scheduled Award due to crossover**

A student may also receive less than a Scheduled Award in an award year, if the program crosses award years and the student's Pell Grant award in one of the award years is for a portion of the program that is less than a full academic year.

**PELL FORMULA 4: CLOCK-HOUR AND NON-TERM CREDIT-HOUR PROGRAMS****Checking 1/2-time enrollment status**

For clock-hour programs and for non-term credit-hour programs, enrollment status only makes a difference if the student is attending less-than-half-time. If that's the case, only certain components of the cost of attendance are used. (See discussion in *Chapter 2*.)

The annual award for a student in a clock-hour or non-term credit-hour program is taken from the full-time payment schedule, even if the student is attending less than full-time.

**Calculating payment amounts**

Pell Grants must be paid in installments over the course of the academic year or program of study to help meet the student's cost in each payment period. The payment period determines when Pell funds are disbursed and the exact amount to be disbursed. You must use the rules discussed in *Chapter 1* to determine the payment periods for clock-hour and non-term credit-hour programs.

In non-term programs, the student's Pell award is not reduced for part-time enrollment unless the student is enrolled less than half-time in which case the student's cost of attendance must be adjusted. However, if the program is less than an academic year (in either clock/credit-hours or weeks of instructional time), students enrolled in that program won't receive a full Scheduled Award.

As in the case of the other formulas, you must perform comparable prorations of the award for each payment period in the student's program. The calculation for the payment period prorates a student's Scheduled Award based on the number of credit or clock-hours in the payment period as they compare to the credit or clock-hours in the defined academic year or the number of weeks of instructional time in the payment period as they compare to the weeks of instructional time in the academic year. To determine the payment for a payment period, multiply the student's Scheduled Award by the lesser of:

$$\frac{\text{Number of credit/clock-hours in the payment period}}{\text{Number of credit/clock-hours in the program's academic year}}$$

or

$$\frac{\text{Weeks* in the payment period}}{\text{Weeks* in the program's academic year (at least 30 for credit-hour, at least 26 for clock-hour)}}$$

\*These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which are not necessarily the same number as the calendar weeks in an academic year.

## Payments for credit-hour non-term program (Formula 4)

Chance is enrolled at Strasburg Technical Institute (STI) and has a Scheduled Award of \$4,250. His program is 24 quarter hours and 20 weeks of instructional time in length. The academic year for the program is defined as 36 quarter hours and 30 weeks of instructional time. STI has established two payment periods of 12 quarter hours and 10 weeks\* each for Chance's program. To determine the disbursement for the payment period, STI must multiply the Scheduled Award by the lesser of: the fraction comparing the hours in the payment period to the hours in the academic year, or the fraction comparing the weeks in the payment period to the weeks in the academic year. The two possible calculations would be as follows:

$$1) \frac{12 \text{ quarter-hours in payment period}}{36 \text{ quarter-hours in academic year}} \times \$4,250 = \$1,416.66; \text{ or}$$

$$2) \frac{10 \text{ weeks}^* \text{ in payment period}}{30 \text{ weeks}^* \text{ in program's academic year}} \times \$4,250 = \$1,416.66$$

Since the two resulting fractions (12/36 and 10/30) are the same, there technically is no "lesser" fraction and you can use either to get \$1,416.66. Thus, Chance's payment for the first payment period will be \$1,416.66. Chance can receive this payment when he begins the program. STI can make the payments of \$1,416.66 for the second payment period after STI has determined that Chance has successfully completed 12 quarter hours and 10 weeks of instructional time of the program.

## Payments for clock-hour program (Formula 4)

Chance is enrolled in a program 900 clock-hours and 22 weeks of instructional time in length at Evers Technical Institute (ETI) and is eligible for a Scheduled Award of \$2,650. ETI defines the academic year for the program based on the regulatory minimums: 900 clock-hours and 26 weeks of instructional time. To calculate Chance's payment, ETI calculates the payment for each payment period as follows: It multiplies the Scheduled Award (\$2,650) by the lesser of: the fraction comparing the hours in the payment period to the hours in the academic year, or the fraction comparing the weeks in the payment period to the weeks in the academic year. The two possible calculations would be as follows:

$$1) \frac{450 \text{ clock-hours in the payment period}}{900 \text{ clock-hours in the academic year}} \times \$2,650 = \$1,325; \text{ or}$$

$$2) \frac{11 \text{ weeks}^* \text{ in the payment period}}{26 \text{ weeks}^* \text{ in the program's academic year}} \times \$2,650 = \$1,121.15$$

Chance's payment for the first payment period will be \$1,121.15. He can get this payment when he begins the program. He can receive his second payment of \$1,121.15 after he successfully completes the 450 clock-hours in the first payment period.

\*The fractions in these examples use weeks of instructional time as defined in *Chapter 1*, which will not necessarily be the same number as the calendar weeks in an academic year.

**Formula 5: Correspondence Study**

Formulas 5A & 5B are formulas that must be used for correspondence students. Because there are only a small number of Pell Grants made to correspondence students, the formulas for correspondence study programs are covered in *Appendix B* of this chapter.

**Crossover payment periods**

34 CFR 690.64

GEN-17-06

You are free to 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 must source Pell funds from the award year to which the payment period is assigned), provided that you never make a payment that will result in the student receiving more than his or her Scheduled Award for an award year.

**Crossover Pell and withdrawal**

For details on how to perform Return of Title IV Funds calculations in a crossover Pell situation, see *Volume 5, Chapter 2* of the *FSA Handbook*.

**SUMMER TERMS & OTHER “CROSSOVER PAYMENT PERIODS”**

Payment periods don't always fall neatly into one award year or another. When a payment period falls into two award years—that is, it begins before July 1 and ends on July 1 or later—it's called a “crossover payment period.” The formula for calculating the payment for a crossover payment period is the same as that for any other payment period in the award year.

***Crossover payment from the proper award year***

For Pell purposes, you must consider a crossover payment period to occur entirely within one award year and calculate the student's Pell award and disburse Pell funds from the award year selected (if you only have a valid SAR/ISIR from one award year, you must rely on that record and the award year to which the valid SAR/ISIR pertains). Besides these considerations, the decision about which award year to use is based on the student's remaining eligibility in the earlier award year. This assessment is made according to your school's payment period policy, which for crossover Pell may apply to:

- an individual student;
- all students or a category of students without exception; or
- all students or a category of students with allowance for an exception for an individual student.

Although you may, within the limitations described below, assign the crossover payment period to either of the relevant award years, you must make the assignment as you determine will be most beneficial to students.

You may assign the Pell Grant award to a different award year than the rest of the student's Title IV aid. You can make a payment for a crossover payment period out of either award year, if the student has a valid SAR/ISIR for the award year selected. You may assign two consecutive crossover payment periods to the same award year. For example, you could treat summer 2018 and summer 2019 as both being in the 2018-19 award year. You may also source the Pell funds from different award years for different students, as their eligibility allows, depending on their remaining eligibility and financial need.

You may not make a payment which will result in the student receiving more than his or her Scheduled Award for an award year, unless the student is enrolled at least half-time and is eligible for a Year-Round Pell award (see Year-Round Pell & IASG section later in this chapter), in which case the student may be eligible to receive up to 150% of their Scheduled Award for the award year.

### ***Term schools: Using the formula for summer session***

If your school offers a summer term in addition to fall through spring terms that qualify for Formula 1 or 2, you will calculate the student's payment for the summer term using the same formula that you used to calculate payments for the other terms in the award year to which the summer term is assigned. If you use Formula 3 for Pell Grant calculations in any of the terms in an award year, then you must use Formula 3 for *all* terms in that program that occur in that award year, including the fall through spring terms. (Note that if your program is a standard-term program in the fall through spring and does not define full-time enrollment in the summer as at least 12 credit-hours, you must use Formula 3 for Pell calculations for all terms in the award year.) **With regard to enrollment status, your school must apply its definition of full-time status for the summer term consistently for all FSA program purposes.**

### ***COA for summer terms***

Costs for summer terms are figured in the same way as for any other payment period; that is, the costs are based on a full-time student for a full academic year. If your school has fall and spring semesters that comprise an academic year, you can't add the costs for the summer term to the costs for the fall and spring semesters. The award for the summer term is still based on the costs for one academic year. However, if the academic year definition includes the summer term, then the costs for the summer term *must* be included in the cost for a full academic year.

If the student was previously enrolled in the award year, you may be able to use the same cost of attendance for the summer term that you used for the immediately preceding term that the student attended. However, this isn't possible if the costs are different from the fall through spring such as a different tuition charge per credit-hour or if you are required to recalculate the cost of attendance. See the end of this chapter for information on when recalculations are required. If it's necessary to base the student's cost of attendance on the summer term, you must prorate the summer costs to the length of an academic year to establish the cost for a full academic year. See *Chapter 2* on prorating costs in the Pell Grant program.

If the summer session is the first term in the award year for that student (for example, your school is paying a student for the summer 2018 term from the 2018-19 award year), you must establish the student's full-year cost based on the costs for the *summer* term. If the student enrolls in another term in that award year, you may have to recalculate the student's costs for the later term.

**Minisession enrollment status example**

Billy is enrolled in a summer session with three-week minisessions that his school, Williams University, has combined into 1 term. Williams U. is using Formula 1 to calculate Billy's combined term, and knows it must define full-time enrollment as at least 12 credit-hours, even though the individual component minisessions may have originally considered full-time to be something less than 12 credit-hours. Billy is enrolled for 6 credits during the combined summer minisession term. Billy's enrollment status is equal to the proportion of his credits to the school's definition of full-time for the combined term. Therefore, Billy should be credited with half-time enrollment status for the combined summer term.

**Formula 3 minisessions and other nonstandard terms**

If you use Formula 3 for any of the summer minisessions, or any other nonstandard term (e.g., a winter intersession), remember that you must also use it for all other terms in the award year, including fall through spring.

**Summer minisessions**

If a term-based school offers a series of minisessions that overlap two award years (by “crossing over” the June 30 end date for one award year), these minisessions may be combined and treated as one term. However, schools are not required to combine these minisessions unless they overlap each other.

When you combine minisessions into a single term (i.e., payment period), the weeks of instructional time in the combined term are the weeks of instructional time from the beginning of the first minisession to the date the last minisession ends. The student's enrollment status for the entire payment period must be calculated based on the total number of credits the student is projected to take for all sessions. You must project the enrollment status for a student on the basis of the credits the student has:

- Pre-registered or registered to take for all sessions;
- Committed to take for all sessions in an academic plan or enrollment contract; or
- Committed to take for all sessions in some other document.

When you combine the minisessions into a single term, a student cannot be paid more than the amount for one payment period for completing any combination of the minisessions. If the minisessions are not combined into a single payment period, you must treat each minisession as a separate nonstandard term and generally must use Formula 3 to calculate Pell Grant payments for the program. If, for each minisession, you define full-time as at least 12 credit-hours, you may be able to use Formula 1 or 2 if the program otherwise qualifies for one of these formulas.

If a combined minisession term crosses over the June 30-July 1 date, the combined term must be treated as a crossover payment period, regardless of what classes students attend. If your program has 2 summer sessions and only 1 of the sessions crosses over the award year date boundary and you do not combine the sessions into a larger term, then only the term that actually spans the award year boundary is considered a crossover payment period.

If the minisessions are combined in a single term and a student does not begin attendance in all of the minisessions that he or she was expected to attend, recalculation of prior disbursements is required based on the resulting changed enrollment status as discussed later in this chapter. Note that if you do **not** combine the minisession/intersession(s) to create a standard term and the intersession/minisession overlaps with the term to which it is attached, this creates overlapping terms, and the program must be considered a nonterm program.

## Combined minisessions into one term

Ron enrolls part-time at Santo University, which defines its academic year as 24 semester hours and 30 weeks of instructional time. In addition to fall and spring semesters, Santo offers three summer minisessions. Each minisession provides 4 weeks of instructional time. Santo can either combine the minisessions into a single nonstandard term, or treat each session as a separate nonstandard term. The school chooses to combine the sessions into a single payment period providing 12 weeks of instructional time with full-time enrollment in this period defined as 12 semester hours. If Santo meets the conditions for use of Formula 1 in its fall and spring semesters, it can use Formula 1 to calculate Pell Grant payments for this summer session.



Ron enrolls for 3 semester hours in each of the minisessions, so he's enrolled three-quarter time (9 hours total in the combined term). His applicable Scheduled Award is \$3,550 and his annual award (from the 3/4-time payment schedule) is \$2,663. To calculate Ron's payment, Santo simply divides the annual award by 2, the number of terms in the fall through spring:  $\$2,663 / 2 = \$1,331.50$ .

## Minisessions treated as nonstandard terms

Suppose Santo didn't combine these minisessions. If it defined full-time enrollment for each 4-week minisession as less than 12 semester hours, it would have to calculate all Pell payments for the program using Formula 3. Because these are nonstandard terms, Santo would have to determine Ron's enrollment status for each minisession by prorating the standard for full-time enrollment in a full academic year (24 semester hours):

$$24 \text{ semester hours} \times \frac{4 \text{ weeks* in term}}{30 \text{ weeks* in academic year}} = 3.2 \text{ semester hours (round up to 4**)}$$

For each of the 4-week terms, a full-time student must enroll in 4 semester hours, and based on that standard, the 3 semester hours that Ron is attending in each minisession count as 3/4 time enrollment status. Note that Santo would use the Pell cost of attendance for a full-time student attending a full academic year. Santo would determine his payment for each minisession (assuming his Scheduled Award remains unchanged across both award years):

$$\frac{4 \text{ weeks* in term}}{30 \text{ weeks* in academic year}} \times \$2,663 = \$355.06$$

Ron would receive \$355.06 for each of the minisessions, for a total of \$1,065.18 for the summer. Again, these payments for one or more minisessions that are in the prior award year may need to be reduced if Ron had previously received payments for the fall and spring semesters in the same award year. Also, Santo must use Formula 3 for the fall through spring terms.

\*These fractions use weeks of instructional time as defined in *Chapter 1*, which are not necessarily the same number as the calendar weeks in an academic year.

\*\* Since Santo only offers courses in whole credits

## Year-Round Pell & IASG



Consolidated Appropriations Act of 2017

GEN-17-06

COD Technical Reference (posted 11/21/17)

October 4, 2017 E-Announcement: COD 16.2 Implementation

Year-Round Iraq & Afghanistan Service Grants are calculated and disbursed in the same manner as Year-Round Pell Grant awards.

Note that students eligible for Year-Round Pell awards are still subject to the normal Pell Grant duration of eligibility and LEU limits (see DCL GEN-17-06 and Sec. 401(c)(5) of the HEA).

## Year-Round Pell & IASG



Students may be eligible to receive up to 150 percent of their Scheduled Award for an award year. This provision is called Year-Round Pell (or Year-Round IASG), or additional Pell (or additional IASG). It's called "Year-Round" because it allows students to receive additional Pell/IASG funds, often in summer terms which are treated as either a header or trailer, whereas without the provision for Year-Round Pell/IASG, a student's remaining Pell eligibility would often be truncated for a summer term treated as a trailer when the student had already exhausted their Scheduled Award for an award year, or prematurely exhaust the student's Pell eligibility for an award year if the summer term was treated as a header. A student's additional aid eligibility is denoted by the "Additional Eligibility Indicator" or AEI, in COD.

To be eligible to receive Pell funds in excess of 100% of their Scheduled Award during a single award year, students must be enrolled at least half-time. For Year-Round Pell (& Year-Round IASG), students do not receive more Pell/IASG funds in each payment period for the same enrollment status, Cost of Attendance, and EFC. Instead, the student receives the same amount as is normally calculated for a payment period, but a student who is enrolled at least half-time and is in all other ways Pell or IASG-eligible may receive Pell or IASG funds for an award year up to 150 percent of their calculated Scheduled Award (a student may receive funds from the initial Pell/IASG) award and from the Year-Round award in the same payment period).

For example, Bob has a Scheduled Award of \$5,000 for 2018-19. He attends fall and spring semesters, during which he receives awards of \$2,500 for each semester. He begins attendance in the summer 2019 term (which his school treats as a trailer) as a half-time student, and without Year-Round Pell, his Pell eligibility would be exhausted, but through Year-Round Pell, he'll receive his calculated award, up to \$2,500 in additional Pell funds for the summer term.

### Year-Round Pell clock-hour example

Eugene enrolls in Springfield University for an 1125 clock-hour program (over 32.5 weeks, see graphic below). His program occurs entirely within the 2018-19 award year, and has an Academic Year of 900 clock hours and 26 weeks of instructional time. Eugene has a Scheduled Award of \$5550.

Springfield awards Eugene \$2775 in Pell after he completes each of the first two segments of 450 clock-hours and 13 weeks of instructional time. For the remaining 225 hours and 6.5 weeks of instructional time in the program, Springfield calculates that Eugene would be eligible to receive \$1,387.50 in Pell, if his Scheduled Award would allow it. Prior to Year-Round Pell, Eugene would be out of luck, as his Scheduled Award has been expended by the \$5550 he's already received for 2018-19, but with Year-Round Pell, if he is enrolled at least half-time and remains in all other ways Pell-eligible, Eugene is eligible to receive up to an additional 50% of his \$5550 Scheduled Award, for a maximum total of \$8325.

Adding \$1387.50 to the \$5550 Eugene has already received, Springfield sees that he will be awarded a total of \$6937.50 for 2018-19, which is within his \$8325 Year-Round Pell maximum. Note that Springfield does **not** increase his final award for the award year to match his Year-Round Pell maximum; Eugene's awards for each term are calculated according to the normal Pell rules.

450 hours/13 weeks \$2,775	450 hours/13 weeks \$2,775	225 hours/6.5 weeks \$1,387.50
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## Year-Round Pell Grant semester example NEW →

Gaston attends Green State University. His enrollment begins in the summer, which Green treats as a header to the 2018-19 award year. Gaston is enrolled three-quarter-time in the summer term, and has a Scheduled Award for 2018-19 of \$5,370, and an EFC of 550, with a COA of \$10,590. Based on these figures, Gaston's three-quarter-time summer award is \$2,014, which is 37.5046% of his Scheduled Award (\$5,370).

After the summer term, Gaston continues in the fall and now has time to enroll full-time in Green's fall semester. His fall Pell award is \$2685 (Green disburses 50% of a Scheduled Award for the fall semester). After receiving his fall Pell award, Gaston has received a total of 87.50% of his Scheduled Award for 2018-19.

Continuing with his program in the spring semester, Gaston again enrolls full-time. Under normal Pell rules, Gaston only has 12.5% of his Scheduled Award remaining, which would leave him only a maximum Pell award amount of \$671. However, since he is enrolled at least half-time and meets all of the other standard Pell eligibility criteria, Gaston is eligible for an additional Year-Round Pell award amount of up to 50% of his Scheduled Award. This would mean that he could receive a total of up to \$8055 for the award year (though each term's payment would be calculated per the normal Pell rules, and he may receive less than this).

Since Green normally awards a student 50% of their annual award for a standard spring semester, and knows that their normal award calculation for the term is calculated for Year-Round Pell under the same method as for a student's initial Scheduled Award, they look at these numbers to see if they would fit within Gaston's expanded Year-Round Pell 150% Scheduled Award. To do this, they add \$2685 for the proposed spring award to the \$4699 Gaston has already received for the award year. This totals \$7384, which is within Gaston's 150% Scheduled Award for 2018-19 of \$8,055 (it is 137.5%, below the 150% maximum), so Green is clear to award the spring Pell award of \$2685 as calculated.\*

<p><b>Summer 2018</b> (assigned to 2018-19) Three-quarter time</p> <p>Pell Award \$2,014, which is 37.5046% of the Scheduled Award</p>	<p><b>Fall 2018</b>      Full-time</p> <p>Pell Award \$2,685, which is 50% of the Scheduled Award</p> <p>Total % of initial Scheduled Award received: 87.5046%</p>	<p><b>Spring 2019</b> Full-time</p> <p>Pell Award: \$2685, which is 50% of the Scheduled Award**</p>
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\*Note that although Gaston has a Year-Round maximum Pell Scheduled Award of \$8055, Green does not adjust his spring term Pell award upwards to meet this—the school must calculate and award Gaston's spring Pell as normal for the term. This also will leave Gaston some remaining Pell eligibility for the remainder of the award year, for example, if he decides to attend during a summer 2019 term.

\*\*The Year-Round Pell Grant award cannot exceed 50% of a student's Pell grant Scheduled Award. In this example, the 50% is made up of 12.4954% (\$671) remaining from the initial Pell Grant Scheduled Award and 37.5046% (\$2,014) from the Year-Round Pell Grant award. The student has 12.4954% (\$671) remaining from the Year-Round Pell Grant award for the 2017-18 award year. If the student had used up 100% of his Pell Grant Scheduled Award for Summer 2017 and Fall 2017, the entire Spring 2018 award amount would be from the Year-Round Pell Grant award. Schools may combine the amounts from initial and Year-Round Pell Grant awards and must submit as one amount for reporting to COD.

## Transfer student

34 CFR 690.65

Mid-year transfer: "Dear Colleague" Letter GEN-00-12

Percent of remaining eligibility: 34 CFR 690.65(d)

## NSLDS financial aid history and transfer monitoring

Before disbursing FSA funds to a transfer student, you must obtain a financial aid history for the student and you must inform NSLDS about the transfer student so that you can receive updates through the Transfer Student Monitoring Process. The financial aid history will not only identify Pell Grant disbursements that the student received at other schools, but also tell you if the student is ineligible for any FSA aid due to default or overpayment, if the student has reached or exceeded the annual or aggregate loan limits, or if the student has reached the Pell Lifetime Eligibility Used limit (LEU). There are several ways for you to get a student's financial aid history from NSLDS. You can:

- Use the NSLDS Financial Aid History section of the ISIR;
- Log on to the NSLDS Professional Access website and access the data online for a student;
- For multiple students, use the FAT 001 Web report, which you submit from the Reports tab on the NSLDS site (you retrieve the results through SAIG); or
- Send a batch TSM/FAH Inform file to request aid history data for several students, which will be returned in either extract or report format through SAIG. The TSM/FAH processes and batch file layouts are posted on the IFAP website at the NSLDS reference materials link under Processing Resources.

## Why percentages are used

The reason for using percentages when calculating remaining eligibility is that a student may have different Scheduled Awards at different schools/programs. For example, the costs of attendance at the two schools may be different. The percentages are also used to compare the portions of a student's total eligibility that have been used at both schools. (If the student's Scheduled Award is the same at both schools, the financial aid administrator can find the amount of the student's remaining eligibility simply by subtracting the amount received at the first school from the Scheduled Award.)

## CALCULATING AND AWARDING REMAINING ELIGIBILITY

The Pell payment for a transfer student is calculated in the same way as for any new student. That is, you must calculate payments for each payment period following the rules given in this chapter. However, a transfer student's remaining Pell eligibility at your school is reduced if the student received Pell funds for the same award year at any prior schools. You can identify the student's prior Pell disbursements when you review his or her Financial Aid History in NSLDS (see sidebar).

### Calculating remaining eligibility

Once you've identified the Pell amounts that a transfer student has already received for the ongoing award year, you must calculate the percentage of the Scheduled Award that has been used. This percentage is calculated by dividing the amount disbursed at the previous school by the student's Scheduled Award at that school (COD calculates this and you can refer to COD to see what the percentage of remaining eligibility will be for a student).

$$\frac{\text{Pell disbursed at prior school}}{\text{Scheduled Award at prior school}} = \% \text{ of Scheduled Award used}$$

Then subtract this percentage from 100 percent (or 150 percent, if the student is enrolled and eligible for a Year-Round award). The result is the maximum percentage of the Scheduled Award that the student may receive at your school. Note that a transfer student receives the same payments as any other student until the limit (up to 150 percent of a Scheduled Award, see Year-Round Pell & IASG section, previously in this chapter) is reached. **You give the student the full amount for each payment period, rather than trying to ration the remaining amount by splitting it evenly across the remaining terms.**

A transfer student must repay any amount received in an award year that exceeds his or her Scheduled Award (or in excess of 150% of his or her Scheduled Award, if enrolled and eligible for Year-Round Pell or IASG), unless the school that disbursed the award was at fault by failure to follow the administrative requirements in 34 CFR 668.

### Payment period for a transfer student at a non-term school

When a student transfers into a non-term credit-hour or clock-hour program at a new school, that student is starting a new payment period. For non-term programs, you must use the payment period rules described in *Chapter 1* to determine the payment periods for the remainder of the student's program.

However, for a transfer student, the length of the program is the number of clock or credit-hours and the number of weeks of instructional time that the student will be required to complete in the new program. If the remaining clock or credit-hours *or weeks of instructional time* are half an academic year or less, then the remaining hours and weeks of instructional time constitute one payment period.

### ***Transfer students and remaining eligibility***

Consider a student who is eligible for Federal Pell Grant funds and who transfers from one school (school A) to another school (school B) within the same award year. Before paying any Pell funds to the student, school B must determine the percentage of eligibility remaining for the student. After transferring, a student's remaining Pell Grant eligibility for a Pell Scheduled Award during an award year is equal to the percentage of the student's Scheduled Award that remains unused, multiplied by the student's Scheduled Award at the new school.

School B may pay the student a Pell Grant only for that portion of an academic year in which the student is enrolled and in attendance at school B. The grant must be adjusted, as necessary, to ensure that the funds received by the student for the award year do not exceed the student's Scheduled Award for that award year or the student's maximum Lifetime Eligibility Used (600% LEU in COD).

The award for each payment period is calculated using the (full) Scheduled Award. The student receives a full award until the student has received 100 percent of the student's remaining eligibility for a Scheduled Award (or 150 percent, if the student is enrolled at least half-time and otherwise eligible for a Year-Round award) or 600% LEU (i.e., 6 Scheduled Awards over the course of the student's academic career; see LEU section later in this chapter). This avoids a school having to ration the remaining amount by splitting it evenly across the remaining terms.

To calculate a transfer student's remaining eligibility for a Scheduled Award, school B must first determine what percentage of the Scheduled Award the student used at school A. On the student's current ISIR, on the Financial Aid History Page, in a section headed *Pell Payment Data*, school B will find an entry for “% Sch. Used.” School B subtracts the percentage listed under “% Sch. Used” from 100% (or from 150 percent, if the student is enrolled at least half-time and otherwise eligible for a Year-Round award).

The remainder is the unused percentage of the student's Scheduled Award—the percentage the student may receive at school B. (Use percentages rather than dollars because a transfer student may have different Scheduled Awards at the two schools; using percentages rather than dollars adjusts for this possible difference.) School B then multiplies the percent of eligibility remaining times the Scheduled Award at the new school. The result is the maximum amount of Federal Pell Grant funds the student may receive for his or her first Scheduled Award (see sidebar) at school B during the balance of the award year.

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### **Transfers and remaining eligibility**

34 CFR 690.65

Note: Following the appropriate procedures relative to the figure reported in % Sch. Used will ensure that a transfer student does not receive more than 100 percent (or 150%, if enrolled and eligible for a Year-Round award) of the student's Scheduled Award. Therefore, school B may ignore the actual grant and overpayment amounts from school A in school B's calculations.

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### **Avoiding Pell Grant overawards**

34 CFR 690.79

A Pell Grant overaward can be caused by a school making an error in reading the (correct) Pell payment schedule, for example, using the wrong EFC or COA. A Pell Grant overaward can also be caused by a school using the wrong payment schedule, as when it uses the full-time schedule to determine the award for a student who is not registered as a full-time student, or who reduced his/her enrollment schedule to less than full time before beginning attendance in all classes.

A Pell Grant overaward can also result if an applicant enters incorrect data on a FAFSA and the EFC derived from the incorrect data is smaller than it should be (for more detail about the FAFSA and EFC data, see the *Application and Verification Guide*). A Pell overaward also exists if the student scheduled to receive it fails to begin class or is otherwise determined to be ineligible for FSA assistance (for example, having exceeded the Lifetime Eligibility Used [LEU]) in COD.

Finally, an overaward exists whenever a student is scheduled to or is receiving a Pell Grant for attendance at two or more schools concurrently. All of these Pell Grant overawards must be corrected (for more detail on the requirements and methods of resolving overawards, see *Volume 5, Chapter 1*).

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 Rules as published on IFAP.

## Transfer Student Remaining Eligibility Example

On August 1, 2018, Ernie enrolled at Maddux Hair Academy. After completing 400 of the 900 clock-hours in his program, Ernie had to relocate, and he withdrew from school. On February 1, 2019, having settled into his new home, Ernie enrolled at Bryant Esthetics Institute (BEI) as a transfer student. Ernie was awarded 400 clock-hours of transfer credit in BEI's 1,000 clock-hour program (the program definition of an academic year is 900 clock-hours and 30 weeks of instructional time). Ernie's program is 600 clock-hours and 20 weeks of instructional time.

When the financial aid administrator (FAA) at BEI examined Ernie's 2018–2019 ISIR, he found the following entry:

%Sch. Used: 50.0    As Of: 01/28/2019    Pell Verification    EFC: 0

The FAA subtracted the 50% used previously from 100% and found that the percentage of Ernie's Scheduled Award that remained unused was 50%\*. Therefore, Ernie was eligible to receive 50% of his scheduled Pell award of \$4,850 during the balance of the award year. In addition, the FAA used the 600 hours and 20 weeks of instructional time remaining in Ernie's program to establish the appropriate two payment periods (per 34 CFR 668.4(b)), each of 300 clock-hours and 10 weeks of instructional time. The aid administrator performed the required multiplication and determined that Ernie could receive as much as \$2,425 ( $.50 \times \$4,850 = \$2,425$ ) if he remained enrolled at BEI for the balance of the year.

During the first payment period, Ernie received \$1,617 ( $\$4,850 \times 300 \text{ hours in the period} \div 900 \text{ hours in the academic year}$ ) in Pell funds. However, in the second payment period, Ernie could only receive funds until his total Pell at BEI reached \$2,425 (his total for the year reached \$4,850). Therefore, for the second payment period at BEI, Ernie could only receive \$808 ( $\$2,425 - \$1,617 = \$808$ ).

It's important to remember that if Ernie received a Direct Loan at Maddux and now wishes to borrow a Direct Loan at BEI, there may be overlapping academic years between the two schools. When there are overlapping academic years, a student's eligibility for Direct Loan funds will usually be impacted. The method for determining the remaining eligibility for Direct Loan funds is calculated in a very different manner than how we calculated Ernie's remaining Pell Grant eligibility. Please refer to *Chapter 5* of this volume for a complete discussion of this issue.

Also note that when you have a transfer student with overlapping academic years who borrows Direct Loan funds at the second school, that student will have payment periods for most Federal Student Aid Programs (Federal Pell Grant, FSEOG, TEACH, Iraq & Afghanistan Service Grant, that do not align with the loan periods/payment periods in the Direct Loan Program.

\* This assumes Ernie was not eligible for a Year-Round Pell or IASG. If Ernie was enrolled and eligible for a Year-Round Pell or IASG, he would be eligible to receive up to 150% of his Scheduled Award, in total. For more details, see the Year-Round Pell & IASG section earlier in this chapter.

## Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used (LEU)

Per the Consolidated Appropriations Act of 2012 (CAA), a student's maximum duration of Pell eligibility is 6 Scheduled Awards, as measured by the percentage of "Lifetime Eligibility Used" (LEU) field in COD (one Scheduled Award equals 100% LEU). A separate maximum of 600% LEU also applies to Iraq & Afghanistan Service Grant awards, however, since there are so few of these awards, they are not maintained in COD at this time. A student is ineligible to receive further Pell or Iraq & Afghanistan Service Grant funds if they have reached or exceeded the 600% limit for the applicable program (i.e., Pell or Iraq & Afghanistan Service Grant). For Pell, this limitation is not limited to students who received their first Pell Grant on or after July 1, 2008, as was the previous limit of 9 Scheduled Awards. Instead, it is tracked to the beginning of the program (1973-74).

The LEU levels for Pell and Iraq & Afghanistan Service Grants are separate and are tracked independently. For example, a student might have 400% Pell LEU and 300% Iraq & Afghanistan Service Grant LEU and still be potentially eligible for either program, or 600% Pell LEU and 400% Iraq & Afghanistan Service Grant LEU and be potentially eligible for only an Iraq & Afghanistan Service Grant award. Rounding rules do not apply if the amount disbursed would place the student's LEU over 600%.

The Department provides weekly Pell LEU reports through the SAIG Mailbox under Message Class PGLEXXOP (where XX = the year) for your Pell-eligible applicants (and students who listed your school code on their FAFSA) who have a Pell LEU greater than or equal to 450%. The COD website will show the current Pell LEU level for all aid recipients (updated as transactions are processed). COD also provides the LEU for the Pell Multiple Reporting Record (MRR), Pell Reconciliation Report, and Pell Year-to-Date file.

Students will fall into one of the following categories, which will have various effects:

- **Student not on report** (Code "N" on the student's ISIR under Lifetime Limit Flag) Students in this category have LEU of less than 400%. These students' Pell awards will be awarded as normal, since even if they receive a full Scheduled Award, they will not go over the 600% LEU maximum.
- **LEU greater than 400% but less than or equal to 500%** (Code "H" on the student's ISIR under Lifetime Limit Flag) Students in this category will likely have Scheduled Award eligibility for 2018-19. However, a student's 2018-19 Pell eligibility may be reduced if, for example, another Pell disbursement is reported after a report has been created, putting the student's 2018-19 baseline LEU over 500%.
- **LEU greater than 500% but less than 600%** (Code "C" on the student's ISIR under Lifetime Limit Flag) These students will not have full Pell eligibility for 2018-19, since their baseline LEU has less than 100% remaining.

## Pell & Iraq & Afghanistan Service Grants LEU



Consolidated Appropriations Act of 2012

HEA Section 401(c)

DCL GEN-12-01, DCL GEN-13-14

E-Announcement April 18, 2014

2018-19 ISIR Guide:

<https://ifap.ed.gov/isirguide/1819ISIRGuide.html>

Due to the passage of the Consolidated Appropriations Act of 2012 (CAA), a student may receive a total of 6 Pell or Iraq & Afghanistan Service Grant Scheduled Awards, measured by percentage of Scheduled Award(s) disbursed (Lifetime Eligibility Used, or "LEU" field in COD up to 600 percent). This limitation is not limited to students who received their first grant on or after July 1, 2008, as was the previous limit of 9 Scheduled Awards.

## NSLDS Reporting requirements

DCL GEN-14-07, E-Announcement February 11, 2015

For details on NSLDS reporting requirements for Pell, including reporting of additional data, reporting at the academic program level, and more frequent reporting, see DCLs GEN-14-07 and GEN-14-17.

## Pell Grant LEU Disputes

E-Announcement June 27, 2013

E-Announcement April 18, 2014

A school or student may dispute the accuracy of a student's Pell Grant data which resulted in the student's LEU level in COD. It is the responsibility of the student's current school to coordinate the resolution of the dispute. You may create, view, and edit Pell LEU disputes (including uploading documentation) using the COD Web Portal. Note that Pell Grant and Iraq & Afghanistan Service Grant LEU levels are independent of one another and are tracked separately (for example, a student may be at 650% Pell LEU, but only 400% IASG LEU).

## Declining and/or returning Pell funds

DCL GEN-12-18

A student may decline or return all or part of a disbursement of Pell Grant funds that they are otherwise eligible to receive or have received (returns may only be made in the same award year as the funds were received). This should be a rare action on the part of students and need not be advertised as a possibility by your school. For more detail on the requirements of declining or returning Pell funds, see DCL GEN-12-18.

- **LEU 600% or higher** (Code “E” on the student's ISIR under Lifetime Limit Flag) These students will have no Pell eligibility remaining, as they have already exceeded the maximum lifetime eligibility used amount as defined in the CAA.

To aid in identifying students who are approaching their LEU limits, COD has been updated to return warning code 177 or 178 when a student's Pell LEU is near or exceeds 600%. Also, you will be able to see this data in the Common Record Response, and the Central Processing System (CPS) reports Pell Grant LEU limit flags and percentages on SARs and ISIRs. Students' Pell LEU status is also visible in the NSLDS system. COD calculates a student's LEU to 3 decimal places, and you may round awards as described earlier under “Ground rules for Pell,” however, you may not round up if that would cause the student to exceed either their Scheduled Award or 600% LEU.

Currently, Iraq & Afghanistan Service Grant LEU levels are tracked manually by the Department and are not automatically populated in COD or on the students' ISIR. COD has implemented a hard reject (Edit 201) for Pell actual disbursements for Pell recipients with a Pell LEU greater than 600%.

To calculate an award for a student whose LEU level will reduce their eligibility (i.e., an LEU greater than 400% but less than 600%, either code H or C on the Lifetime Limit Flag on the ISIR), first subtract their LEU % from 600%, then multiply the student's Scheduled Award by the resulting percentage. For example, Jack has 534% LEU on his SAR. His school subtracts 534% from 600%, leaving him with 66% of a Scheduled Award remaining. His Scheduled Award for 2018-19 is \$5,650, so his school multiplies \$5,650 by .66, which equals \$3,729, which is then disbursed per the normal Pell formula and payment period rules.

For students whose eligibility is less than a full Scheduled Award, you award the student a Pell or Iraq & Afghanistan Service Grant as you would for a transfer student who received Pell at another school during the same award year. That is, you determine the student's remaining Pell eligibility, as a % of LEU, and then award each payment until that eligibility is used (see the earlier section in this chapter entitled “transfer students”).

### **Restoring Pell eligibility for students that attended closed schools**

NEW →

There is a limited circumstance in which Pell eligibility may be restored to certain students who attended schools which are now closed. Note that Total Eligibility Used (TEU) is capped at 100% (or 150% in the case of Year-Round Pell) and is the maximum Pell a student may receive during a single Award Year, whereas LEU is the student's sum total of all Pell eligibility used, across all award years. A closed school may be considered for the Pell restoration process if all of the following are true:

- The school is officially closed with the Department
- The school closed after 1994 (i.e., 1995 to present)
- All final disbursements have been submitted to the COD system and accepted by the Department
- All final enrollment data has been submitted to NSLDS so that the Department may determine if students are eligible for restoration
- The school has completed the close-out process with the Department

A student may be eligible for Pell eligibility restoration if all the following are true:

- Received a Pell Grant disbursement at an eligible closed school,
- Did not complete their program at the closed school, AND
- Had a valid enrollment status within two years of the school's closure.

Students who are potentially eligible for additional Pell because some or all of their Pell eligibility has been restored are sent a targeted email. Schools are notified of Pell eligibility restorations for students associated with their school through a variety of sources, including:

- COD Warning Edit #221;
- targeted email with instructions to download a list of affected students from the COD web;
- updated LEU within response file; and
- details of the LEU adjustment(s) display on the Pell LEU History screen.

COD sends the updated LEU to NSLDS. For more detail on how this is handled in COD, please refer to the E-Announcement October 4th, 2017.

### **Pell Total Eligibility Used (TEU) & Restoring Pell Eligibility for students who attended a closed school**

NEW →

December 21, 2016 E-Announcement

April 3, 2017 E-Announcement

October 4, 2017 E-Announcement

The Department is working to update TEU/LEU data for eligible students who attended closed schools. You may receive Pell POP notifications for such students, and should review these reports carefully. The COD system will have the most current Pell LEU data, and you should look for Pell Restoration targeted emails, and review the weekly Pell LEU reports, especially for Pell recipients who have a Pell LEU of 450% or higher.

## Pell Recalculations

34 CFR 690.80

### Changes to the EFC

There are three ways that a student's EFC can change:

1. **Corrections.** The student may have to correct a mistake that was reported on the original FAFSA or SAR/ISIR. This frequently occurs as a result of verification, but it may also be a result of the student's own review of the SAR/ISIR.
2. **Updating.** In some cases, a student is required to update changes to dependency status, household size, and the number in college (see *Volume 1, Student Eligibility* for details).
3. **Professional Judgment.** You may, on a case-by-case basis, adjust one or more of the data elements used to calculate the EFC. In some cases, you might make an adjustment during the award year to reflect a student's changed circumstances. For example, if a wage-earning parent dies after the student's first semester, you could adjust the adjusted gross income in the EFC formula to reflect the loss of income. You may also determine that a dependent student should be considered independent.

If the student has already been paid based on the original EFC, the award will have to be recalculated.

### Enrollment change recalculation example

Sammy registers for a full-time course load (15 credit-hours), and Danbury College makes a first-term disbursement on that basis 10 days before the term starts. When the term starts, Sammy only begins attendance in three classes (9 credit-hours). Danbury must recalculate Sammy's Pell award based on the lower enrollment status. Any difference between the amount Sammy received and his new recalculated award is an overpayment. See *Volume 4, Chapter 3, Overawards & Overpayments*, for more detail on overpayments.

### Tuition and fee charges and recalculation

If the school recalculates a student's Pell Grant due to a change in enrollment status, continuing to charge tuition and fees for credit-hours no longer included in the student's enrollment status for Pell Grant purposes does not affect the requirement to recalculate the student's Pell Grant.

For example, Jayson enrolls as a full-time student at Wilson University with 12 credits, but never starts attendance in a 3-credit class that starts after the college's "add/drop" date. Jayson's award must be recalculated as three-quarter-time even though the college charges tuition for any classes dropped after the "add/drop" date and continues to charge Jayson for 12 credits.

## Changes in LEU



A student's LEU changes whenever he or she receives a Pell or IASG disbursement (up or down), and may change any time a student's Scheduled Award is adjusted. It may also change through an LEU adjustment made based on an LEU Dispute, Closed School Restoration, or other adjustment type deemed necessary by the Department.

A student's Pell or IASG LEU can limit the student's Pell or IASG eligibility for an award year. For example, since the maximum LEU is 600%, if a student's Pell or IASG award originally was calculated based on an LEU of 550%, then that student's award would be limited to 50% of the Scheduled Award. A change to a disbursement in the current or previous award year may alter a student's LEU. For details on LEU limitations, see the Pell Grant and Iraq & Afghanistan Service Grant Lifetime Eligibility Used guidance earlier in this chapter.

When a school becomes aware that a student's LEU has been adjusted (after being notified by the student, or the Department through a pushed ISIR or a warning edit in COD, or through LEU Dispute communication), it should determine whether the adjustment affects the student's eligibility for Pell or IASG in the current or most recently completed award year.

If the student becomes eligible for additional Pell or IASG funds as a result of a change to the student's LEU, the school must make a correction to the student's award and make any disbursements of Pell or IASG funds for which the student is now eligible and that the school is permitted to make under the late and retroactive disbursement requirements (for more detail on disbursement requirements and timing, see *Volume 4, Chapter 2, Disbursing FSA Funds*). Note that, as with any retroactive or late disbursement of Pell Grant funds, the school should base its calculation of such disbursements on only the classes that the student completed for the earlier period.

## PELL RECALCULATIONS

### Change in the EFC

If the student's EFC changes due to corrections, updating, or an adjustment, and the EFC change would change the amount of the Pell award, you must recalculate the Pell award for the entire award year. If, as a result of the recalculation, the student has received more than his or her award amount, 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, Overawards and Overpayments*, for more information).

A student selected for verification can be paid based on the corrected output document that you receive during the "verification extension" (120 days after the student's last day of enrollment, not to extend beyond the deadline date established by a Federal Register notice). 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 EFC than the previous ISIR (increasing the student's eligibility), you calculate the student's Pell Grant based on the valid ISIR.

### Change in enrollment status

If the student doesn't begin attendance in all of his or her classes, resulting in a change in the student's enrollment status, you must recalculate the student's award based on the lower enrollment status. A student is considered to have begun attendance in all of his or her classes if the student attends at least one day of class for each course in which that student's enrollment status was determined for Federal Pell Grant eligibility. Note that clock-hour and nonterm programs are always based on full-time enrollment status 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 Federal 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 status has changed, you must also take into account 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. You must use the cost for a less-than-half-time student *for a full year* to calculate the student's less-than-half-time award. You must not combine the two costs or average them.

The regulations don't require any recalculation for changes in enrollment status **after the student has begun attendance in all of his or her classes**. However, your school **may** have a policy of recalculating an award if a student's enrollment status changes within a term. If such a policy is established, it must take into account 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 status increases from half-time to full-time, it must also recalculate for a student whose enrollment status decreases. If your school establishes a policy allowing optional recalculations for an educational program, this policy must be in writing.

Your school's policy may set a date after which Pell Grants will not be recalculated for enrollment status changes. For example, you could establish a policy that you will recalculate Pell awards only for enrollment changes that occur up to the "add/drop" date of a term. This policy is true regardless of whether there is compressed coursework. The initial calculation of a student's Pell Grant may occur subsequent to the "add/drop" date of the term, including terms with compressed coursework. If that is the case, you must use the student's effective enrollment status on the date of the initial calculation, and there would be no recalculations of the student's Pell Grant for the term due to a subsequent change in enrollment status, assuming the student began attendance in each class. 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.

### Initial calculation

An initial calculation is the first calculation that is made on or after the date the school has received an ED-produced EFC,\* such as the student's initial SAR or ISIR with an official EFC, and uses the enrollment status at the time of the initial calculation. If you've estimated the student's eligibility prior to receiving a SAR or ISIR for the student, you must confirm prior estimated eligibility or determine the student's eligibility at the time the SAR or ISIR is received.

You should document the date that you initially calculate a student's Pell Grant. The earliest date is the date of receipt of an ED-produced EFC\*, such as on a SAR or ISIR (assuming the school has a documented or projected enrollment status for the student). If you fail to document the date of the initial calculation, you must use the later of (a) the date that the SAR or ISIR is first received and the student's enrollment status as of that date, or (b) 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 SAR, your school is considered to have received it on the date processed unless you document a later date. The processing date on a SAR is the date above the EFC and, on a SAR Acknowledgment, the "Transaction Processed Date."

\*Note: An ED-produced EFC may be an EFC from a SAR/ISIR, FAA Access, or FAFSA.gov.

### NSLDS reporting requirement

You must report changes to a student's enrollment status to NSLDS in a timely manner. Any change requiring a recalculation of award may also require an update to the student's enrollment status.

### SAR/ISIR with different EFC

If you receive a SAR or ISIR with an EFC 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 SAR 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 EFC. For more information on SARs, ISIRs, and EFC, see the *Application and Verification Guide*.

### Enrollment change within payment period

Johnathan registers for a full-time course load at Coulton College, and Coulton initially calculates a full-time award for him. He begins attending all of his classes but subsequently drops to half-time. Depending on Coulton's recalculation policy, Johnathan may still be paid based on full-time enrollment as long as he's otherwise eligible for payment. On the other hand, if Coulton did not receive Johnathan's first processed valid SAR or ISIR with an official EFC until after he dropped to half-time enrollment, the Pell initial calculation would be based on his enrollment status at the time the output document was received (half-time).

If you don't establish a policy for recalculation within a term, a student who begins attendance in all classes would be paid based on the initial calculation, even if his or her enrollment status changes before the disbursement is made. If the student withdraws from all of his or her classes (or doesn't begin attending any classes), you must follow the procedures discussed in *Volume 5*.

In a term program that uses credit-hours, you must calculate a student's payment for each term based on the enrollment status for that term. If a student attended full-time for the first term and then enrolled half-time in the second term, you must use the half-time enrollment status to calculate the student's payment for the second term.

In the case of programs offered with compressed coursework or modules within the terms, your school may adopt a policy of setting the date based on the add/drop date of the last class in which the student enrolls, or is expected to enroll, for the term. In this circumstance, your school must take into account all adjustments to the enrollment status, both increases and decreases, up to the add/drop date of the student's last class.

### ***Change in cost of attendance***

When a student's COA changes during the award year, and his or her enrollment status remains the same, you may (but are not required to) establish a policy under which you recalculate the student's Pell Grant award. If you choose to establish a policy under which you recalculate Pell for changes in costs, you must consistently apply that recalculation policy to all students in the program.

# Chapter 3 Appendices:

**APPENDIX A— PELL FORMULA 2: CALCULATIONS FOR STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN FALL THROUGH SPRING**

**APPENDIX B—PELL FORMULA 5: CALCULATIONS FOR CORRESPONDENCE STUDY PROGRAMS**

**APPENDIX C— PELL FORMULA SUMMARIES**

## APPENDIX A

### Using Formula 2

34 CFR 690.63(a)(2), 690.63(c)

#### Formula 2 Alternate calculation

Under Formula 2, you can perform the same alternate calculation as performed under Formula 1 if the weeks of instructional time in the defined academic year are the same as the total number of weeks of instructional time in all the terms in the award year. See the example for alternate calculation under the discussion of Formula 1 earlier in this chapter.

### PELL FORMULA 2: CALCULATIONS FOR STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN FALL THROUGH SPRING

The regulations provide an option for standard-term programs whose fall through spring terms provide less than 30 weeks of instructional time. Formula 2 may be advantageous for your summer term calculations. You may use Formula 2 if the program:

- has an academic calendar that consists of two semesters or trimesters (in the fall through the following spring) or three quarters (in the fall, winter, and spring);
- does not have overlapping terms; and
- measures progress in credit-hours and defines full-time enrollment for each term in the award year as at least 12 credit-hours.

## Formula 2: Calculation for standard terms with fall through spring terms less than 30 weeks

The regulations offer an alternative formula for standard-term programs with fall through spring standard terms that provide less than 30 weeks of instructional time. The significant effect of this formula is to allow you to pay the same Pell amount for the summer term as you would for one of your traditional fall through spring terms. To use this formula, the program must have two semesters or trimesters (in the fall through the following spring) or three quarters (in the fall, winter, and spring), with no overlapping terms, and define full-time enrollment for each term in the award year as at least 12 credit-hours.

Let's take the example of Javier, who is attending Heyward College, which has fall and spring semesters of 14 and 15 weeks, and a summer term of 10 weeks. Heyward defines the academic year of Javier's program as 24 semester hours and 30 weeks.\* His Scheduled Award is \$3,390, and he is attending as a full-time student. Because the fall and spring terms provide less than the minimum 30 weeks of instructional time for an academic year, Javier's full-time award is prorated as follows:

$$\frac{29 \text{ weeks* in term**}}{30 \text{ weeks* in academic year}} \times \$3,450 = \$3,335$$

This prorated amount is then divided by the number of terms:  $\frac{\$3,335}{2} = \$1,667.50$

Javier will receive \$3,335 for his attendance in both semesters. Note that this is less than his Scheduled Award; he may be able to receive the remainder of his Scheduled Award, plus up to an additional 50% of his Scheduled Award, if he enrolls at least-half time during the summer; see the Year-Round Pell & IASG section earlier in this chapter.

The difference between Formula 2 and Formula 3 lies in whether you must make a separate calculation for each term. Under Formula 2, you do not have to perform a separate calculation based on the length of each term. Javier's Pell eligibility as a full-time student would be \$1,667.50 under Formula 2. If Heyward College used Formula 3, the annual award would be prorated based on the length of each term: 14 weeks (14/30), 15 weeks (15/30), and 10 weeks (10/30), and Javier's payments for the payment periods would be \$1,556.33, \$1,667.50, and \$1,111.66, respectively.

Javier has remaining Pell eligibility for the summer term under both formulas. Javier may have additional eligibility for summer if he is enrolled at least half-time and eligible for Year-Round Pell or IASG; for more details, see the Year-Round Pell & IASG section earlier in this chapter.

\*These fractions use weeks of instructional time as defined in *Chapter 1*, which are not necessarily the same number as the calendar weeks in an academic year.

\*\*Fall through spring.

## APPENDIX B

### PELL FORMULA 5: CALCULATIONS FOR CORRESPONDENCE STUDY PROGRAMS

Students enrolled in correspondence courses are eligible for aid under FSA programs only if the courses are part of a program leading to an associate's, a bachelor's, or a graduate degree. Also, to be eligible, a correspondence program must meet the criteria for an eligible program (see *Volume 2* of the *FSA Handbook: Institutional Eligibility and Participation*).

#### **Pell Cost of Attendance (Correspondence)**

The cost of attendance for correspondence programs is limited to tuition and fees, and in certain cases, books and supplies. Traditionally, books and supplies have been included as part of the correspondence program's tuition. If books and supplies are not included in the program's tuition, they may be counted as costs, for either a residential or nonresidential period of enrollment. As always, the cost of attendance must be based on the costs for a full-time student for a full academic year for the relevant component (for correspondence COA, there would be no room and board, etc.). If the student's program or period of enrollment, as measured in credit-hours, is longer or shorter than an academic year as measured in credit-hours, the tuition and fees for the program or enrollment period must be prorated. Because the correspondence study cost of attendance for the nonresidential component only includes costs associated with credit-hours, your school always uses the credit-hour-related fraction to prorate the cost of attendance as follows (because there are no costs associated with weeks of instructional time in the correspondence cost of attendance, your school has to prorate the cost only if the number of hours in the program is shorter or longer than in an academic year):

$$\frac{\text{Credit-hours in program's definition of an academic year}}{\text{Credit-hours to which the costs apply}}$$

The resulting amount is the full-time, full-academic-year cost used for calculating Pell Grant eligibility. **When there is a residential portion in a correspondence student's program, Formula 3 or 4 (whichever applies) is used to calculate the student's payment for a payment period for a residential portion.** Refer to Formula 3 or 4 guidelines, including cost of attendance determinations, for this circumstance.

#### **Correspondence program highlights**

- Pell cost of attendance limited to tuition and fees (and in some cases, books and supplies)
- The enrollment status for correspondence students can never be more than 1/2-time
- The enrollment status for a student who is taking both correspondence and regular coursework may be greater than 1/2-time
- Timing of payments within payment periods is different for correspondence students
- Formula 5A or 5B used to calculate awards for correspondence students

#### **Enrollment status cites for correspondence**

Term classes — 34 CFR 690.66(c)(2)

Combined with regular study — 34 CFR 690.8

#### **Academic coursework**

The term academic coursework does not necessarily refer to credits. If a student does not earn any credits until the end of the program, it may refer to the lessons or other measures of learning within a course or a program. For instance, if a course or program is made up of 40 equal lessons, the student reaches the halfway point as follows:

- If the student successfully completes the first 20 lessons before the calendar midpoint of the academic year, the second payment period does not begin until the calendar midpoint.
- If the student completes the first half of the academic year before successfully completing the first 20 lessons, the second payment period does not begin until the student successfully completes the first 20 lessons.

#### **Annual award**

The annual award for a student in a non-term correspondence program is always taken from the half-time payment schedule because a correspondence student can't receive more than half of a Scheduled Award. For a student in a term correspondence program, the annual award is determined from the half-time payment schedule or the less-than-half-time payment schedule, as appropriate.

34 CFR 690.66(a)(1) and (2)

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**Correspondence payment periods**

Non-term — 34 CFR 690.66(b)

Term — 34 CFR 690.66(c)(3),(c)(4)

**Pell Enrollment Status (Correspondence)**

Students enrolled in programs of correspondence study are considered to be no more than half-time students, even if they're enrolled in enough coursework to be full-time. However, if the correspondence study is combined with regular coursework, the student's enrollment status might be more than half-time.

A student enrolled only in a non-term correspondence program always has his or her award calculated based on the half-time payment schedule. For a student enrolled in a term-based correspondence program, your school must determine whether the student is enrolled half-time (6 or more credit-hours in a term) or less-than-half-time (less than 6 credit-hours in a term). Special rules are used to determine the student's enrollment status when the student is enrolled in a combination of regular and correspondence coursework.

**Pell Correspondence Payment periods & timing of payments**

For a *non-term* correspondence program, there must be two equal payment periods in each academic year. Each payment period is the lesser of half the academic year or half the program (measured in credit-hours). In addition, you can't disburse a Pell payment for the first payment period until the student has completed 25 percent of the work in the academic year or the program, whichever is shorter. You can't make the second payment until the student has completed 75 percent of the work in the academic year or program.

For a *term-based* correspondence program, as for other term-based programs, the payment period is the term. However, you can't disburse the Pell for a payment period until the student has completed 50 percent of the lessons or completes 50 percent of the work for the term, whichever is later.

If the correspondence program has a required period of *residential training*, you must treat the residential training as an additional payment period and determine the payment for that payment period using either Formula 3 or Formula 4. Note that the correspondence portion of the program is still treated as a separate portion of the program that's divided into two equal payment periods.

**Pell Calculations in Correspondence Programs**

Formula 5 is used for students enrolled only in correspondence courses (not including residential components of correspondence programs). There are two versions of Formula 5: Formula 5A (which is similar to Formula 4) is used for non-term programs, and Formula 5B (which is similar to Formula 3) is used for term-based programs. For a residential component of a correspondence program, your school must use either Formula 3 or Formula 4. If the residential component is a term, your school uses Formula 3; otherwise, it uses Formula 4.

For non-term correspondence programs, this step of the calculation is similar to the step under Formula 4. For term correspondence programs, this step is the same as under Formula 3.

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**Correspondence multiple formulas exception**

If a correspondence student has one or more payment periods in an award year that contain only correspondence study and one or more payment periods in the same award year that contain a residential portion, your school would use two different formulas for determining a student's payment for each payment period. This instance is the only one in which a school would use two different Pell formulas within the same award year for students in the same program.

For the Pell calculation, you are required to determine the number of weeks of instructional time in the program by preparing a written schedule for the lessons that the student will submit. A non-term correspondence program must require at least 12 hours of preparation per week. A term-based correspondence program must require at least 30 hours of preparation per semester hour or at least 20 hours of preparation per quarter-hour during the term.

***Non-term correspondence program—Formula 5A***

You first multiply the annual award (taken from the half-time payment schedule) by the lesser of:

$$\frac{\text{Number of credit-hours in the payment period}}{\text{Credit-hours in program's academic year definition}}$$

or

$$\frac{\text{Weeks* in the payment period}}{\text{Weeks* in program's academic year definition}}$$

***Term correspondence program—Formula 5B***

You multiply the annual award (taken from the half-time or less-than-half-time payment schedule) by the weeks of instructional time in the term divided by the weeks in the academic year:

$$\frac{\text{Weeks* in term}}{\text{Weeks* in program's academic year definition}}$$

A single disbursement for a payment period can never be more than 50 percent of the annual award. If the resulting amount is more than 50 percent of the annual award, your school must make the payment in at least two disbursements in that payment period. You may not disburse an amount that exceeds 50 percent of the annual award until the student has completed the period of time in the payment period that equals 50 percent of the weeks of instructional time in the program's academic year definition.

\*Note: These fractions use weeks of instructional time as defined in *Chapter 1* of this volume, which are not necessarily the same number as the calendar weeks in an academic year.

## APPENDIX C PELL FORMULA SUMMARIES

### Formula 1 Summary

Standard-term, credit-hour programs, with 30 weeks of instructional time (or waiver applies). For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs:

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and the students must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term.
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

#### **Step 1: Determine Enrollment Status**

Full-time, three-quarter-time, half-time, or less-than-half-time

#### **Step 2: Calculate Pell COA**

Full-time, full academic year costs.

#### **Step 3: Determine Annual Award**

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2 time, the annual award is taken from the appropriate part-time payment schedule.

#### **Step 4: Determine Payment Periods**

Payment period is the academic term.

#### **Step 5: Calculate Payment for a Payment Period**

Annual Award

2 for programs with semesters or trimesters; 3 for programs with quarters

OR

For alternate calculation:

Annual Award

Number of terms in the award year

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## Formula 2 Summary

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Standard-term, credit-hour programs, with fewer than 30 weeks of instructional time, and waiver does not apply.

- Enrollment for at least 12 credit-hours each term required for full-time status
- Program terms don't overlap
- Academic calendar includes 2 semesters/trimesters (fall and spring) or 3 quarters (fall, winter, and spring)
- Fall through spring terms are less than 30 weeks of instructional time

### **Step 1: Determine Enrollment Status**

Full-time, three-quarter-time, half-time, or less-than-half-time

### **Step 2: Calculate Pell COA**

Full-time, full academic year costs.

Cost for fall through spring terms prorated. If fall through spring terms provide the same number of credit-hours as are in the academic year definition, prorated COA is the same as non-prorated COA.

### **Step 3: Determine Annual Award**

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2 time, the annual award is taken from the appropriate part-time payment schedule.

### **Step 4: Determine Payment Periods**

Payment period is the academic term.

### **Step 5: Calculate Payment for a Payment Period**

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in fall through spring terms}}{\text{Weeks of instructional time in program's academic year definition}} \div \begin{matrix} 2 \text{ (if semesters} \\ \text{or trimesters)} \\ \text{OR} \\ 3 \text{ (if quarters)} \end{matrix}$$

**OR**

For alternate calculation:

$$\frac{\text{Annual Award}}{\text{Number of terms in the award year}}$$


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## Formula 3 Summary

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Any term-based, credit-hour programs; may include those qualifying for Formulas 1 and 2.

### **Step 1: Determine Enrollment Status**

Full-time, three-quarter time, half-time, or less-than-half-time.

### **Step 2: Calculate Pell COA**

Full-time, full academic year costs.

Cost for program or period not equal to academic year prorated. Two fractions are compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of I.T. in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

### **Step 3: Determine Annual Award**

If the student's enrollment status is full-time, the annual award is taken from the full-time payment schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less-than-1/2-time, the annual award is taken from the appropriate part-time payment schedule.

### **Step 4: Determine Payment Periods**

Payment period is the academic term.

### **Step 5: Calculate Payment for a Payment Period**

$$\frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in the program's academic year definition}}$$

A single disbursement can't exceed 50% of the annual award.

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## Formula 4 Summary

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Clock-hour programs and credit-hour programs without terms, residential portion of non-term correspondence programs.

### **Step 1: Determine Enrollment Status**

At least half-time or less-than-half-time.

### **Step 2: Calculate Pell COA**

Full-time, full academic year costs.

Cost for program or period not equal to academic year prorated. Two fractions compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

### **Step 3: Determine Annual Award**

Always taken from full-time payment schedule (equal to Scheduled Award). Does not mean students are always considered full-time.

### **Step 4: Determine Payment Periods**

Length of payment period measured in credit or clock-hours. Minimum of 2 equal payment periods required for programs shorter than an academic year, or 2 equal payment periods in each full academic year (or final portion longer than half an academic year) for programs longer than or equal to an academic year.

### **Step 5: Calculate Payment for a Payment Period**

Annual award multiplied by the lesser of:

$$\frac{\text{The number of credit or clock-hours in the payment period}}{\text{The number of credit or clock-hours in the program's academic year}}$$

**OR**

$$\frac{\text{The number of weeks of instructional time in the payment period}}{\text{The number of weeks of instructional time in the program's academic year}}$$

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Note: A single disbursement can't exceed 50% of the annual award.

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## Formula 5A Summary

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Correspondence programs non-term correspondence component. For residential portion, use Formula 4 to calculate payment periods and amounts. The schedule for the submission of lessons must reflect a workload of at least 12 hours of preparation per week of instructional time.

### Step 1: Determine Enrollment Status

Enrollment status is never more than half-time.

### Step 2: Calculate Pell COA

Full-time, full academic year costs (for applicable components).

Cost for program or enrollment period not equal to academic year prorated according to the following formula for tuition and fees:

$$\text{Costs} \times \frac{\text{Credit-hours in program's definition of academic year}}{\text{Credit-hours to which costs apply}}$$

### Step 3: Determine Annual Award

Annual award taken from half-time payment schedule

### Step 4: Determine Payment Periods

Length of payment period measured in credit-hours.

The first payment period is the period of time in which the student completes the lesser of the first half of the academic year or the first half of the program. (First payment can be made only after the student has completed 25% of the lessons or otherwise completed 25% of the work scheduled, whichever comes last.)

The second payment period is the period of time in which the student completes the lesser of the second half of the academic year or the second half of the program. (Second payment may be made only after the student has submitted 75% of the lessons or otherwise completed 75% of the work scheduled, whichever comes last.)

### Step 5: Calculate Payment for a Payment Period

Annual award is multiplied by the lesser of:

$$\frac{\text{Number of credit-hours in the payment period}}{\text{Number of credit-hours in the program's academic year}}$$

**OR**

$$\frac{\text{Weeks of instructional time in the payment period}}{\text{Weeks of instructional time in the program's academic year}}$$

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Note: A single disbursement can't exceed 50% of the annual award.

## Formula 5B Summary

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Programs of study by correspondence, term correspondence component. During each term, the written schedule for the submission of lessons must reflect a workload of at least 30 hours of preparation per semester hour or at least 20 hours of preparation per quarter-hour.

### ***Step 1: Determine Enrollment Status***

Enrollment status is never more than half-time.

### ***Step 2: Calculate Pell COA***

Full-time, full academic year costs (for applicable components).

Cost for program or enrollment period not equal to academic year prorated according to the following formula for tuition and fees:

$$\text{Costs} \times \frac{\text{Credit-hours in program's definition of academic year}}{\text{Credit-hours to which costs apply}}$$

### ***Step 3: Determine Annual Award***

Annual award taken from half-time or less-than-half-time payment schedule.

### ***Step 4: Determine Payment Periods***

Length of payment period is the academic term.

### ***Step 5: Calculate Payment for a Payment Period***

Annual award multiplied by:

$$\frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's academic year definition}}$$

When there is a residential portion in a term-based correspondence program, Formula 3 is used to calculate the student's payment for a payment period for the residential portion.

A single disbursement cannot exceed 50% of the annual award.

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# Calculating TEACH Grants

## CHAPTER 4

*In this chapter, we will illustrate the amounts a student may receive under the TEACH Grant program and show how to determine the correct grant award for each payment period. For more detail on TEACH Grant criteria and eligibility, see Volume 1, Student Eligibility. For more on payment periods, see Chapter 1 of this volume, and for cost of attendance, see Chapter 2 of this volume.*

### TEACH GRANT BASICS

The TEACH Grant program is a non-need-based grant program that provides up to \$4,000 per year to students who are enrolled in an eligible program and who agree to teach in a high-need field, at a low-income elementary or secondary school\* as a highly qualified teacher, for at least four years within eight years of completing the program for which the TEACH Grant is awarded. The student must sign a service agreement to this effect and complete all required counseling prior to receiving a TEACH Grant.

If the student subsequently fails to meet the requirements of the service agreement, the TEACH Grant will be treated as a Direct Unsubsidized loan, and the student must repay the TEACH Grant funds, with interest accrued from the date of disbursement, through the Department's TEACH Grant Servicer. For more details on the TEACH Grant service agreement, eligibility, and conversion from a grant to a loan, see *Volume 1*.

With respect to enrollment status, the program must require an undergraduate student to enroll for at least 12 credit-hours in each term in the award year to qualify as full-time. For a graduate student, each term in the award year must meet the minimum full-time enrollment status established by your school for a semester, trimester, or quarter.

### CHAPTER 4 HIGHLIGHTS

- Award amounts
- Calculating a TEACH Grant for a payment period
- Calculating TEACH for a payment period that occurs in two award years
- TEACH Grants for transfer students
- Correspondence study and TEACH
- Frequency of payment
- Recalculation of TEACH Grants

### TEACH Grant regulations

34 CFR 686

### Packaging TEACH Grants

The amount of a student's TEACH Grant, in combination with any Pell Grant or other estimated financial assistance, may not exceed the student's cost of attendance. However, TEACH Grants may replace the EFC for packaging purposes. See *Chapter 7* of this volume for packaging rules.

### The Sequester and TEACH Grants



E-Announcement June 17, 2017

On August 2, 2011, Congress passed the Budget Control Act (BCA) of 2011, which put into place a federal budget cut known as the Sequester. All disbursements of TEACH awards made during the federal fiscal year 2018 (on or after October 1, 2017, and before October 1, 2018) must be reduced by 6.6% from the award amount the student would otherwise be eligible to receive. Watch IFAP for news of sequester reductions in FY 19 (beginning on October 1, 2018).

\*For more information on "low-income" school eligibility and the Teacher Cancellation Low Income program, see the E-Announcement of August 12, 2016, and <https://www.tcli.ed.gov/>

**TEACH Grant regulations**

- Calculating TEACH for a payment period  
34 CFR 686.22
- Timing of payments  
& Lump sum payments  
34 CFR 686.33
- TEACH Grant Academic Year  
34 CFR 686.22(h)
- Crossover payment periods  
34 CFR 686.23
- Transfer students  
34 CFR 686.24

*TEACH Grant Scheduled, Annual, and Aggregate Awards*

The TEACH Grant award amounts are similar to Pell awards in that there is a Scheduled Award, which is the maximum that a full-time student would earn for a year, and an Annual Award, which is the amount a student would receive by enrolling for a year in an enrollment status (e.g., full-time, three-quarter-time, half-time, or less-than-half-time). The Scheduled Award for TEACH is \$4,000, and the annual awards are:

Full-time .....	\$4,000
3/4-time .....	\$3,000
1/2-time .....	\$2,000
less-than-1/2-time .....	\$1,000

A student may receive up to \$16,000 in TEACH Grants for undergraduate and post-baccalaureate study, and up to \$8,000 for a TEACH-eligible master’s degree program.

**TEACH Grant servicing**

MyFedLoan.org/TEACH

**CALCULATING TEACH GRANT PAYMENTS FOR PAYMENT PERIODS**

As for other FSA programs, for purposes of calculating a TEACH Grant for a payment period, the definition of an academic year must include, for undergraduate programs of study (including those post-baccalaureate programs that are TEACH Grant eligible), both the required credit or clock-hours and weeks of instructional time (see *Chapter 1*).

The formula you will use to calculate the amount of a student’s TEACH Grant that will be awarded for a payment period depends on the academic calendar used by the student’s program. These formulas are the same as for Pell Grants, with the exception of master’s degree programs. For details on these payment formulas, see *Chapter 3* of this volume. For master’s degree programs, a TEACH Grant eligible program’s academic year must be defined as at least the required number of weeks of instructional time and the minimum number of credit or clock-hours that a full-time student would be expected to complete in the weeks of instructional time.

Note that no payment for a payment period may be less than \$25.

*Crossover payment periods*

In the same way as for Pell Grants, if a student enrolls in a payment period that is scheduled to occur in two award years, the entire payment period must be considered to occur within one of those award years, and the school must pay the student for that payment period with funds from that award year. There is no requirement for a TEACH Grant crossover payment period to be placed in the same award year as Pell.

**Payment for a payment period from two Scheduled Awards**

34 CFR 686.22(i)

When a student’s payment period spans two different Scheduled Awards, the student’s payment for the payment period is calculated based on the total credit or clock-hours and weeks of instructional time in the payment period, and is the remaining amount of the Scheduled Award being completed plus an amount from the next Scheduled Award, (if available) up to the payment for the payment period.

In most cases, it is up to the school to determine the award year in which the payment period will be placed. However, if more than six months of a payment period is scheduled to occur within one award year, you must place that payment period in that award year.

#### *Payment within payment period & retroactive payment*

Within each payment period, you may pay the student at such times and in such installments as you determine will best meet the student's needs. You may pay a student TEACH Grant funds in one lump sum for all prior payment periods for which the student was eligible within the award year, as long as the student has signed the agreement to serve prior to disbursement of the TEACH Grant (for more details on the agreement to serve and TEACH Grant eligibility, see *Volume 1*).

#### *Transfer students*

A student who receives a TEACH Grant at one institution and subsequently enrolls at a second institution may receive a TEACH Grant at the second institution if the second institution obtains the student's valid SAR or ISIR with an official EFC.

The second institution may pay a TEACH Grant only for that period in which a student is enrolled in a TEACH Grant-eligible program at that institution. The second institution must calculate the student's award using the appropriate formula, unless the remaining balance of the Scheduled Award at the second institution is the balance of the student's last Scheduled Award and is less than the amount the student would normally receive for that payment period.

A transfer student must repay any amount received in an award year that exceeds the amount which he or she was eligible to receive.

A student may not receive TEACH Grant payments concurrently from more than one school.

#### **Required TEACH Grant counseling**

34 CFR 686.32

Before receiving a TEACH Grant, a student must, among other requirements, complete initial and subsequent counseling on the TEACH website. You must ensure that exit counseling is conducted with each TEACH Grant recipient when that student ceases to attend the school at a time determined by the school. The exit counseling must be in person, by audio-visual presentation, or by interactive electronic means (such as the TEACH Grant website).

In each case, you must ensure that an individual with expertise in the FSA programs is reasonably available shortly after the counseling to answer the grant recipient's questions. (In the case of a grant recipient enrolled in a correspondence program or a study-abroad program approved for credit at the home school, the grant recipient may be provided with written counseling materials within 30 days after he or she completes the program.)

It is the school's responsibility to see that TEACH recipients receive exit counseling when the student is no longer enrolled in the program. You will receive reports from the Department on all students who have completed counseling. If the student doesn't complete the exit counseling session on the TEACH website, you must ensure that exit counseling is provided either in person, through interactive electronic means, or by mailing written counseling materials (such as the PDF version of the exit counseling program on the TEACH website) to the grant recipient's last known address. In the case of unannounced withdrawals, you must provide this counseling within 30 days of learning that a grant recipient has withdrawn from school (or from a TEACH Grant-eligible program).

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**TEACH Grant Formula 1**

34 CFR 686.22(a)(1),(b)

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**TEACH Grant Formula 2**

34 CFR 686.22(a)(2),(c)

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**TEACH Grant Formula 3**

34 CFR 686.22(a)(3),(d)

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**TEACH Grant Formula 4**

34 CFR 686.22(a)(4),(e)

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**TEACH Grant Formula 5**

34 CFR 686.25

**TEACH GRANT FORMULAS**

The requirements for calculating a TEACH Grant payment for a payment period are exactly the same as Federal Pell Grant program requirements and use the same formulas as the Pell Grant program. TEACH Grant formulas 1, 2, 3, 4, and 5 are identical to the corresponding Pell formulas. The school disburses a TEACH Grant, like Pell, over the hours and weeks of instruction in an eligible program's academic year, as defined by the school.

As with Pell Grants, TEACH Grant Scheduled Awards are divided into at least two payments based on the payment periods in a year. The calculation formula you use depends on the academic calendar of a student's eligible program and would be the same formula used to calculate payments of Pell Grants for that academic program. For students ineligible for Pell Grants, such as master's degree students, you must use the calculation formula that corresponds to the academic calendar of the eligible student's program. Refer to *Chapter 3* of this volume on Pell Grants for a more detailed explanation of these formulas.

A student's payment for a payment period is calculated based on the coursework in the student's TEACH Grant-eligible program. For a TEACH Grant, the school must ensure that the student's courses are necessary for the student to complete the student's TEACH Grant-eligible program.

## RECALCULATING TEACH GRANTS

### *Recalculating for changes in enrollment status*

If a student's enrollment status changes from one term to another within the same award year, you **must** recalculate the TEACH Grant award for the new payment period, taking into account any changes in the cost of attendance.

If a student's projected enrollment status changes during a payment period after the student has begun attendance in all of his or her classes for that payment period, you may (but are not required to) establish a policy under which you recalculate such a student's TEACH Grant award. Any such recalculations must take into account any changes in the cost of attendance. In the case of an undergraduate or post-baccalaureate program of study, if such a policy is established, it must match your Pell Grant recalculation policy, and you must apply the policy to all students in the TEACH-eligible program.

If a student's enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, you must recalculate the student's enrollment status to reflect only those classes for which he or she actually began attendance.

### *Recalculating for changes in cost of attendance*

If a student's cost of attendance changes during the award year and his or her enrollment status remains the same, your school **may**, but is not required to, establish a policy under which you recalculate the student's TEACH Grant award. If you establish such a policy, you must apply it to all students in the program.

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## TEACH recalculations

34 CFR 686.35



# Direct Loan Periods and Amounts

## CHAPTER 5

*The rules for awarding Direct Loans are different than for Pell Grants and other FSA programs. For Direct Subsidized/Unsubsidized Loans, there are annual loan limits that vary by grade level, and there are aggregate limits on the total (cumulative) loan amount that may be outstanding at one time. The loan period, payment period, and disbursements within that period may not always correspond to the payment periods you use for Pell Grants. The requirement to prorate Direct Subsidized/Unsubsidized Loan limits under certain circumstances is different than the requirements for calculating Pell Grants.*

To request Direct Subsidized or Direct Unsubsidized Loan funds for a student, a school must certify that the borrower is eligible for the loan award, and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct Loan is calculated differently than for a Pell Grant. There are no fixed tables such as the Pell Grant Payment and Disbursement Schedules that determine award amounts.

Direct Subsidized/Unsubsidized Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, you may not originate a loan for more than the:

- amount the borrower requests;
- borrower's cost of attendance (see *Chapter 2*);
- borrower's annual or aggregate limit, as described in this chapter); or
- borrower's unmet financial need (as determined using the rules in *Chapter 7* of this volume).

In Direct Loans, the loan certification is part of the loan origination record sent electronically to the Common Origination and Disbursement (COD) system.

You must provide this certification each time you make a loan under a Master Promissory Note (MPN). The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, the amounts of the disbursements (using the rules described in this chapter), and other information.

### Chapter 5 Highlights:

#### ■ Measurements of academic and loan periods

- Loan periods, academic terms, & program length
- Scheduled Academic Year (SAY) may be used for credit-hour programs with standard terms and certain nonstandard term programs
- Borrower-Based Academic Year (BBAY) may be used as an alternative to an SAY for programs also offered in an SAY
- BBAY must be used for clock-hour, non-term, and nonstandard-term programs, and for standard-term credit-hour programs without an SAY
- "SE9W" (a program with terms substantially equal in length, with each term comprised of 9 or more weeks of instructional time)

#### ■ Annual Loan Limits

- Direct Subsidized/Unsubsidized Loan limits
- Undergraduate limits based on grade level
- Undergraduate limits must be prorated for a program or remaining portion of a program less than an academic year
- Increased Direct Unsubsidized Loan limits for certain health professions students
- Direct Loan limits for transfer students, teacher certification coursework, and coursework necessary for enrollment in an eligible program

#### ■ Aggregate Loan Limits

- Direct Subsidized/Unsubsidized Loan limits
- Loan information provided through "Financial Aid History" on SAR, ISIR, and on NSLDS website
- Enhanced Aggregate Information displays on the NSLDS website

**Period of enrollment (loan period)**

34 CFR 685.102(b)

The period of enrollment for which a Direct Loan is intended must coincide with an academic period established by the school for which institutional charges are generally assessed (e.g., semester, trimester, quarter, length of the student's program, or academic year). The period of enrollment is also referred to as the loan period.

**Minimum and maximum loan periods**

34 CFR 685.301(a)(10)

→ Maximum: Generally the school's academic year. Greater than an academic year if the loan is for the length of a program that is longer than an academic year, and you apply the annual loan limit to that longer period.

→ Minimum in standard-term programs and SE9W programs: one academic term.

→ Minimum in all other programs; i.e., clock-hour, non-term, and non-SE9W nonstandard term: Except for certain transfer students, the lesser of the program length (or remainder of the program, if less than full program remaining) or the academic year. For transfer students whose period of enrollment overlaps a period of enrollment for which the student received a loan at a prior school, the remaining portion of the program or academic year.

**FSA Assessments**

For a guide to reviewing and evaluating your procedures regarding Direct Loans, see the Direct Loans module of FSA Assessments: <http://ifap.ed.gov/qahome/fsaassessment.html>.

**LOAN PERIODS, ACADEMIC TERMS, & PROGRAM LENGTH**

It's important to define the loan period (sometimes referred to as the *period of enrollment*) at the beginning of the loan awarding process, because the length of the loan period will determine the timing and amount of disbursements. This discussion assumes that your school has already established its academic measurements. If you have not already done so, see *Chapter 1* of this volume for a discussion of eligible programs, academic years, payment periods, and conversion of clock-hours/credit-hours.

With the passage of the subsidized loan eligibility time limit (commonly referred to as the 150% subsidized loan limit), it is more important than ever that you accurately report academic year dates and loan period dates for all types of Direct Loans to COD. You must also update a loan's previously reported loan period dates or academic year dates if the borrower's actual attendance is different from the anticipated dates that were the basis for an initial reporting to COD. Some examples of when you must update loan data in COD include:

- If the borrower requests that a loan, or a disbursement of a loan be cancelled;
- When the borrower does not begin attendance, or does not begin attendance on at least a half-time basis, in a payment period that was included in the originally reported loan period and you did not make any disbursements for that payment period;
- When you determine that the borrower is not eligible to receive a Direct Loan for a payment period that was part of the originally reported loan period (for example, failure to meet Satisfactory Academic Progress standards, the borrower has an overpayment, or a change in circumstances makes the borrower ineligible for a subsidized loan);
- When the borrower withdraws during a payment period that was included in the originally reported loan period, and as a result, the entire amount of the loan that was intended for that payment period is returned under the Return of Title IV Aid (R2T4) calculation;
- For clock-hour programs, non-term credit-hour programs, and certain types of nonstandard term credit-hour program, the borrower fails to progress to the next payment period or academic year as scheduled.

For more detail on the requirements of the 150% subsidized loan limit, see the *Subsidized Loan Eligibility Time Limitation* section later in this chapter. For details on submitting date and academic year data to COD, see Dear Colleague Letter GEN-13-13 and the 150% FAQs on the topic, available on IFAP.

A credit-hour program uses standard terms (semesters, trimesters, or quarters), or has nonstandard terms that are substantially equal in length, with each term at least 9 weeks in length (see “Nonstandard SE9W terms” sidebar later in this chapter). The *minimum* loan period is a single academic term (e.g., a semester).

As an example, if a student will be enrolled in the fall semester only and will skip the spring semester, you may originate a loan for that term alone. (Remember, however, that the loan amount must be based on the reduced costs and EFC for that term, rather than for the full academic year.) For all other programs, including clock-hour and non-term credit-hour programs, the minimum loan period is the lesser of:

- the academic year as defined by the school (see *Chapter 1*);
- the length of the student’s program (if the program is shorter than an academic year); or
- the remaining portion of the program (if the remaining portion of the student’s program is less than an academic year).

For these other programs, there are exceptions to the minimum loan period rule describe above, if:

- a student transfers into the school, and the prior school originated a loan for an academic year that overlaps the academic year at the new school; or
- a student completes a program at a school, where the student’s last loan to complete that program had been for less than an academic year, and the student then begins a new program at the same school.

In these circumstances, you may originate an initial loan for a loan period that ends on the ending date of the academic year at the first school from which the student transferred, or on the ending date of the academic year associated with the prior program completed at your school. In either of these cases, the loan amount must not exceed the remaining balance of the student’s annual loan limit at the loan level associated with the new program.

For all programs, the **maximum** loan period for annual loan limits is generally the school’s academic year. However, the loan period may exceed the school’s academic year if the annual loan limit is applied to a longer period of time (e.g., if the academic year is defined as 900 clock-hour, but a school applies the annual loan limit to the entire length of an 1100 clock-hour program).

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### Requirement to offer both subsidized and unsubsidized loans

DCL GEN-11-07

Direct Subsidized and Direct Unsubsidized Loans are two components of a single loan program. A school may not choose to make only Direct Subsidized Loans or only Direct Unsubsidized Loans available to its eligible students.

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### Direct Loans at multiple schools

Unlike Pell Grants, it is possible for a student who is separately enrolled and eligible at multiple schools to get a Direct Subsidized/Unsubsidized Loan (and for a graduate/professional student or parent to receive a Direct PLUS Loan) at more than one school for the same period. The schools that the student is attending are responsible for coordinating to make sure that the total amount of the loans the student receives does not exceed the applicable annual loan limit. In addition, the schools must ensure that there is no duplication of non-institutional costs when determining the student’s cost of attendance. (Note that in this case, which is different than the consortium arrangements discussed in *Volume 2*, loan funds awarded at one school are not to be included as estimated financial assistance by any other school the student is attending when determining the student’s loan eligibility for the same period.)

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### DL Tools for Windows

<https://fsadownload.ed.gov>

Direct Loan Tools for Windows is *Volume IV* of the *COD Technical Reference*. It covers external import record layouts and other information for systems administrators and is available for download at the fsadownload website.

## Originating a loan

A financial aid administrator should be aware of the responsibility incurred in originating and disbursing a loan. The school, not the Department, determines the borrower's eligibility for a Direct Loan. Schools that originate and disburse loans for ineligible borrowers, or for loan amounts that exceed loan limits or the borrowers' need, are subject to administrative actions such as a fine, limitation, suspension, and termination, as well as liabilities such as repayment to the government of interest and costs it has paid on the ineligible loans. A school may not originate a loan for a period that includes hours in an academic year in which the student is no longer enrolled (regardless of whether a student has ceased attendance or advanced to the next academic year). Similarly, you may not condition the disbursement of a loan on anything other than the eligibility criteria.

## Refusing to originate a loan or originating for less than maximum eligibility

HEA Sec. 479(A)(c), 34 CFR 685.301(a)(8), DCL GEN-11-07

On a case-by-case basis, you may refuse to originate the loan for an individual borrower, or you may originate a loan for an amount less than the borrower's maximum eligibility. If you choose to exercise this discretion, you must ensure that your decisions are made on a case-by-case basis and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, or handicapped status. When you make a decision not to originate a loan or to reduce the amount of the loan, you must document the reasons and provide the explanation to the student in writing. Also note that your school may not have a policy of limiting Direct Loan borrowing on an across-the-board or categorical basis. For example, you may not have a policy of limiting borrowing to the amount needed to cover the school charges, or not allowing otherwise eligible students to receive the "additional" Direct Unsubsidized Loan amounts that are available under the annual loan limits.

## Checklist for loan origination

For all Direct Loans, you must document the student's cost of attendance, expected family contribution (EFC), and estimated financial assistance (EFA) in the student's file. This information must be made available to the Department upon request.

### *The school must confirm that the borrower meets the definition of eligible borrower by doing the following:*

- For parents receiving a Direct PLUS Loan, ensure the **student** has completed a FAFSA (review student's SAR/ISIR);
- Determine that the student is enrolled at least half-time and making satisfactory academic progress (see *Volume 1*);
- Review the NSLDS information on the ISIR to ensure that the student is not in default, does not owe an overpayment on a Title IV grant or loan (see *Volume 1*), and will not exceed the annual or aggregate loan limits (as described in this chapter);
- Ensure that the amount of the loan, in combination with other aid, will not exceed the student's financial need (see *Chapter 7* of this volume); and
- Ensure that the loan disbursement dates meet cash management and disbursement requirements.

### *For a Direct Subsidized/Unsubsidized Loan, the school must also:*

- Determine the student's Pell Grant eligibility and, if eligible, include the grant in the student's aid package;
- For a Direct Unsubsidized Loan, first determine the student's eligibility for a Direct Subsidized Loan;
- Ensure that the amount of the loan will not exceed the student's annual or aggregate loan limit; and
- Prorate the annual loan limit for an undergraduate enrolled in a program or remaining period of study that is shorter than an academic year (as described in this chapter).

## ANNUAL LOAN LIMITS

Direct Subsidized and Unsubsidized Loans have annual loan limits, based on the student's dependency status and grade level. There are higher Direct Unsubsidized annual loan limits for borrowers enrolled in certain health professions programs, and special loan limits for certain students who are not enrolled in a degree or certificate program. In some cases, for undergraduate students, the annual loan limits must be prorated (reduced). The annual loan limits are the maximum amounts that a student may receive for an academic year. The actual loan amount that a borrower is eligible to receive may be less than the annual loan limit.

Depending on the academic calendar of the program, a student who has reached the annual loan limit cannot receive another Direct Subsidized or Unsubsidized Loan until he or she either begins another academic year, or, in some cases, progresses within an academic year to a grade level with a higher annual loan limit.

### Direct Loan limits

Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) (Dear Colleague Letter GEN-08-08)

HEA Sec. 425(a)(1)(A)

HEA Sec. 428(b)(1)(A)

HEA Sec. 428H(d)

34 CFR 685.203

### Minimum Direct Loan amount

When originating Direct Loans in the COD system, there is no minimum loan amount.

## Annual loan limits: Basic principles

### Annual loan limits

- Direct Subsidized and Unsubsidized Loans have annual loan limits.
- There is an overall annual loan limit for Direct Subsidized and Unsubsidized Loans, of which not more than a specified amount may be comprised of subsidized loans.
- An undergraduate student who is ineligible for Direct Subsidized Loans may receive up to the total subsidized/unsubsidized annual loan limit in Direct Unsubsidized Loans.
- The Direct Subsidized Loan annual loan limits are the same for both dependent and independent undergraduates.
- Dependent students have lower total subsidized/unsubsidized annual loan limits than independent students; if a dependent student's parent(s) cannot borrow a Direct PLUS Loan, the student becomes eligible for the higher total subsidized/unsubsidized annual loan limits that apply to an independent student, allowing the dependent student to receive additional Direct Unsubsidized Loan funds.
- The annual loan limits apply to the academic year (that is, the annual loan limit is the maximum loan amount that a student may receive for one academic year).
- The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- For undergraduate students, the loan limit must be prorated if the student is attending a program (or remaining portion of a program) that is less than an academic year.
- Graduate/professional students are no longer eligible to receive Direct Subsidized Loans.

### Annual loan limit progression: SAY/BBAY

- For Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, a school must use either a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY) to determine when a student is eligible for a new annual loan limit.
- An SAY generally begins/ends at the same time each year; a BBAY "floats" with the student's enrollment.
- A traditional calendar program or an SE9W program with a comparable calendar may use an SAY.
- A clock-hour or non-term program, or a program that does not have an SAY, must use a BBAY.
- In a clock-hour or non-term credit-hour program, or a program with nonstandard terms that are not SE9W, the borrower must successfully complete the credit/clock-hours and weeks of instructional time in the Title IV academic year before the borrower is eligible for a new annual loan limit.
- In a standard-term or SE9W program, it is possible for a student to advance a grade level and become eligible for a higher loan amount within an academic year.

## Subsidized and Unsubsidized Direct Loans

DCL GEN 12-01

The federal government does not charge interest on a Direct Subsidized student loan during: in-school status, deferment periods, and (except for Direct Subsidized Loans first disbursed on or after July 1, 2012 and before July 1, 2014) the grace period.

The student is responsible for paying the interest on a Direct Unsubsidized student loan during all periods.

## Increased Direct Unsubsidized limits for independent undergraduate students and dependent undergraduate students whose parents can't get Direct PLUS Loans

34 CFR 685.203(c)(1)(ii)

DCL GEN 11-07

## Increasing the loan amount when student changes dependency status during the academic year

For any type of educational program (whether term-based or non-term, credit-hour or clock-hour), a dependent student who has already borrowed up to the annual loan limit within an academic year may be eligible to receive additional loan funds if his or her dependency status changes to independent during that same academic year.

## Using school's definition of academic year if longer than the Title IV minimum

A school may choose to define its academic year as longer in weeks or hours than the minimum statutory requirements. If so, then it's the school's standard – not the statutory minimum – that applies when determining whether a program or a final period of study is shorter than an academic year.

## Direct Loans for students whose parents have ended financial support and refuse to file a FAFSA

Schools may offer a dependent student a Direct Unsubsidized Loan if the student's parents have ended financial support and refuse to file a FAFSA. For more detail, see *Chapter 5 of the Application and Verification Guide* and DCL GEN-08-12.

## Direct Subsidized and Unsubsidized Loan limits for a dependent undergraduate student

Dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain Direct PLUS Loans) are eligible for an additional \$2,000 in Direct Unsubsidized Loan funds each academic year.

For these students, the annual loan limits are:

- \$3,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent first-year undergraduates;
- \$4,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent second-year undergraduates; and
- \$5,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent third-, fourth-, or fifth-year undergraduates.

These loan limits represent the total of all Direct Subsidized and Unsubsidized Loans a dependent undergraduate student may borrow at each level of study for a single academic year. For example, a dependent first-year undergraduate may receive up to \$5,500 in Direct Subsidized and Unsubsidized Loans for a single academic year, but no more than \$3,500 of this amount may be subsidized. A dependent first-year undergraduate who has no subsidized loan eligibility could receive up to the full \$5,500 in Direct Unsubsidized Loans.

## Increased Direct Unsubsidized limits for independent undergraduate students and dependent undergraduate students whose parents can't get Direct PLUS Loans

There are higher additional unsubsidized annual loan limits for independent undergraduate students. These higher additional Direct Unsubsidized Loan limits also apply to dependent undergraduate students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other documented exceptional circumstances.

- \$3,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$6,000 additional Direct Unsubsidized for independent first-year undergraduates;
- \$4,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$6,000 additional Direct Unsubsidized for independent second-year undergraduates; and
- \$5,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$7,000 additional unsubsidized for independent third-, fourth-, or fifth-year undergraduates.

As with the loan limits for dependent undergraduates, these loan limits represent the total of all Direct Subsidized and Unsubsidized Loans that an independent undergraduate student (or a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan) may borrow at each level of study, for a single academic year. For example, an independent, first-year undergraduate may receive up to \$9,500 in Direct Subsidized/Unsubsidized Loans for a single academic year, but no more than \$3,500 of this amount may be subsidized.

Note that a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan is not eligible to receive both the \$2,000 in additional Direct Unsubsidized Loan funds described here, and the additional \$6,000 or \$7,000 in Direct Unsubsidized Loan funds that are available to independent undergraduates and dependent undergraduates whose parents are unable to obtain Direct PLUS Loans.

### *Direct Unsubsidized Loan limits for graduate and professional students*

The annual loan limit for graduate or professional students is \$20,500 in Direct Unsubsidized Loans per academic year. The regulations define a graduate/professional student as a student who is enrolled in a program or course above the baccalaureate level or in a professional program and has completed the equivalent of 3 academic years of full-time study either prior to entering the program or as part of the program itself. Also, a student who is receiving Title IV aid as an undergraduate student can't be considered a graduate/professional student for that same period of enrollment.

To satisfy the requirement that a graduate student has completed 3 academic years of full-time study, a student must have completed a minimum of at least 72 credit/semester hours, or the equivalent number of quarter hours (at least 108). You may also assign a higher number of credits required to satisfy the credit requirement component to be considered a graduate student at your school, for example, 90 credit/semester hours (which may match your school's grade level progression standard for Direct Loans). Note that these three academic year's worth of credits may be taken over a longer or shorter period of time than three calendar years in the program.

Note that a student in an undergraduate program can't get the graduate loan limits based on taking graduate coursework as a part of the undergraduate program. In contrast, a graduate student who is taking some undergraduate coursework is eligible for the graduate loan limits if the student is enrolled at least half-time in courses (either graduate or undergraduate) that can be applied to the graduate program requirements. However, the student must already be admitted into the graduate program. A borrower with a bachelor's degree who is taking preparatory work for graduate school (or whose full admission to the graduate program is contingent upon completion of certain undergraduate courses) is not eligible for graduate loan limits.

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### **Entrance counseling requirements for Graduate/Professional PLUS borrowers**

For entrance counseling requirements for Graduate/Professional PLUS—see *Volume 2, Chapter 6, Providing Consumer Information*.

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### **Example: Additional Unsubsidized for independent undergraduate**

Dottie is a first-year independent undergraduate student at Russell's Institute. Her COA is \$14,500, her EFC is 1800, and she is receiving a \$2,981 Pell Grant. Dottie qualifies for a Direct Subsidized Loan of \$3,500. She may also receive the maximum additional Direct Unsubsidized Loan amount of \$6,000 to cover most of her unmet need. Her total loan amount in Direct Subsidized and Unsubsidized Loans is \$9,500. (Note that Dottie's loan eligibility would be the same if she were a dependent undergraduate whose parent was unable to obtain a Direct PLUS Loan.)

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### **Graduate student criteria**

34 CFR 668.2(b)

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### **Direct PLUS Loans for graduate/professional students**

DCL GEN-06-02

DCL GEN-11-07

Direct PLUS Loans for graduate/professional students were authorized by the Higher Education Reconciliation Act of 2005, effective July 1, 2006. Previously, Direct PLUS Loans were only available to parents of dependent undergraduates.

### Annual Limits for Sub/Unsub Loans

	<i>Subsidized</i>	<i>Total (subsidized &amp; unsubsidized)</i>
<b>Dependent undergraduates (excluding dependent students whose parents can't get PLUS)</b>		
First Year .....	\$ 3,500	\$ 5,500
Second Year .....	\$ 4,500	\$ 6,500
Third Year and Beyond.....	\$ 5,500	\$ 7,500
<b>Independent undergraduates &amp; dependent students whose parents can't get PLUS</b>		
First Year .....	\$ 3,500	\$ 9,500
Second Year .....	\$ 4,500	\$ 10,500
Third Year and Beyond.....	\$ 5,500	\$ 12,500
<b>Graduate &amp; Professional Students (all years).....</b>	<b>\$ 0.....</b>	<b>\$20,500</b>

*Note: All undergraduate annual loan amounts are subject to proration.*

### Aggregate Limits for Sub/Unsub Loans

	<i>Subsidized</i>	<i>Total (subsidized &amp; unsubsidized)</i>
<b>Dependent undergraduates (excluding those whose parents can't borrow PLUS) .....</b>	<b>\$ 23,000 .....</b>	<b>\$31,000</b>
<b>Independent undergrads &amp; dependent students whose parents can't get PLUS.....</b>	<b>\$ 23,000 .....</b>	<b>\$ 57,500</b>
<b>Graduate &amp; Professional students.....</b>	<b>\$ 65,500** .....</b>	<b>\$ 138,500*</b>

*See guidance later in this chapter on additional unsubsidized eligibility for students in certain health professions programs, special loan limits for preparatory & teacher certification coursework, and the 150% subsidized eligibility limitation.*

*Graduate and professional students are no longer eligible for Direct Subsidized Loans.*

\* Note that graduate and professional students are no longer eligible for Direct Subsidized Loans, but may have existing balances on such loans, which count toward the student's aggregate loan limit.

\*\*Aggregate loan limits for graduate and professional students include loans received for undergraduate study. The \$65,500 subsidized aggregate loan limit shown here for graduate and professional students includes subsidized loans received before subsidized loan eligibility was eliminated for those students and prior subsidized loans received for undergraduate study.

### ***Direct PLUS Loan amounts for parents & graduate/professional students***

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. A graduate or professional student may be awarded a Direct PLUS Loan for up to the student's COA minus other EFA (see *Chapter 7* for packaging rules). Therefore, a graduate/professional student may have additional PLUS eligibility beyond the maximum unsubsidized loan limits. Similarly, the total Direct PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent on behalf of a dependent student (including a non-custodial parent) may not exceed the student's estimated cost of attendance minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for Direct PLUS Loans. For more on borrower eligibility, see *Volume 1, Chapter 6*.

### ***Increased unsubsidized eligibility for health professions students***

Certain health professions students may borrow increased Direct Unsubsidized Loan amounts. Schools may award the increased unsubsidized amounts to students who are enrolled at least half-time in certain health professions programs. The program must be accredited by specific accrediting agencies (see chart). The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular annual loan limits.

The disciplines that are eligible for the increased Direct Unsubsidized Loan amounts and the approved accrediting agencies for these disciplines are shown in the loan limit chart for the increased unsubsidized amounts at the end of this section.

A chart at the end of this section shows the annual loan limits for the increased unsubsidized loan amounts, which vary by discipline and academic year length. The combined subsidized/unsubsidized aggregate loan limit for graduate and professional health professions students who are eligible to receive the increased unsubsidized amounts is \$224,000. Not more than \$65,500 of this amount may be in subsidized loans, for those students who may have received subsidized loans for graduate/professional study prior to July 1, 2012, or for undergraduate study. If a student receives the additional Direct Loan amounts on the basis of study in a health profession program but then leaves that program and enters a program in a different non-health professions field, the student is no longer eligible for the increased Direct Loan limits. However, the additional loan amounts received on the basis of health professions study are not counted toward the normal aggregate loan limit for that student.

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### **Requirement to offer Direct PLUS Loans to both parent and student borrowers**

DCL GEN-11-07

If your school chooses to participate in the Direct PLUS Loan Program and has both undergraduate and graduate/professional students, you must make Direct PLUS Loans available to both the parents of your dependent undergraduate students and to your graduate/professional students. You may not limit Direct PLUS Loan borrowing only to parents or only to graduate/professional students.

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### **Same-sex parent Direct PLUS Loan eligibility**

DCL GEN-14-14

A same-sex married parent may apply for a Direct PLUS loan if the parent was legally married in a location which recognizes the marriage as valid, regardless of where the couple resides.

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### **Foreign schools and increased Direct Unsubsidized Loan amounts**

Foreign schools may not award the increased Direct Unsubsidized Loan amounts to health profession students.

**Programs Eligible for  
Additional \$20,000 in Unsubsidized Loans for an Academic Year Covering 9 months  
Additional \$26,667 in Unsubsidized Loans for an Academic Year Covering 12 months**

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Program	Approved Accrediting Agency
Doctor of Allopathic Medicine	Liaison Committee on Medical Education
Doctor of Osteopathic Medicine	American Osteopathic Association, Bureau of Professional Education
Doctor of Dentistry	American Dental Association, Commission on Dental Accreditation
Doctor of Veterinary Medicine	American Veterinary Medical Association, Council on Education
Doctor of Optometry	American Optometric Association, Council on Optometric Education
Doctor of Podiatric Medicine	American Podiatric Medical Association, Council on Podiatric Medical Education
Doctor of Naturopathic Medicine, Doctor of Naturopathy	Council on Naturopathic Medical Education

**Programs Eligible for  
Additional \$12,500 in Unsubsidized Loans for an Academic Year Covering 9 months  
Additional \$16,667 in Unsubsidized Loans for an Academic Year Covering 12 months**

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Doctor of Pharmacy	Accreditation: Accreditation Council for Pharmacy Education
Graduate in Public Health	Accreditation: Council on Education for Public Health
Doctor of Chiropractic	Accreditation: Council on Chiropractic Education, Commission on Accreditation
Doctoral Degree in Clinical Psychology	Accreditation: American Psychological Association, Committee on Accreditation
Masters or Doctoral Degree in Health Administration	Accreditation: Commission on Accreditation of Healthcare Management Education

**Students in all of the programs on this page are also eligible for a higher aggregate limit for combined subsidized/unsubsidized loans: \$224,000.**

**Proration of annual loan limit for academic year covering 10 or 11 months:** For programs with an academic year covering 10 or 11 months, the annual additional unsubsidized loan limit must be prorated. If the academic year covers 10 or 11 months, the prorated annual loan limit is determined by dividing the applicable loan limit for an academic year covering 9 months by 9, and then multiplying the result by 10 or 11.

**Example of annual loan limit:** The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular Direct Unsubsidized annual loan limits. For example, a student enrolled in a 9-month Doctor of Dentistry program is eligible for the regular Direct Unsubsidized annual loan maximum for a graduate/professional student (\$20,500 in unsubsidized), plus the maximum increased unsubsidized amount of \$20,000, for a total Direct Unsubsidized Loan maximum of \$40,500.

## ANNUAL LOAN LIMIT PROGRESSION

### Academic Year & Loan Limits

The academic year is used as the basis for the student's annual loan limits. (The award year concept for Pell and the Campus-Based Programs is not a factor for Direct Subsidized/Unsubsidized Loans.) The loan period is often equivalent to an academic year, but there are also many situations where this is not the case. In this section, we'll discuss how you can match the student's loan periods to his/her enrollment and your school's academic calendar. (If you are not familiar with the definition of an academic year, see *Chapter 1* of this volume.)

### Two types of academic years for monitoring annual loan limits: Scheduled Academic Year (SAY) and Borrower Based Academic Year (BBAY)

There are two types of academic years that may be used to monitor annual loan limits for Direct Subsidized/Unsubsidized Loans: a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY). (Note that although there is no annual loan limit for Direct PLUS Loans, Direct PLUS Loans are awarded for the same SAY or BBAY period that is used for Direct Subsidized/Unsubsidized Loans.)

An SAY corresponds to a traditional academic year calendar that is published in a school's catalogue or other materials, and is a fixed period of time that begins and ends at the same time each year. Examples of SAYs for a standard term program are fall and spring semesters, or fall, winter, and spring quarters. For a nonstandard SE9W program, an SAY could consist of two or more SE9W nonstandard terms running from fall through spring. For both standard term and SE9W nonstandard term programs, the number of credit hours and weeks of instructional time in the fall through spring SAY period must meet the regulatory requirements for an academic year.

A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's (or group of students') attendance and progression in a program of study. There are 3 types of BBAY, described below.

If a program is offered in an SAY calendar, you have the option of using either an SAY or BBAY 1 to monitor the annual loan limits for students in that program. You **must** use a Borrower Based Academic Year (BBAY) to monitor the annual loan limits for any academic program that does not meet the definition of a program allowed to use an SAY. However, there are significant differences between the different types of BBAY:

- BBAY 1, for credit-hour programs using an SAY with standard terms or nonstandard SE9W terms.
- BBAY 2, for credit-hour programs not using an SAY, with standard terms or nonstandard SE9W terms.
- BBAY 3, for clock-hour programs, non-term programs, programs with nonstandard terms that are not SE9W, or programs with standard and nonstandard terms not described above.

### Academic Year

See *Volume 3, Chapter 1* for a discussion of academic year requirements.

### Standard terms

Standard terms are semesters, trimesters, or quarters. See *Chapter 3* of this volume for more detail on standard terms.

A standard-term program may use an SAY if it has a traditional academic calendar (i.e., has terms that start at about the same time each year, where, for example, the fall and spring semesters or the fall, winter, and spring quarters normally make up the academic year).

### Nonstandard "SE9W" terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to throughout this chapter as "SE9W."

The length of terms is measured in weeks of instructional time, as defined in *Chapter 1*. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

A nonstandard program with SE9W terms may use an SAY if all of the following requirements are met:

- it has a fixed academic calendar comparable to a traditional academic calendar (i.e., terms that start at about the same time each year, where 2 or more nonstandard terms normally make up the academic year in the fall through spring);
- all of the nonstandard terms, including any summer term, are SE9W; and
- the number of credit hours and weeks of instructional time in the comparable fall-spring academic calendar meet the regulatory requirements for an academic year.

### SE9W SAY Example

Baez Business College has programs with an academic calendar using semester hours with three quarters, each 12 weeks of instructional time in length, offered over the fall through spring (comparable to a traditional academic year calendar) and a 10 week term offered in the summer. Baez defines its academic year as 36 weeks of instructional time and 24 semester hours. As “quarters” using semester hours, the terms are nonstandard terms.

Because these terms are nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), and are offered in a fixed schedule that encompasses the Title IV academic year (plus the summer term), with an academic calendar comparable to a traditional calendar, Baez may use an SAY (with the summer term treated as a trailer or header) or BBAY 1 (consisting of any three consecutive terms) for these programs.

### Treatment of summer minisessions

Summer minisessions must be grouped together as a single trailer or header term if the program is to have a BBAY, or they can be treated separately and assigned to different SAYs. If the summer minisessions are grouped and treated as a single term, the summer COA cannot include costs for a minisession for which the student is not expected to be enrolled.

We will describe the differences between the SAY, BBAY 1, BBAY 2, and BBAY 3 in more detail in the following pages.

### *Credit-hour programs with traditional calendar using standard terms or nonstandard SE9W terms with a comparable calendar: may use SAY*

As noted previously, an SAY corresponds to a traditional academic year calendar, and usually begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of the spring semester). An SAY must meet the FSA requirements for an academic year (as defined in *Chapter 1*). An SAY may include one or more terms that a student does not attend.

Summer terms are generally not considered to be part of the SAY, but for loan limit purposes they may be treated as a “trailer” to the preceding SAY or as a “header” to the following SAY. Your school has the option to establish a policy that designates its summer term as either a trailer or header to the SAY for all students. You can also choose to make different designations for different educational programs, or for different students, as long as you ensure that there is no overlap in academic years. Note that a fixed designation of the summer term can limit a student’s eligibility. For instance, if you always treat your summer term as a trailer to a preceding fall-spring SAY, a student who receives the full annual loan limit for fall-spring would have no remaining loan eligibility for summer.

The annual loan limit applies to the SAY, plus the summer trailer or header. Once the calendar period associated with all of the terms in the SAY and the summer header or trailer (if any) has elapsed, a student regains eligibility for a new annual loan limit.

### *Credit-hour programs with an SAY: may use BBAY 1*

If a program is offered in a SAY, you have the option of using a BBAY as an alternative to the SAY for monitoring annual loan limit progression. Unlike an SAY, a BBAY is not a fixed period that begins and ends at the same time each year. Instead, a BBAY’s beginning and ending dates depend on the individual student’s enrollment.

For programs with an SAY, a BBAY must include the same number of terms as the SAY that would otherwise be used (not including any summer “trailer” or “header”). For example, if the SAY includes three quarters (fall, winter, spring), a BBAY would consist of any three consecutive terms. A BBAY may include terms the student does not attend if the student could have enrolled **at least half-time** in those terms, but (unlike an SAY) it must begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-half-time for the first term and not eligible for a loan for that term). Also, any minisessions (summer or otherwise) that run consecutively within a term **must** be combined and treated as a single term.

Like an SAY, a BBAY must meet the minimum FSA requirements for an academic year. However, a BBAY that includes a summer term may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY. This is because a summer term may be shorter than a standard term in an SAY, but is recognized as academically

equivalent to a standard term when used as one of the terms in a BBAY. (Note: This exception applies only to a BBAY used as an alternative for a program with an SAY.)

You may use BBAYs for all students, only for students in certain programs, or on a student-by-student basis. For example, you could use a BBAY for students enrolled in a program that begins in a term other than the first term of the SAY. You can even alternate BBAYs and SAYs for a student, provided the academic years don't overlap. This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard.

As with an SAY, the annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

*Standard-term programs and nonstandard term SE9W programs without an SAY: BBAY 2*

If a program with standard terms or nonstandard SE9W terms is not offered in a traditional academic year calendar (SAY), a BBAY **must** be used. If the program uses semesters or trimesters, a BBAY generally consists of any two consecutive terms (similarly, with quarters, any three consecutive terms). If the program uses SE9W nonstandard terms, a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program's academic year.

As with the optional BBAY that may be used for programs with an SAY, the BBAY may include terms that a student does not attend (as long as the student could have enrolled at least half-time in those terms), but it must

**Alternating SAY/BBAY 1**

This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard. For instance, if you normally use an SAY consisting of fall and spring semesters with a summer trailer, a student who received the maximum annual loan limit for fall-spring could not receive another loan until the start of a new SAY in the fall. If the student enrolls for summer and wants a loan, you could choose to switch the student to a BBAY consisting of the summer and fall terms. The student could then receive a loan for the summer term, since summer would be the start of a new academic year. A school that has these choices for academic year standards must have a written policy that explains how it applies these options when calculating loan eligibility.

**Standard term, credit-hour programs not using a traditional academic year calendar: BBAY 2**

Soler Academy also has a program that measures academic progress in credit-hours and uses 15-week semesters, but is not offered in a traditional academic year calendar (SAY). New students begin the program each month, and a 15-week semester begins at that time for that cohort of students. The school must use a BBAY to monitor annual loan limits. A BBAY consists of any two consecutive semesters, beginning with a semester in which a student is enrolled:

Semester #1 (begins program)	Semester #2	Semester #3	Semester #4 (not enrolled)	Semester #5	Semester #6
Year 1: BBAY		Year 2: BBAY		Year 3: BBAY	

### Individual academic progress in BBAY 3

In many clock-hour, non-term, and nonstandard-term programs, students are allowed to progress at an individual pace. For example, a school that defines its academic year as 900 clock-hours and 26 weeks of instructional time offers a 900 clock-hour program that most students complete in 26 weeks. However, one student might complete 900 clock-hours in 22 weeks, and another in 30 weeks. You do not have to prorate the loan limit for the occasional student who completes the program in less than 26 weeks. (Note that this policy applies only to programs that are exactly one academic year in length. If a program is longer than an academic year, proration may be required for a loan covering the remaining portion of the program if a student completes more than the minimum number of hours during the first 26 weeks of instructional time. See loan limit proration example 3 later in this chapter).

### BBAY 3 and programs with standard terms

If a program has standard terms and nonstandard terms and does not qualify to use an SAY, the program must use BBAY 3. One common example is a program with a 4-1-4 calendar (2 semesters of 4 months each, with a 1 month winter intersession in between) where the winter intersession is not combined with either the fall or spring semester. It is not permissible to ignore a student's enrollment in a winter intersession.

Another common example is a degree-completion program with 20-week nonstandard terms where students must also attend regular semesters to complete their degree.

begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-full-time for the first term and not eligible for a loan for that term). Unlike the optional BBAY for programs offered in an SAY, there is no exception to the minimum requirements for a BBAY that includes a summer term: the BBAY for standard-term programs that are not offered in a traditional academic calendar, or a comparable calendar if SE9W nonstandard terms, must always include enough terms to meet the minimum Title IV academic year requirements for weeks of instructional time.

The annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

### *Clock-hour, non-term credit-hour, and nonstandard-term programs that are not SE9W: BBAY 3*

All clock-hour programs, non-term credit-hour programs, and nonstandard-term programs with terms that are not SE9W must use a BBAY that meets the minimum requirements for an academic year. That is, the BBAY must contain at least 30 (or, for clock-hour programs, 26) weeks of instructional time and at least the minimum number of credit or clock-hours: for undergraduate programs, 24 semester or trimester hours, 36 quarter-hours, or 900 clock-hours; for graduate programs, the number of hours a student would complete under the school's full-time standard in the weeks of the Title IV academic year, which must be a minimum of 30 weeks of instructional time, or, for clock-hour programs, at least 26 weeks of instructional time. This requirement also applies to a program that consists of both standard and nonstandard terms and that does not qualify to use an SAY.

The BBAY begins when a student enrolls and does not end until the later of the date the student successfully completes the hours in the academic year or the number of weeks of instructional time in the academic year.

Because a student must successfully complete the minimum number of hours or weeks of instructional time in an academic year (whichever comes later) before a new BBAY begins, a student's enrollment status may affect how soon the student regains eligibility for a new annual loan limit. For example, a student who is attending part-time will take longer to complete a BBAY than a full-time student. (In contrast, an SAY or BBAY for a standard-term program, or a nonstandard SE9W program, ends when the *calendar period* associated with the terms in the SAY or BBAY has elapsed, regardless of how many credit-hours or weeks of instruction the student completed during the SAY or BBAY.)

**Monitoring Annual Loan Limits with an SAY or BBAY**

<p><b>Credit-hour programs offered in a Scheduled Academic Year (SAY)</b> An SAY uses 1) a traditional academic calendar with at least two semesters or trimesters or three quarters in the fall through spring, or 2) a comparable academic calendar with nonstandard SE9W terms, if <b>a)</b> all of the nonstandard terms, including the summer term, are SE9W, and <b>b)</b> the number of hours/weeks in the comparable fall-spring academic calendar meets the regulatory requirements for an academic year.</p>	<p><b>Credit-hour programs not offered in a Scheduled Academic Year, but with 1) standard terms, or 2) nonstandard SE9W terms</b></p>	<p><b>Clock-hour programs, non-term programs, and programs with nonstandard terms that are not SE9W</b></p>
<p><b>May use SAY</b></p>	<p><b>Must use BBAY 2</b></p>	<p><b>Must use BBAY3</b></p>
<p>1) An SAY generally begins/ends at same time each year. 2) The student does not have to be enrolled in the first term of the SAY. 3) An SAY for a program must at least meet the program's Title IV academic year in weeks/hours. 4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit 5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed. 6) After original loan, student may receive additional loans during same SAY if:  <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul>                 7) Summer term may be "trailer" or "header" per:  <ul style="list-style-type: none"> <li>• Strict policy;</li> <li>• By program; or</li> <li>• Case by case, by student.</li> </ul> </p>	<p><i>May use BBAY 1 for all students; certain students; or certain programs</i> <i>May alternate SAY and BBAY1 for a student provided academic years do not overlap</i> 1) BBAY1 "floats" with the student's enrollment. 2) Student must be enrolled in first term of the BBAY1 (less-than-1/2-time enrollment is acceptable). 3) Length of BBAY1 must equal the number of terms in the program's SAY, excluding the summer trailer/header.  <ul style="list-style-type: none"> <li>• Number of hours/weeks in BBAY1 need not meet the regulatory requirements for an academic year if the BBAY1 includes summer term.</li> <li>• May include terms student does not attend if student could have enrolled at least 1/2--time.</li> </ul>                 4) Total of all loans received within BBAY1 may not exceed annual loan limit. 5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed. 6) After original loan, student may receive additional loans during same BBAY1 if:  <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul>                 7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term (affects all FSA programs).  <ul style="list-style-type: none"> <li>• Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term.</li> </ul> </p>	<p>1) BBAY2 floats with student's enrollment. 2) Student must be enrolled in first term of the BBAY2 (less-than-half-time enrollment is acceptable). The BBAY2 may include terms student does not attend if student could have enrolled at least half-time 3) The BBAY2 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year, and it must consist of:  <ul style="list-style-type: none"> <li>• at least 2 consecutive semesters or trimesters;</li> <li>• at least 3 consecutive quarters; or</li> <li>• at least the number of consecutive SE9W terms covered by the program's Title IV academic year.</li> </ul>                 4) Total of all loans received within a BBAY2 may not exceed annual loan limit. 5) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed 6) After original loan, student may receive additional loans during same BBAY2 if:  <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul>                 7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term (affects all FSA programs)  <ul style="list-style-type: none"> <li>• Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term</li> </ul> </p> <p><i>BBAY3 also applies to programs that mix nonstandard terms and standard terms that do not have an SAY</i> 1) BBAY3 floats with student's enrollment. 2) The BBAY3 begins with student's enrollment on at least a half-time basis. 3) BBAY3 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year. 4) Total of all loans received within a BBAY3 may not exceed annual loan limit. 5a) Student becomes eligible for new annual loan limit only after successfully completing the clock or credit-hours AND weeks of instructional time in the BBAY3. 5b) A student may not become eligible for next grade level annual loan limits until after completion of a BBAY3. 6) After original loan, student may receive additional loans within BBAY3 only if:  <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility; or</li> <li>• Student changes from dependent to independent.</li> </ul> </p>

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**COA for intersessions and modules**

Whether or not you merge an intersession or module with a standard term, you must not include costs in a student's COA for an intersession or module period of enrollment for which the student is not expected to be enrolled.

**MANAGING DIRECT LOANS IN MODULES AND INTERSESSIONS*****Direct Loans and modules***

You may award Direct Loans to borrowers for enrollment in modules (which are usually 1-8 weeks in length). Modules may use standard, non-standard, or non-term academic calendars. Modules and the courses offered as modules may overlap terms, and enrollment may begin at the beginning of any module. You award loans for modules based on courses for which the student is enrolled. If a student doesn't remain enrolled at least half-time, their subsequent loan disbursements are cancelled.

For Title IV aid purposes, students are allowed to skip one or more modules, however, COA for such a period of enrollment may not include costs for a period in which the student is not expected to be enrolled. For modules, the loan period includes the entire term (which may be comprised of several combined modules, or modules combined with other full-term length courses).

A student's payment period for a module begins with the module in which they first attend (you may not schedule a disbursement during a period of non-attendance. The structure of a modular term can transform a standard term into a non-standard term if the begin/end dates are not within 2 weeks of a standard term.

***Direct Loans and intersessions***

When offering an intersession between two standard terms (for example, 3 weeks of instructional time between two 15-week semesters), or a shorter summer term (for example, 12 weeks of instructional time with a 12-semester hour full-time standard), you must offer aid to eligible students. You may either combine intersessions with standard terms, or treat them as a separate term.

When awarding aid for intersessions, you must apply the same awarding and packaging treatment to all students enrolled in the program, and if merged, you must merge the same term in the same manner for all students in the program (and whether merged or not, you must not include costs in a student's COA for a period of non-attendance during a period of intersessions for which the student is not expected to be enrolled).

**Intersessions combined with a standard term:**

You may combine an intersession with a standard term. This may allow an otherwise ineligible term to support potential Direct Loan eligibility (by supporting half-time or greater enrollment status, for example). Combining an intersession with a standard term may cause the earliest disbursement date (in spring, for example), to change.

When combined with a standard term, for Direct Loans, you have a choice of using either a SAY with summer as the header or trailer, as a standard term BBAY, or as a term with one loan. The loan period, payment periods, disbursement, and loan limit progression is based on standard term, traditional calendar treatment, with a higher limit gained after completion of the SAY or standard term BBAY, and one disbursement made per term.

**Intersessions treated as a separate term:**

If an intersession is treated as a separate term (i.e., not merged with a preceding or following standard term), the program is treated the same as a non-term or non-standard term non-SE9W program, and Direct Loans are to be awarded and disbursed based on BBAY 3 only. For Direct Loans, this means that the following rules apply:

- Loan period: minimum is the lesser of the academic year, the length of the program, or the remaining balance of the academic year.
- Payment periods: The first payment period is the period of time during which the student successfully completes half the number or credit/clock-hours and half the number of weeks of instructional time in the academic year; the second payment period is the period of time in which the student successfully completes the academic year.
- Annual loan limit progression: A student progresses to the next annual loan limit when he/she successfully completes both the weeks of instructional time and the hours/credits in the academic year.

## Graduate vs. Undergraduate limits: Special cases

- **Combined undergraduate/graduate programs**

Some programs combine undergraduate and graduate study, where the first years of the program are undergraduate study and the final years of the program are graduate study. For instance, in a 5-year program leading to a graduate or professional degree, the school may define the first 3 or 4 years of study as being at the undergraduate level, but after year 4, it must be treated as graduate level.

- **Students returning for second baccalaureate degree**

If a student with a baccalaureate degree enrolls in another baccalaureate program, his/her grade level for loan limit purposes would be based on the amount of work that the school counts toward satisfying the requirements of the new program. For instance, if your school accepts 30 semester hours of a student's work in a previous baccalaureate program toward the requirements for a BS in Chemistry at your school and, on that basis, classifies the student at the second-year level, then the student would be eligible for second-year undergraduate loan limits (see below for the loan limit that applies when a student is required to have a prior associates or baccalaureate degree as condition for being admitted to an undergraduate program).

- **Transfer from graduate to undergraduate program during an academic year**

If a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate annual loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. However, the total amount awarded for the academic year may not exceed the higher (grad/professional) annual loan limit.

- **Baccalaureate or associate degree required for admission to an undergraduate program**

A student who has an associate or baccalaureate degree that is required for admission into a program, but is not a graduate or professional student, may borrow up to the highest undergraduate annual loan limit (\$5,500 for a dependent student; additional \$7,000 in Direct Unsubsidized for an independent student or a dependent student whose parent is not eligible for PLUS), subject to the undergraduate aggregate loan limits.

- **Undergraduate student with graduate degree**

In some cases, a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program. Only the loans that the student received for the first undergraduate program are included in determining the student's remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits. Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits. (See example below.)

### Example: Graduate student returning to undergraduate program

		<i>Subsidized:</i>	<i>Unsubsidized:</i>	<i>Total</i>
An independent student has received the following loan amounts for a first undergraduate program and a graduate program:	<i>Undergraduate</i>	\$20,500	\$10,000	\$30,500
	<i>Graduate*</i>	\$45,000	\$40,000	\$85,000
	<i>Total</i>	\$65,500	\$50,000	\$115,500

The student has now enrolled in a second undergraduate program. Only the loans received for the first undergraduate program are counted toward the student's undergraduate aggregate loan limit. Because the total amount received for the first undergraduate program (\$30,500) does not exceed the aggregate loan limit for an independent undergraduate (\$57,500, maximum \$23,000 subsidized), the student has remaining loan eligibility for the second undergraduate program.

However, the loans received for the graduate program must still be considered to ensure that the student does not exceed the total aggregate loan limits. In this case, the total subsidized amount already received (\$65,500) is the maximum subsidized amount that a student may receive for undergraduate and graduate study combined. Therefore, the student may receive only unsubsidized loans for the second undergraduate program. The student may not exceed the combined undergraduate/graduate aggregate loan limit of \$138,500. This means that the student's remaining loan eligibility for the second undergraduate program is \$23,000 in unsubsidized loans (\$138,500 minus \$115,500 already received for the first undergraduate program and the graduate program).

\*This example assumes that the student received the \$45,000 in subsidized loans for graduate study for periods of enrollment that began before July 1, 2012.

## Standard term, credit-hour programs using a traditional academic year calendar: BBAY 1

### 1. BBAY where SAY contains 2 semesters

Examples 1a through 1c illustrate the optional use of a BBAY for a program that is offered in an SAY consisting of two semesters, fall and spring, each 15 weeks of instructional time in length. (Note that in each example, the first BBAY is the same as the SAY.)

In example 1a, the initial fall and spring terms could be considered either an SAY or BBAY. If the student attends the summer session at the school, the aid administrator can elect to treat the summer term and the next fall as a BBAY for the student. In that case, the following spring and summer would also constitute a BBAY. The maximum loan limit for an academic year applies to each BBAY. If these were the first three years of study for a dependent student and the student progressed a grade level each academic year, he/she would be eligible for up to the applicable annual loan limits for the respective academic years.

<b>1a.</b>	Fall	Spring	Summer	Fall	Spring	Summer
	Year 1: SAY or BBAY		Year 2: BBAY	Year 3: BBAY		

A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. In example 1b, the student is not enrolled in the second term (fall) of year 2.

In example 1c, if the student does not attend a term that otherwise would have been the beginning of a BBAY (in this case, spring), then the student's next BBAY cannot begin until the next term that the student attends. As with example 1a, the annual loan limit applies to each BBAY.

<b>1b.</b>	Fall	Spring	Summer	Fall <small>(not enrolled)</small>	Spring	Summer
	Year 1: SAY or BBAY		Year 2: BBAY	Year 3: BBAY		

<b>1c.</b>	Fall	Spring	Summer	Fall	Spring <small>(not enrolled)</small>	Summer	Fall
	Year 1: SAY or BBAY		Year 2: BBAY	Year 3: BBAY			

### 2. BBAY where SAY contains 3 quarters

The same concepts apply to quarter-term programs. For instance, in example 2, the fall, winter, and spring terms constitute the school's SAY. If the student attends the summer session at the school, it can be the first term of a BBAY that includes the following fall and winter terms.

Fall	Winter	Spring	Summer	Fall	Winter
Year 1: SAY or BBAY			Year 2: BBAY		

## Direct Loan limits for preparatory coursework & teacher certification

In *Volume 1, Chapter 1*, we discussed three instances in which a student may receive a loan for coursework that is not part of an eligible program. If the student and the academic coursework meet the conditions described in that volume, the annual loan limits are:

Preparatory coursework (not to exceed 12 consecutive months)

For undergraduate degree/certificate coursework:

Direct Subsidized & Unsubsidized Loans	\$2,625**
Additional unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$6,000**

For graduate or professional coursework:

Direct Subsidized & Unsubsidized Loans	\$5,500**
Additional Direct Unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$7,000**

State-required teacher certification coursework

Direct Subsidized & Unsubsidized Loans	\$5,500**
Additional Direct Unsubsidized Loans for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$7,000**

No additional Direct Unsubsidized Loan amount is available to dependent undergraduate students who are enrolled in preparatory coursework or teacher certification coursework (except for dependent undergraduates whose parents can't get Direct PLUS).

\*\* Loan limit is not prorated if the coursework lasts less than an academic year. See *Volume 1, Chapter 6, FSA Handbook* for more information on Title IV eligibility for this coursework.

## Criteria for additional Direct Unsubsidized Loans

Dependent students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other exceptional circumstances may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students. The increased loan amounts may not substitute entirely for the amount a parent may borrow under the PLUS program, which may be up to the difference between COA and EFA. As a result, you should determine whether the parents may be able to borrow a Direct PLUS Loan using an endorser who does not have an adverse credit history before originating additional unsubsidized loan amounts for the dependent student.

Before originating a loan for increased loan amounts, you must document the basis of the dependent student's eligibility. Some basic guidelines for making this determination include:

- None of the following, by themselves, are sufficient to make a dependent student eligible for additional unsubsidized loans: the parent's unwillingness to borrow a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan program, or the aid administrator's belief that a parent should not borrow a Direct PLUS Loan.
- If only one of a student's two parents has applied for a Direct PLUS Loan and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the additional unsubsidized loan amounts.
- The dependent student may become eligible at any time during an academic year if a parent has first been approved and then later denied a Direct PLUS Loan based on a subsequent application. Under these circumstances, any previous Direct PLUS Loan funds received during the same period of enrollment are treated as estimated financial assistance in determining the student's remaining eligibility for additional unsubsidized loan amounts.

In addition to cases in which a parent has been denied a Direct PLUS Loan due to adverse credit, a dependent undergraduate student may also be eligible for increased unsubsidized loan amounts if you determine and document that other

exceptional circumstances exist that will prevent a parent from borrowing a Direct PLUS Loan. Examples of such exceptional circumstances include, but are not limited, to the following:

- The parent is incarcerated.
- The parent's whereabouts are unknown.
- The parent has filed for bankruptcy and has provided a letter from the bankruptcy court stating that as a condition of the bankruptcy filing, the parent may not incur any additional debt.
- The parent's income is limited to public assistance or disability benefits, and you have documented that the parent would not be able to repay the Direct PLUS Loan.
- You have examined the family financial information and documented the parent's likely inability to repay the Direct PLUS Loan due to an existing debt burden or the parent's expected income-to-debt ratio.
- The parent of a dependent student is not a U.S. citizen or permanent resident or is not able to provide evidence from the U.S. Citizenship and Immigration Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Before originating a loan for the increased Direct Unsubsidized Loan amounts based on a parent's ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.

A determination that a parent is ineligible for a Direct PLUS Loan in one academic year based on adverse credit or other exceptional circumstances does not automatically support the dependent student's additional unsubsidized loan eligibility in subsequent years. If a dependent student is determined to be eligible for additional unsubsidized loan amounts in one academic year, you must re-examine and document that the basis for the student's eligibility continues to exist before originating additional unsubsidized loan amounts for the dependent in a subsequent year.

## Clock-hour, non-term, and nonstandard-term programs (other than SE9W programs): BBAY 3

### ***Example 1: Non-term credit-hour program***

A school offers a 48 semester hour, 60 weeks of instructional time program with a defined academic year of 24 semester hours and 30 weeks of instructional time. A student could receive two loans for this program. The period of enrollment for the first loan would be the time needed for a student to successfully complete the first 24 hours and 30 weeks of instructional time. The period of enrollment for the second loan would be the time needed to complete the remaining hours and weeks of instructional time of the program.

A student does not become eligible for the second loan until the later of the date that he/she successfully completes (passes) both 24 semester hours and 30 weeks of instructional time.

### ***Example 2: Nonstandard term, credit-hour program, terms not substantially equal in length***

A school offers a 72 quarter-hour program with 60 weeks of instructional time and a defined academic year of 36 quarter-hours and 30 weeks of instructional time. Courses are offered in 2-week and 5-week terms. A student could receive two loans, one for the period in which the student successfully completes the first 36 hours and 30 weeks, and another for the remaining hours and weeks of the program.

Although this program uses terms and measures academic progress in credit hours, the terms are nonstandard terms that are not substantially equal in length. A student does not become eligible for the second loan until he or she has completed 36 quarter hours or 30 weeks of instructional time, whichever comes later, regardless of the number of terms that have elapsed. For instance, a student who successfully completes (passes) 33 quarter hours in the first 30 weeks of instructional time must complete an additional three quarter hours before receiving the second loan. Generally, a school would originate a loan through the term in which the student is expected to complete the hours and weeks of instructional time of the academic year.

### ***Example 3: Clock-hour program***

Soler Academy has an 1,800 clock-hour program with 52 weeks of instructional time, and defines its academic year as 900 clock-hours and 26 weeks of instructional time. The initial BBAY always begins with the student's actual enrollment date. An enrolling student may receive two Direct Loans during the program (provided all eligibility criteria are met) because the program exceeds one academic year. The period of enrollment for the first loan would be the time it will take the student to successfully complete (pass) either 900 clock-hours or 26 weeks of instructional time, whichever comes later. The period for the second loan would be the time it takes to successfully complete the final 900 hours and 26 weeks of instructional time. Note that the student cannot receive the second loan until he/she has successfully completed the first 900 hours of the program or 26 weeks of instruction, whichever comes later.

A student who completes the first 900 hours in less than 26 weeks must still complete 26 weeks of instructional time before a new BBAY begins and the student becomes eligible to receive another loan. In this case, the second loan period would be for the clock-hours remaining and the weeks of instructional time to complete those hours. Similarly, a student who has completed fewer than 900 clock-hours after 26 weeks of instructional time must successfully complete 900 hours before receiving another loan.

## GRADE LEVEL PROGRESSION

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in his/her studies. Generally, a student's grade level for loan limit purposes is set according to the school's academic standards. Progression to a higher grade level does not always coincide with the beginning of a new academic year. For example, a student in a standard term program (or a borrower in a program using nonstandard, substantially equal-terms of 9 or more weeks [SE9W]) who completes only 12 semester hours during the first academic year could receive another loan when the calendar period associated with that academic year has elapsed. However, the borrower would still be classified as a first-year undergraduate at the start of the second academic year.

### *Grade level progression within the same academic year*

In standard term programs or nonstandard SE9W programs, a student who has already borrowed up to the annual limit within an academic year can receive additional loan funds if the student progresses to a grade level with a higher annual loan limit during that same academic year.

For instance, if a dependent student was classified as a 2nd-year undergraduate in the fall, he/she might have received a first disbursement of up to \$3,250 in Direct Subsidized/Unsubsidized Loan funds for the fall-spring loan. If the student achieved 3rd-year academic status based on the coursework completed in the fall semester, the student would now be eligible for the \$7,500 Direct Subsidized/Unsubsidized annual limit that applies to 3rd year and beyond dependent undergraduates. If the student had sufficient financial need, you could disburse the difference between the amount the student already received and the new annual limit in the spring term (\$7,500 minus \$3,250 = \$4,250).

In all cases, the borrower may borrow the difference between the amount already borrowed within the academic year and the student's new loan limit. Usually, the increase in the loan amount can be made as an adjustment to the student's existing loan rather than making a new loan. For a clock-hour program, non-term program, or nonstandard-term program that is not SE9W, the borrower will never progress to a higher grade level within an academic year. In a clock-hour program, non-term program, or nonstandard-term program that is not SE9W that is longer than an academic year, the borrower moves to a higher grade level only when he or she completes the credit or clock-hours and weeks of instructional time in the BBAY.

### *Grade level progression: clock-hour, non-term credit-hour, and other non-term programs*

In contrast, progression to a higher grade level and the beginning of a new academic year for loan limit purposes always happens at the same time for a student in a clock-hour program, non-term program, or nonstandard-term program in which the terms are not substantially equal in length or one or more terms have less than nine weeks of instructional time. In order to advance to the next grade level in such a program, for annual loan limit purposes, a student must successfully complete both the weeks and hours in the program's Title IV academic year; that is, at least 30 weeks

### **Grade level progression**

While the law defines minimum coursework for an academic year, it doesn't define how much coursework a student must complete to progress from one grade level to another. Unless a student's program of study or a school's academic standards clearly specify when this grade-level progression takes place, a reasonable approach would be to base grade levels on the number of credits required for the program, divided by the number of academic years it takes a typical student to earn that number of credits. For instance, if your school has a baccalaureate program that requires 120 semester hours of work and is typically completed in four academic years, then you might use a standard of 30 hours completed at each grade level.

### **Remedial work & grade level**

Remedial coursework can be counted towards the student's grade level progression, but only if the school's written and officially approved academic grade level progression policy specifies that remedial coursework can be counted for this purpose. Example: A school requires that the student complete 30 semester hours to progress to second-year grade level, and specifies that up to 10 of the hours may be in the form of remedial coursework.

of instructional time (or, for clock-hour programs, at least 26 weeks) and the credit or clock-hours in the academic year, whichever comes later. For instance, a first-year student in a 2-year non-term program who earns 36 quarter-credits over 24 weeks of instructional time cannot progress to the next grade level until another 6 weeks of instructional time are completed (the point at which the loan period for that academic year will be completed).

If a program can normally be completed in one year of full-time study, a student in that program can never receive more than the 1<sup>st</sup>-year annual loan limit in any given year, no matter how long it takes the student to finish. (Similarly, a student in a two-year program can never receive more than the 2nd-year annual loan limit for an academic year.)

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### **Loan limits and work in a prior certificate program**

A school may not link two stand-alone 1-year programs by making one a prerequisite for admission to the other so that students beginning the second 1-year program could be classified as second-year students for loan limit purposes. However, hours or credits earned in a prior certificate program could be used to classify a transfer student at a grade level higher than grade level 1, if the student transfers into a program that is greater than one academic year in length and the new school accepts a year's worth of credits/hours from the prior program. For instance, if a school admits a transfer student from a certificate program and accepts 900 clock-hours that the student earned toward its 1,500-hour program, the student could be eligible for the 2nd-year loan limits if other students in the program are eligible for 2nd-year loan limits after completing the first 900 hours of the program.

### *New annual amount for same grade level*

For both standard-term programs and SE9W programs, if a student is enrolled at the same grade level after a full academic year has elapsed, the student may be eligible for a new annual maximum amount. For instance, if the student maintains satisfactory academic progress, he or she could conceivably receive two Direct Subsidized/Unsubsidized Loans at the maximum annual loan limit for a first-year undergraduate while completing the first year of the program.

If the student is maintaining satisfactory academic progress, your school is not permitted to have a general policy that limits the number of times the student can receive the maximum annual loan limit at one grade level. A school may refuse to originate a loan or may originate a loan for an amount less than the borrower's maximum eligibility only on a case-by-base basis.

### *Transfers & grade level*

If you're awarding a Direct Loan to a student who is transferring from a program at another school to a program at your school that is greater than one academic year in length, you may use the loan limits for a student in the 2nd-year or higher level of study if your school classifies the student at that level based on the number of academic credits it accepts from the prior school, or based on the granting of advance standing in the new program. Note, however, that if an associate or bachelor's degree is required for entry into a program at your school, you *must* use the 3rd-year loan limits for a student who transfers to that program.

The "Eligibility and Certification Approval Report" (ECAR) lists "one-year" as the highest educational program offered by the school if its longest program is one year or more, but less than two years in length. Students in programs longer than one year can be paid as 2nd-year students even though the ECAR lists the school's highest offering as "one-year." For instance, if a student is enrolled in a 1,500 clock-hour program, he/she would be eligible for the 2nd-year loan limits after completing 900 clock-hours and 26 weeks of instructional time. However, the loan limit would have to be prorated for the remaining hours of the student's program (see next section).

## PRORATING ANNUAL LOAN LIMITS FOR DIRECT SUBSIDIZED/UNSUBSIDIZED LOANS (UNDERGRADUATE ONLY)

The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is:

- enrolled in a program that is shorter than a full academic year; or
- enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

Bear in mind that loan limit proration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually receives. In some cases, the actual loan amount that a student is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit.

### *Prorating loan limits for programs of study shorter than a full academic year*

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser* of —

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

*or*

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

The result is the prorated annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.)

### *Prorating loan limits for remaining periods of study shorter than an academic year*

You must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year. Proration is required only when it is known in advance that a student will be enrolled for a final period of study that is shorter than an academic year. If a student originally enrolls for a final period of study that is a full academic year in length, but completes the program early in less than a full academic year, it is not necessary to retroactively prorate the annual loan limit.

## Loan proration

Direct Loans: 34 CFR 685.203(a),(b),(c)

### When and when not to prorate

You must prorate Direct Subsidized/Unsubsidized Loans for an undergraduate program borrower if:

- the academic program is shorter than an academic year; or
- the student's remaining period of study is shorter than an academic year.

Direct Subsidized/Unsubsidized Loans are prorated only in these two situations. Loan limits are not prorated based on a student's enrollment status, such as when a student is enrolled less than full-time or is enrolled for a period of less than a full academic year that is not a remaining period of study. In addition, Direct Loan limits are not prorated for students enrolled in graduate or professional level programs.

Loan proration requirements also do not apply to loans made to students taking preparatory coursework or coursework necessary for teacher certification. The annual loan limit must be prorated only when a student is enrolled in a program or remaining portion of a program that is shorter than an academic year. For purposes of awarding Title IV aid, students taking preparatory coursework or coursework needed for teacher certification are not considered to be enrolled in a program.

### Note on fractions and decimals for prorating Direct Loans

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this conversion is not a requirement. You may still choose to multiply the annual loan limit by the original fraction. However, you should be consistent in the method you use, since the fraction and decimal calculations sometimes result in slightly different prorated loan limits. The decimal method will generally result in an amount that is equal to or slightly higher than the amount calculated using the original fraction.

### Prorating annual loan limits for borrowers in remaining portions of term-based programs

A student who is enrolled in a 4-year program that is offered in a Scheduled Academic Year consisting of three quarters plus a summer “trailer” has completed four academic years of study and received four Direct Loans. The student needs to attend an additional quarter term to complete the program requirements. The final quarter term would fall in a new academic year, and thus the annual loan limit would have to be prorated, because the remaining period of study (a single quarter) is less than a full academic year.

A student who is enrolled in a 2-year program without a Scheduled Academic Year where the Title IV academic year covers two 15-week semesters has completed two academic years of study, but needs to return for an additional semester to complete the program requirements. Again, the loan limit would have to be prorated if the student receives a loan for the final semester.

In a *standard term program*, or a *credit-hour program using nonstandard SE9W terms*, a remaining period of study is considered shorter than an academic year if the remaining period contains fewer terms than the number of terms covered by the school’s Title IV academic year. For programs that are offered in a Scheduled Academic Year, the number of terms covered in the school’s Title IV academic year usually does not include any summer “header” or “trailer” term.

In a *clock-hour program, non-term program, or a program with nonstandard terms that are not SE9W*, a remaining period of study is considered less than an academic year for this purpose if the remaining period consists of fewer clock or credit hours than the program’s defined Title IV academic year.

For all types of programs, where there is a remaining portion less than an academic year, the annual loan limit for the student’s grade level is multiplied by the following fraction to determine the prorated loan limit:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

Unlike proration for programs that are shorter than an academic year, there is no comparison of weeks and hours. *Only the credit or clock-hours that the student is scheduled to attend or is actually attending at the time of origination are used in the calculation.*

#### Prorating loan limits for additional unsubsidized amounts

For students in a program of study of at least one academic year but less than 2 academic years in length, the additional \$2,000 in Direct Unsubsidized Loan eligibility is multiplied by the following ratio:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

For students in a program of study of less than an academic year in length, the additional \$2,000 is multiplied by the lesser of the following 2 ratios:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

or

$$\frac{\text{Weeks in program}}{\text{Weeks in academic year}}$$

## REMAINING LOAN ELIGIBILITY FOR STUDENTS WHO TRANSFER OR CHANGE PROGRAMS

The annual loan limits are based on an academic year. If a student transfers from one school to another school or changes to a different program at the same school and there is an overlap of academic years, this overlap may affect the amount that the student is eligible to borrow at the new school or for the new program.

An overlap in academic years exists at the new school if the academic year at the new school (or the academic year for the new program at the same school) begins before the calendar end date of the academic year at the prior school or program. In the case of a transfer student from another school, you may obtain documentation from the prior school of the specific beginning and ending dates for the prior academic year or look for the academic year dates of Direct Loans originated by the prior school on the “award detail information page” in the Common Origination and Disbursement (COD) Web interface.\*

\* Note: Prior guidance permitted schools, when information about the prior school's academic year was unavailable, to assume the academic year of the prior school was the beginning date of the loan period of the prior loan through 30 calendar weeks after the beginning date of the loan period. Because the academic year dates for Direct Loans are readily available in COD, a school may no longer make this assumption regarding academic year dates.

The same principles for students who transfer from one school to another school would apply in the case of students who change programs within the same school.

### *For programs with standard terms or nonstandard SE9W terms (use SAY, BBAY 1, or BBAY 2)*

If a student enrolls in a program with standard terms (or nonstandard SE9W terms) after already having taken out a loan at another school with an overlapping academic year, the student initially may not receive more than the annual loan limit minus the amount received at the prior school.

However, the student may borrow again for a subsequent term within the same academic year at the new school if the term begins after the end of the academic year at the prior school. For a subsequent term that begins after the end of the prior school's academic year, but within the initial academic year at the new school, the student may borrow up to the difference between the applicable annual loan limit and the amount already received for the new school's academic year, if the student's COA supports that amount.

### *For clock-hour and non-term programs, and programs with nonstandard terms that are not SE9W (use BBAY 3)*

#### *Transfers between schools:*

If a student who enrolls in a clock-hour or non-term program (or a program with nonstandard terms that are not SE9W) after already having taken out a loan at another school with a period of enrollment that overlaps the period of enrollment at the second school, then the student is restricted to the remaining balance of the student's annual loan limit until the completion of the academic year, which had begun at the first school and continues at the new school. The new school may originate an initial loan for the remaining portion of the program or academic year that began at the prior school. For more information, see the discussion under “Direct Loan periods when student transfers to a new school” later in this chapter.

*Transfers between programs at the same school*

For a transfer between programs at the same school, you would look to the requirements for payment periods. There would be a new loan period with new payment periods or, if you choose to consider the student to be in the same payment period, there would be no new loan period.

**Same payment period and same loan period—  
At your option, you can consider a transferring student to be in the same payment period if:**

- The student is continuously enrolled at the school;
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers in the new program;
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock-hours, as applicable;
- There are little or no changes in school charges associated with the payment period to the student; and
- The credits or clock-hours from the payment period the student is transferring out of are accepted toward the new program.

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**Direct Loan transfer loan periods**

34 CFR 685.301(a)(10)(ii),(iii)

If the student is kept in the same payment period, the original loan period should remain the same. However, you should take into account any changes as to when the student would complete the hours and weeks of instructional time of the academic year and make adjustments such as the ending date of the loan period or the date of the second (or any subsequent) disbursement(s). Any adjustments that have a direct effect or influence on 150% subsidized loan limits must also be updated/reported to COD.

**New payment period and new loan period**

If a transferring student is placed, or must be placed, in a new payment period, you would perform a Return of Title IV calculation for his or her withdrawal from the payment period in the old program (assuming that the student did not complete that payment period without starting a new one before transferring into the new program if the return of Title IV funds is done on a payment period basis, or assuming the student did not complete the loan period if the R2T4 is done on a period of enrollment basis). That calculation would close out the original loan period. Then the student would start over with a new loan period for his new program that uses the remaining annual loan limit eligibility from the prior loan period. The new loan period would be for an academic year using the remaining annual loan limit eligibility if the student's new program is at least an academic year in length. If the new program is less than an academic year, the student's annual loan limit is the lesser of the remaining annual loan limit eligibility or the prorated annual loan limit based on hours to be completed in the new program. For guidance on loan periods for transfer students, see the minimum/maximum loan period sidebar earlier in this chapter.

*Student completes a program and starts another at the same school*

If a student completes a program at your school and then begins a new program at your school, and the student's last loan for the completed program is for less than an academic year, you may originate an initial loan for the new program with an abbreviated loan that ends on the calendar period ending date of the academic year associated with the prior program. For more detailed information, see the discussion under "Loan periods for a student starting a new program at the same school in the same academic year" later in this chapter.

### Increasing the loan when grade level changes during academic year

There are two options for increasing the amount of an existing loan when a student's grade level changes during an academic year:

1. Originate a new loan at the new grade level for the applicable amount (the difference between the new loan limit and the amount of the first loan). The loan period for the new loan must correspond to the term(s) during which the student qualifies for the higher loan limit. You could also choose to cancel any pending disbursements of the first loan and originate a new loan for an amount equal to the canceled disbursements of the first loan plus the additional amount for which the student is eligible due to the grade level change.
2. Adjust the amount of the current loan. Change the grade level in the loan record and increase the amount of the existing loan to the new amount.

With either option, the student's remaining loan eligibility must be calculated using only the costs and estimated financial assistance for the term(s) during which the student qualifies for the higher loan limit.

As a reminder, a student can progress to a higher grade level during an academic year only in a program with standard terms or non-standard terms that are SE9W.

## Direct Loan periods when student transfers to a new school

If a student transfers into a program at a new school, and the program is not offered in either standard or "SE9W" terms, the new school may originate an initial loan for a loan period that covers the remaining portion of the academic year that began at the prior school, if the academic year for the loan at the first school overlaps the period of enrollment at the new school. The loan period for this initial loan is often called an "abbreviated loan period," because it is shorter than the loan period that would otherwise be required under the normal minimum loan period requirements.

The new school may originate a loan for an abbreviated loan period regardless of whether or not the new school accepts transfer hours from the prior school. The abbreviated loan period begins with the date of the student's enrollment at the new school, and ends on the calendar period ending date of the academic year that began at the prior school, without regard to the number of credit/clock-hours or weeks of instructional time that the student has completed during the abbreviated loan period. After the abbreviated loan period is completed, the student would progress to a new loan period and academic year, and a new annual loan limit.

If the new school accepts credits/hours from the prior school, this may give the student advance standing that reduces the length of time it will take to complete the program at the new school. If the remaining portion of the program at the new school following the completion of the abbreviated loan period is shorter than an academic year, the annual loan limit for the next loan must be prorated.

Generally, the loan amount for the abbreviated loan period at the new school may not exceed the remaining balance of the full annual loan limit applicable to the student at the new school, minus the loan amount the student received at the first school for the same academic year. However, if the program at the new school is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the program at the new school, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the program or remaining portion of the program.

### ***When an abbreviated loan period is created where there is an overlap of academic years:***

1. The abbreviated loan period starts when the student starts at the new school.
2. The abbreviated loan period ends when the academic year would have ended at the old school and it does not matter how many hours or weeks of instructional time the student has completed at the new school.
3. The maximum loan amount that can be borrowed in the abbreviated loan period is the difference between the full annual loan limit applicable to the student at the new school and the loan amount that was disbursed at the old school during the overlapping academic year.
4. The first disbursement of the loan for the abbreviated loan period at the new school will be made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.
5. The next loan period at the new school would begin the day after the last day of the abbreviated loan period.
6. The next loan period would be subject to the normal BBAY3 rules in that the student must complete hours and weeks of instructional time before qualifying for the second disbursement and to progress to the next academic year for annual loan limit purposes.

## Direct Loan periods when student transfers to a new school (continued)

### *Loan periods for a student starting a new program at the same school in the same academic year:*

When a student completes a program, and the student's last loan to complete that program was for coursework less than an academic year in length, and the student then begins a new program at the same school that is not offered in either standard or "SE9W" terms, the school may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program. Note that this exception to the normal minimum loan period rule that allows for an initial abbreviated loan period applies only if the student completed the first program before beginning the new program.

Generally, the maximum loan amount that the student may receive for the abbreviated loan period may not exceed the full annual loan limit applicable to the student for the new program, minus the loan amount the student received during the same academic year for the prior program. However, if the new program is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the new program, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the new program or remaining portion of the program.

The first disbursement of the loan for the abbreviated loan period associated with the new program will be made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.

## Transfer student with overlapping academic years

James transfers on September 15 into Hammett Technical College, entering a 3-year program that has an academic year of 26 weeks and 900 clock-hours.

James received a Direct Loan at the prior school. The financial aid administrator at Hammett determines that the academic year for the most recent loan James received at his previous school began July 15 and was scheduled to end January 15. The aid administrator at Hammett may originate a loan for the period during which James would have completed the academic year at the prior school, which was scheduled to end on January 15th. The dates for the abbreviated loan period will be September 15 to January 15. During this period, James will be eligible to receive up to the difference between his annual loan limit at Hammett and the loan amount he received at the prior school for the overlapping academic year period.

Unless Hammett qualifies for the exemption from the multiple disbursement requirement based on its cohort default rate, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period, regardless of how many clock-hours or weeks of instructional time James has completed.

The next loan period at Hammett would begin the day after the last day of the abbreviated loan period. On January 16th, James will be able to start a new BBAY and loan period at Hammett with a new annual loan limit. Note that the payment periods for the new BBAY will be 450 clock-hours and 13 weeks of instructional time.

## Proration examples for programs shorter than an academic year

### Example 1

Program = 400 clock-hours, 12 weeks of instructional time
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Academic year = 900 clock hrs, 26 weeks of instructional time
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Jill is a dependent student enrolled in a 12-week program at Epstein Career College (ECC). ECC defines the academic year for this program as 900 clock-hours providing 26 weeks of instructional time. Measured in clock-hours, Jill's program is 400 clock-hours long.

To determine the maximum loan amount she can borrow, convert the fractions based on weeks ( $12/26 = .46$ ) and hours ( $400/900 = .44$ ) to decimals. Multiply the smaller decimal (.44) by the first-year annual loan limits for a dependent undergraduate: \$3,500 combined subsidized/unsubsidized and \$2,000 additional unsubsidized.

$\$3,500 \times .44 = \$1,540$  combined subsidized/unsubsidized

$\$2,000 \times .44 = \$880$  additional unsubsidized

The maximum combined Direct Subsidized and Unsubsidized loan amount Jill can borrow for the program is \$2,420, but no more than \$1,540 of this amount may be in subsidized loans.

### Example 2

Program = 24 quarter hours; 20 weeks of instructional time
--

Academic year = 36 credit hrs, 30 weeks of instructional time
---

Morgan is an independent student enrolled in a program at Epstein Career College that provides 24 quarter-hours and 20 weeks of instructional time. ECC defines the academic year for this program as 36 quarter-hours and 30 weeks of instructional time. To determine the maximum loan amount she can borrow, convert the fractions based on weeks ( $20/30 = .67$ ) and quarter-hours ( $24/36 = .67$ ) to decimals. Multiply the smaller decimal (in this case, both are .67) by the first-year annual loan limits for an independent undergraduate.

$\$3,500 \times .67 = \$2,345$  total Direct Loan

$\$6,000 \times .67 = \$4,020$  subsidized

The maximum combined Direct Subsidized and Unsubsidized Direct Loan amount Morgan can borrow for the program is \$6,365, with the subsidized loan amount limited to \$2,345.

## Proration examples for remaining period of study shorter than an academic year

### Example 1: Academic year contains 3 quarters

Remaining period = 1 quarter

Fall	Winter	Spring
Fall	Winter	Spring
Fall	Winter	Spring

Chuck has attended 6 quarters in a 2-year program at Hartlieb Community College (HCC), but to finish the program, he needs to attend an additional quarter as a half-time student (6 quarter hours). Chuck is a dependent undergraduate student, and HCC defines its academic year (covering three quarters) as 36 quarter hours and 30 weeks of instructional time.

To determine the prorated Direct Loan limit for Chuck's remaining period of study, convert the fraction based on the hours that Chuck is expected to attend and the hours in the academic year to a decimal ( $6/36 = .17$ ).

Multiply this decimal by the second-year dependent undergraduate annual loan limits:  $\$4,500$  (subsidized)  $\times .17 = \$765$  combined subsidized/unsubsidized;  $\$2,000$  (unsubsidized)  $\times .17 = 340$  additional unsubsidized. Total prorated Direct Loan limit  $\$1,105$ , of which  $\$765$  may be subsidized.

### Example 2: Academic year contains 2 semesters

Remaining period = 1 semester

Fall	Spring
Fall	Spring

Chuck transfers to a BA program at Reiff College. By taking 18 hours a semester, he will be able to graduate in the Fall term of his second year. Chuck is a dependent undergraduate student, and Reiff defines its academic year (covering two semesters) as 24 credit hours and 30 weeks of instructional time. To determine the prorated Direct Loan limit for the remaining period of study, convert the fraction based on credit hours to a decimal ( $18/24 = .75$ ). Multiply this decimal by the fourth-year dependent undergraduate annual loan limits:

$\$5,500$  (subsidized)  $\times .75 = \$4,125$  combined Direct Sub/Unsub;  $\$2,000$  additional unsubsidized  $\times .75 = \$1,500$ . Total prorated Direct Loan limit  $\$5,625$ , of which  $\$4,125$  may be subsidized.

### Example 3: Academic year contains 900 clock-hours and 26 weeks. Program = 1,800 clock-hours

Year 1: Student completes 1,040 clock-hours in 26 weeks

Year 2: 750 clock-hours remaining in program

Bulaga Career College has an 1800 clock-hour program and defines its academic year as 900 clock-hours and 26 weeks of instructional time. Sally, a dependent undergraduate student, successfully completes the first 900 clock-hours of the program in 22 weeks of instructional time. However, she must complete an additional four weeks of instructional time before she may receive a second loan. After 26 weeks of instructional time have elapsed, Sally has successfully completed 1040 clock-hours. She may then receive a second loan, but the loan limit must be prorated based on the number of clock-hours remaining in her program at this point. To determine the prorated loan limit for Sally's second loan, convert the fraction based on the number of clock-hours remaining to a decimal ( $760/900 = .84$ ). Multiply this decimal by the second-year dependent undergraduate annual loan limits:

$\$4,500 \times .84 = \$3,780$  combined subsidized/unsubsidized,  $2,000 \times .84 = \$1,680$  additional unsubsidized

The total prorated loan limit for the remaining period of study is  $\$5,460$ , not more than  $\$3,780$  of which may be subsidized.

### Example 4: Remaining period of study with scheduled period of non-enrollment

Fall	Winter	Spring
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McNutt Institute has an academic year that covers three quarters: fall, winter, and spring. Bob will be enrolling in the fall and spring quarters, but not the winter quarter, and will graduate at the end of the spring quarter. Because the fall quarter is in the same academic year as Bob's final quarter, it is part of the final period of study, even though there is a term between the final quarter and the fall quarter in which he will not enroll. McNutt Institute must award Bob separate loans for fall and spring. The annual loan limit must be prorated (because Bob's final period of study, two terms, is shorter than an academic year). If Bob decided to enroll for the winter quarter on a less-than-half-time basis, his remaining period of study (three terms) would be equal to a full academic year and proration would not be required, even though he would have no loan eligibility for the winter quarter.

### Example 5: Remaining period of study shorter than an academic year, with less than half-time enrollment in one of the terms.

Fall	Winter	Spring (not enrolled)
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Turner College has an academic year that covers three quarters: fall, winter, and spring. Linda, a dependent fourth-year undergraduate, will be enrolling in the fall and winter quarters, but not the spring quarter, and will graduate at the end of the winter term. Linda will be enrolled for 12 quarter hours (full-time) during the fall quarter, but will be enrolled for only 3 hours (less than half-time) in the winter quarter. Turner defines its academic year as 36 quarter hours and 30 weeks of instructional time.

Linda's final period of study (two terms) is shorter than an academic year, so the annual loan limit must be prorated. However, because Linda will be enrolled less than half-time during the winter quarter (and therefore ineligible to receive Direct Loan funds for that term), the loan period will cover the fall quarter only, and only the 12 quarter hours for the fall term are used to determine the prorated annual loan limit.

To determine the prorated loan limit for Linda's final period of study, convert the fraction based on the hours that Linda is expected to attend in the fall quarter and the hours in the academic year to a decimal ( $12/36 = .33$ ). Multiply this decimal by the fourth-year dependent undergraduate annual loan limit:  $\$5,500 \times .33 = \$1,815$  combined subsidized/unsubsidized prorated annual loan limit, plus  $\$2,000 \times .33 = \$660$  prorated additional unsubsidized annual loan limit, for a total prorated annual loan limit of  $\$2,475$ , not more than  $\$1,815$  of which may be subsidized.

## Remaining loan eligibility on transfer/program change

### **Standard-term program**

A student receives a \$2,000 Direct Subsidized Loan at School A for a loan period from May 1 to August 31. The student, a dependent undergraduate, transfers to a program at School B in September and is admitted at grade level 2. The student requests a loan for the fall and spring semesters (September-May). School B checks COD to find the ending-date of the academic year began at the prior school, which is November 27.

Because the academic year at School B begins before the end of the academic year at School A, the student may initially receive only up to a maximum of \$4,500 for the fall semester at School B, not more than \$2,500 of which may be subsidized. This amount represents the difference between the annual loan limit of \$6,500 (maximum \$4,500 subsidized), and the amount received at School A (\$2,000 subsidized) for the overlapping academic year period.

The initial loan period at School B corresponds with the fall term. Assuming that the student receives the maximum of \$4,500 for the fall semester, at the start of the spring semester in January, the student may borrow up to an additional \$2,000 (the difference between the 2nd year dependent undergraduate annual loan limit and the amount already borrowed for the fall-spring academic year at School B). If the student received the maximum \$2,500 in subsidized loan funds for the fall term, the additional \$2,000 would be limited to unsubsidized.

As an alternative, School B could choose to place the student on a BBAY schedule beginning with the Spring semester. The student would then be eligible to borrow up to the full annual loan limit for a spring--summer BBAY.

### **Clock-hour program**

#### Example 1

A student receives the first disbursement (\$2,750) of a Direct Unsubsidized Loan at School A. The loan period and academic year dates are April 1 to December 31. For purposes of this example, assume that the student has no financial need for a Direct Subsidized Loan; all loan amounts here represent Direct Unsubsidized Loans. The student, a dependent

undergraduate, leaves School A June 18 and transfers to an 1,800 clock-hour program at School B, and begins attendance at School B on June 25th.

The student's first loan period at School B will be from June 25th through December 31st (the beginning of attendance at School B through the date the academic year would have ended at School A). The student could begin the next loan period and receive a full annual loan limit beginning on January 1.

For the initial loan period, School B may originate a loan for the difference between the student's annual loan limit and the loan already received at School A for the overlapping loan period. This is \$2,750. After this loan period is completed, the student would progress to a new annual loan limit.

#### Example 2

A first-year dependent undergraduate student receives the first disbursements (\$2,750) of a Direct Subsidized Loan (\$1,750) and Direct Unsubsidized Loan (\$1,000) at School A. The loan period and academic year dates are January 26 to July 31.

The student leaves School A and transfers into a 300 clock-hour/12-week program at School B on June 15. School B defines its Title IV academic year as containing 900 clock-hours and 26 weeks of instructional time. The prorated annual loan limits for the 300-hour program at School B are \$1,167 subsidized and \$667 additional unsubsidized.

For the abbreviated loan period at School B (June 15 to July 31), a transfer student would normally be eligible to receive the difference between the full first-year annual loan limit and the loan amount received at School A (that is, \$1,750 subsidized and \$1,000 additional unsubsidized). In this example, however, the student may not receive those amounts, because they would exceed the prorated annual loan limits for the 300 clock-hour program. Therefore, the maximum loan amounts the student may receive for the abbreviated loan period at School B are \$1,167 subsidized and \$667 unsubsidized (the prorated loan limits for the program). Because the student has received the maximum prorated loan limit for the program, there is no remaining loan eligibility for the program following the completion of the abbreviated loan period.

## AGGREGATE LOAN LIMITS

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans. The maximum outstanding **total subsidized and unsubsidized** loan debt, excluding capitalized interest, is:

- \$31,000 for a dependent undergraduate student (no more than \$23,000 of this amount may be in the form of subsidized loans).
- \$57,500 for an independent undergraduate student (or a dependent undergraduate student whose parents do not qualify for Direct PLUS Loans). No more than \$23,000 of this aggregate amount may be in the form of subsidized loans.
- \$138,500 for a graduate or professional student (including loans for undergraduate study). No more than \$65,500 of this aggregate amount may be in the form of subsidized loans.

The loan amounts counted towards these maximums include any outstanding amounts borrowed in the form of Direct Subsidized/ Unsubsidized Loans, and Unsubsidized Federal Stafford Loans previously borrowed under the FFEL program. In the case of a Direct Consolidation Loan (or FFEL Consolidation Loan made prior to July 1, 2010), the outstanding amount of the Consolidation Loan representing any underlying Direct Subsidized/Unsubsidized Loans that were paid off by the Consolidation Loan is counted toward the aggregate Stafford Loan limits.

### **Subsidized Loan Eligibility Time Limitation (150% rule/SULA)**

In addition to the aggregate loan limit, which limits loan eligibility based on the amount of funds received over a student's academic lifetime, there is also a loan eligibility limitation based on the passage of time. First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are currently enrolled (including all past subsidized loans the student has received; see “**subsidized usage periods**” below).

This length of time is also known as the “**maximum eligibility period.**” For example, a first-time borrower in a 4-year program would have six years of Direct Subsidized Loan eligibility, and a borrower in a one-year program would have 1.5 years of Direct Subsidized Loan eligibility. COD will edit and reject awards that would exceed 150% subsidized usage for a student (Reject Edit 206). This is also known as a “**Subsidized Usage Limit Applies**” situation, or SULA flag, in COD.

There are two exceptions to the maximum eligibility period: First, for bachelor's degree completion programs, the maximum eligibility period is 6 years. For purposes of the subsidized loan time limitation (also known as the 150% rule), bachelor's degree completion programs are defined as a 2-year program that required an associate degree or the successful completion of at least two years of postsecondary coursework as a prerequisite for admission

## Aggregate loan limits

DL: 34 CFR 685.203(d), (e)  
DCL GEN-08-08

## NSLDS on the Web

You can review the complete student loan history for your students and generate reports on the NSLDS Professional Access website:

<https://www.nslsdfap.ed.gov/>

## NSLDS guides & help center

Guides for Enrollment Reporting, Transfer Student Monitoring and other user documentation are currently posted on IFAP under “Processing Resources, NSLDS Reference Materials.” Also see NSLDS Newsletter #6, 9, 11, 17 and 23 on IFAP for more specific information on how the OPB and Agg OPB are calculated and displayed on NSLDS.

Technical assistance for NSLDS is available by emailing: [nslsds@ed.gov](mailto:nslsds@ed.gov), or calling 1-800-999-8219.

## Subsidized loan eligibility time limitation (150% rule)

First Time Borrower: 34 CFR 685.200(f)(1)(i)  
Maximum Eligibility Period: 34 CFR 685.200(f)(1)(ii)  
Subsidized Usage Period: 34 CFR 685.200(f)(1)(iii)  
Remaining Eligibility Period: 34 CFR 685.200(f)(iv)

April 20, 2015 E-Ann: Reporting issues  
July 20, 2015 E-Ann: Loss of interest subsidy  
Sept 25, 2015 E-Ann: Required reporting  
Oct 19, 2015 E-Ann: Remaining eligibility period of less than 1 year  
May 11, 2016 E-Ann: Reporting Q&A  
Sept 21, 2016 E-Ann: 150% & transfer students Moving Ahead for Progress in the 21st Century Act (MAP-21), HEA Sec. 455(q)  
Jan 17, 2014 E-Announcement (Final regs)

For more information about the 150% limit, see the [150% limit Q&A](#) on IFAP.

Questions on the 150% limit can be emailed to: [150Percent-Questions@ed.gov](mailto:150Percent-Questions@ed.gov) (include your organizational affiliation).

## Determining program length

If the program's published length is in months or weeks, length is converted to years using the following formula:

$$\frac{\text{Days in program}}{\text{Days in Title IV academic year}} = \frac{\text{program length in yrs}}{\text{program length in yrs}}$$

For these purposes, a month is considered to be 30 days, and a week, 7 days.

## Reporting Academic Year and Loan period to COD

GEN-13-13

DLOps@ed.gov

codsupport@ed.gov

The academic year dates that you report to COD should correspond to the period to which the annual loan limit applies. For a term-based program, the annual loan limit will never apply to a single term.

## Exceptions for borrowers who are enrolled in teacher certification programs

There are special rules for borrowers who are enrolled in teacher certification programs where the school awards no academic credential and where the program leads to a teaching certification from the state that is required by the state before the borrower may teach elementary or secondary education in the state.

Direct Subsidized Loans received for enrollment in such a teacher certification program only count against a borrower's maximum eligibility period for enrollment in other teacher certification programs. When a borrower enrolls in an undergraduate program, the Direct Subsidized Loans received for enrollment in the teacher certification program will not count against the borrower's maximum eligibility period for enrollment in the undergrad program.

In addition, enrollment in a teacher certification program will never result in the loss of interest subsidy—either on Direct Subsidized Loans received for prior undergraduate enrollment or on Direct Subsidized Loans received for enrollment in a teacher certification program.

## NSLDS Reporting requirements

DCLs GEN-14-07, GEN-14-17

For details on NSLDS reporting requirements for loans, including reporting of additional data, reporting at the academic program level, and more frequent reporting, see DCLs GEN-14-07 and GEN-14-17 and the *FSA Handbook, Volume 2, Chapter 3*.

to the program. For such programs, schools will report a program length of 4 years (even though the real length of the program is 2 years) and a “Special Program Indicator” of “B” in COD and NSLDS.

Secondly, for special admission associate degree programs, the maximum eligibility period is 6 years. For these purposes, a special admission associate degree program is an associate degree program that:

- Requires an associate degree, or the successful completion of at least two years of postsecondary coursework as a prerequisite for completion;
- Admits only a selected number of applicants based on additional competitive criteria, which may include entrance exam scores, class rank, grade point average, written essays, or recommendation letters; and
- Provides the academic qualifications necessary for a profession that requires licensure or certification by the State in which the coursework is offered.

For such programs, schools will report a program length of 4 years (even though the real length of the program is 2 years) and a “Special Program Indicator” of “A” in COD and NSLDS.

## Subsidized Usage Periods (SUP)

A first-time borrower's progress toward expending his or her maximum eligibility period is measured in “subsidized usage periods” (SUP). Subsidized usage periods are calculated by the following formula, the result of which is rounded up or down to the nearest tenth of a year (for example, a SUP of .44 would be rounded to .40, and a SUP of .45 would be rounded to .5):

$$\frac{\text{Number of days in the borrower's loan period for a Direct Subsidized Loan}}{\text{Number of days in the academic year for which the borrower receives the Direct Subsidized Loan}}$$

The academic year referenced above is the scheduled academic year (SAY) or borrower-based academic year (BBAY) dates to which the annual loan limit applies. **There are two exceptions to this calculation:**

1. **Annual loan limit:** When a first-time borrower receives a Direct Subsidized Loan equal to the annual loan limit for a loan period that is less than a full academic year in length, the borrower's subsidized usage period is one year; and
2. **Enrollment status proration:** For a first-time borrower who is enrolled for three-quarter or one-half-time, the calculated subsidized usage period is prorated by .75 or .5, respectively.

Note that if a borrower meets the criteria for both exceptions described above, the annual loan limit exception will be applied, and then the enrollment exception will be applied.

A loan disbursement which is returned within 120 days of the disbursement date, for example, when the school adjusts that disbursement down to zero, returns the funds, and removes the corresponding term from the loan period, will no longer be included in that term/payment period for purposes of calculating SUP. On the other hand, a loan that has been paid off does NOT remove that loan's portion of SUP.

**A borrower's Remaining Eligibility Period (REP)** is calculated by subtracting the sum of all prior subsidized usage periods (include ALL subsidized loans received over the student's entire history of higher education,) from the borrower's **current** maximum eligibility period. For example, Bob currently has a subsidized usage period of two years, then transfers to a four-year program. Because the remaining eligibility period is calculated as the difference between the borrower's current maximum eligibility period and the sum of all subsidized usage periods, Bob has a remaining eligibility period of four-years (a 6-year maximum eligibility period for the new program, minus the existing subsidized usage period of 2 years).

Subsidized usage periods for teacher-certification programs do not count against maximum eligibility periods for non-teacher-certification programs, and subsidized usage periods from non-teacher certification programs do not count against the maximum eligibility period for teacher certification programs.

**Loss of subsidized loan subsidy** For borrowers who have a remaining eligibility period that is less than an academic year, the borrower can only receive a Direct Subsidized Loan if the school can properly originate a Direct Subsidized Loan that creates a subsidized usage period (see "SUP" description and formula, above) that is equal to or less than the borrower's remaining eligibility period (REP). In COD, there will be a "SULA" flag indicating the student's status. For example, if a borrower has a remaining eligibility period of .2 years, and is enrolled full-time in a semester-based credit-hour program with a need that supports receiving \$4,000 in Direct Subsidized Loans, the minimum period for which the school could originate a loan is a term.

Because the number of terms in a semester-based program's academic year is generally two semesters, the subsidized usage period for the shortest loan that the school could award would be 0.5 years, which is greater than the student's remaining eligibility period. Therefore, the student is not eligible for the subsidized loan.

If a first-time borrower exhausts his or her maximum eligibility period (has a remaining eligibility period of zero or less), or has a remaining eligibility period that is so short that the school cannot originate another Direct Subsidized Loan to the student, the borrower may not receive a Direct Subsidized Loan, but may receive a Direct Unsubsidized Loan in an amount

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### When to update loan periods and academic years?

It's very important to update loan periods and academic years in the following situations:

- Student requests the loan/disbursement be cancelled;
- Disbursement was not made for a term/payment period included in the loan at origination;
- An actual disbursement was made but later zeroed out;
- Student enrolled in a non-term or clock-hour program and has failed to progress from one payment period to another as originally scheduled;
- Summer is not a required term and student attends the summer term and requests a loan for summer.

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### 150% rule FAQ

E-Announcement May 11, 2016

This FAQ provides answers to some common 150% rule calculation and reporting questions.

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### Exception for borrowers who graduate before losing subsidy

Borrowers who graduate before losing the interest subsidy on their Direct Subsidized Loans will never lose the interest subsidy on the loans that were outstanding at the time that they graduated from their program of study.

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### Different rules for borrowers enrolled in preparatory coursework

34 CFR 685.200(f)(6)

The regulations provide varying treatment for borrowers who are enrolled in preparatory coursework necessary for enrollment in an undergraduate program or a graduate/professional program.

### Transferring from a closed school and the 150% limit

Sept 21, 2016 E-Announcement

December 7, 2016 E-Announcement

When a student transfers to your school from another school, remaining eligibility period (REP) data may need to be updated and revised before REP calculations at your school can be properly made and submitted for Direct Loan awarding and disbursing purposes. The Department is working with closed schools to make award and disbursement adjustments to update student's REP status.

Pending disbursements of a Direct Loan awarded at the closed school with disbursement dates after the school's closure date will not be made. You can ignore any pending disbursements when awarding the student Direct Loan funds at your school, and you don't need to wait for pending disbursements to be reduced to zero before submitting a Direct Loan origination to COD.

that is equal to the amount that the borrower always could have received in Direct Unsubsidized Loans, plus the amount the borrower otherwise could have received in Direct Subsidized Loans.

A borrower loses the interest subsidy on any outstanding Direct Subsidized Loans (including a Direct Consolidation Loan that repaid a Direct Subsidized Loan) if the borrower attends any undergraduate program (or preparatory coursework necessary for enrollment in an undergraduate program) on at least a half-time basis, at a school that participates in the Title IV programs, while having a remaining eligibility period of zero or less. When interest subsidy is lost it is not retroactive. Rather, the borrower is only charged interest from the date the borrower loses the interest subsidy (by exceeding the 150% limit).

Loans received for programs other than teacher certification programs do not lose subsidy upon enrollment in a teacher certification program, and loans received for teacher certification programs do not lose subsidy, even upon enrollment in a regular undergraduate program.

## 150 Percent Rule: Calculation, reporting, loss of subsidy example

Kirk is enrolled in a 4 year semester-based bachelor's degree program at McCaffrey University. Since his program is 4 years, under the 150% rule, Kirk has a "maximum eligibility period" of 6 years.

McCaffrey measures Kirk's progress towards expending his maximum eligibility period by adding up all of Kirk's "subsidized usage periods," or SUPs. Kirk is in his third year of study, so McCaffrey looks at the SUPs that COD has previously calculated for Kirk, and finds that his Sum Actual Subsidized Usage Period is 2 years.

Kirk has 6 years of eligibility for his 4 year program under the 150% rule, and so his remaining eligibility period is 4 years. Because his remaining eligibility period is at least 1 year, McCaffrey awards a Direct Subsidized Loan to Kirk like it normally would. After McCaffrey submits records to COD indicating that Kirk is in a 4-year program, it receives a response from COD stating Kirk's SUP for the loan McCaffrey just submitted, the sum of all of Kirk's SUPs, and Kirk's remaining eligibility period (REP). Once McCaffrey disburses the new Direct Subsidized Loan to Kirk, his remaining eligibility period will be 3 years.

Between his third and fourth year, Kirk decides to change to a new (also semester-based) program. His new program is a 2.5 year program, so his 150% limit is now 3.75 years. Even though he is studying in a different program, Kirk's existing SUPs are taken into account when measuring his 150% progress. Since Kirk already has 3 SUPs, his remaining eligibility period is now just .75 years. Since Kirk will need to attend for 2.5 years to complete his new program, the final 1.75 years of his program will be cut off from subsidized loan eligibility.

So, when exactly does Kirk get cut off from subsidized loans? Kirk can only receive Direct Subsidized Loans if McCaffrey can properly originate a loan that creates a SUP that is equal to or less than Kirk's remaining eligibility period (REP). In this case, McCaffrey can originate a Direct Subsidized Loan for Kirk's first fall semester, which consists of .5 SUP, but cannot include his spring semester if Kirk attends full-time, as Kirk only has .25 SUP remaining, and the spring semester is .5 SUP. McCaffrey must originate only unsubsidized loans for Kirk beginning with the spring semester. COD will send a response to its records listing Kirk's remaining eligibility when McCaffrey originates a loan.

## Reporting and tracking the 150% limit



The Department will track, calculate, and inform borrowers and schools of borrower eligibility for subsidized loans and loss of subsidy benefits based on program length information that schools report to COD and NSLDS. It is essential that any changes in enrollment or program be reported to NSLDS in a timely manner to ensure correct calculation of subsidy periods. For each loan origination record, COD will send a disclosure statement which will include the SUP for that loan, the sum of the student's SUPs, and the REP. There are several common mistakes in tracking and reporting students' progress towards the 150% limit:

- For standard term (and non-standard SE9W term) programs, **reporting academic year dates that are the length of a single term**—All BBAY & SAY academic years for these terms consist of more than one term;
- For non-term, non-standard-term SE9W, and clock-hour programs, **reporting academic year dates that result in periods shorter than what is permitted**;<sup>\*</sup> (see common reporting issues sidebar)
- Reporting “weeks” or “months” instead of years—**Years is the measure**. Report 1.5 for one year and 6 months, for example.
- **Accidentally reporting inappropriately short program lengths**—Program length is a 6 digit field in NSLDS, with an implied decimal point in between the third and fourth digits. A four-year program is reported as “004000.” Reporting “000400” is a program length of just .4 years!
- **Reporting too high a loan amount**. A loan which is at the student's annual loan limit (\$3,500, \$4,500, or \$5,500) triggers a full year of SUP to be reported, but the correct SUP for the loan may be shorter. You should reduce the loan amount to the total of actual disbursements (and zero out any related pending disbursements).
- **Reporting too much SUP for a loan period which contains terms/payment periods in which a disbursement wasn't made** (or was made but later zeroed out). The SUP calculation takes all terms into account, so for SUP calculation & reporting purposes, remove from the loan period any terms/payment periods where a disbursement isn't made/retained.
- **Reporting dates of terms/payment periods which don't coincide with the dates of the loan period**. Either the entire term is in the loan period or none of it is. The loan period end date should not be shortened to the last date of attendance. If the loan can't be re-configured correctly, the remaining eligibility simply can't be used. If this happens, the student can only be awarded unsubsidized loans.
- **Academic year reported as single term, so the excessively short academic year causes SUP to be too high**. Report your school's defined academic year (regulatory minimum is 26 or 30 weeks of instructional time; see Chapter 1 of this volume for weeks of I.T. requirements).

## Common reporting issues

E-Announcement April 20, 2015

E-Announcement May 13, 2016

<sup>\*</sup>These programs must define their academic years as at least 900 clock-hours and 26 or 30 weeks of instructional time (see *Chapter 1* of this Volume for requirements when defining the academic year), even when the program is shorter than this. When the program is shorter than the academic year, the student is considered to have a loan period equal to the length of time needed to complete the credit/clock-hours in the program and an academic year equal to the school's Title IV Academic year, which must adhere at least to the minimum standard (24 semester hours or 900 clock-hours and 26/30 weeks of instructional time).

## NSLDS reporting

May 13, 2016 E-Announcement

## Financial aid history requirement & NSLDS

To ensure that a student doesn't exceed the annual and aggregate loan limits, the student's FAFSA data is matched with the National Student Loan Data System and the student's loan history is included in the ISIR. If a student transfers to your school, you must inform NSLDS so that it can begin the Transfer Student Monitoring process. More detailed information on how this requirement applies to all of the FSA programs can be found in *Volume 1, Chapter 3* of the *FSA Handbook*.

## New COD SULA edit codes



Edit 046: Academic year less than 26 weeks

Edit 219: Loan amount is greater than sum of disbursements

Edit 220 if \$0 disbursement has a payment period start date (PPSD) within the loan period

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### Treatment of consolidated Perkins Loans

A consolidated Perkins Loan is not counted toward the aggregate Direct Loan limits.

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### Revised formula for calculating unsubsidized aggregate loan amounts

NSLDS now utilizes a revised formula to calculate aggregate loan limit amounts. NSLDS no longer includes Direct PLUS Loan amounts that can be attributed to having been consolidated into a Direct Unsubsidized Consolidation Loan when calculating a borrower's unsubsidized aggregate loan amount and combined loan limit amount. This change will be reflected in the NSLDS Professional Access website as well as on ISIRs. For more details on this change, see the E-Announcement of August 13th, 2012.

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### Handling unallocated amounts in NSLDS

You do not have to review unallocated amounts in NSLDS. NSLDS does not add the amount of unallocated loans when triggering the "close to or exceeds aggregate limits" flags. See *NSLDS Newsletter 11*, February 2006.

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### Resolving conflicting information in NSLDS

GEN-96-13, Q&A 37

If you can document that the student is eligible for FSA funds despite the information shown on NSLDS, you may award and disburse aid. An example would be if the NSLDS Financial Aid History page of the SAR or ISIR shows that the student has a defaulted loan, but you have obtained documentation from the holder of the loan that the borrower had made "satisfactory arrangements to repay."

### Checking loan amounts on NSLDS

If a student at your school has Title IV loans that were received at other schools, you may need to check the National Student Loan Data System (NSLDS) website to make sure the student still has remaining eligibility under the aggregate loan limits. As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as the NSLDS website) and the Transfer Student Monitoring process to tell you if a student is about to exceed the aggregate loan limits. (The NSLDS financial aid history may affect eligibility for other FSA programs, so it is discussed in more detail in *Volume 1, Chapter 3*.)

The aggregate loan limits do not include accrued or capitalized interest or other charges. To avoid counting interest and other charges when determining a student's remaining loan eligibility using NSLDS, use the *aggregate outstanding principal balance (Agg. OPB)* shown in NSLDS for each of the student's outstanding loans. For instance, suppose a student has a Direct Unsubsidized Loan disbursed in the amount of \$5,000. Over time, \$200 in interest accrues and is capitalized. The total outstanding balance on the loan will be \$5,200, and the aggregate outstanding principal balance will be \$5,000. It is the last figure, the aggregate outstanding principal balance—as displayed in the student's NSLDS Loan Detail—that you should use to determine remaining loan eligibility under the aggregate loan limits.

For Consolidation Loans (both Direct Consolidation Loans and Consolidation Loans made under the FFEL program), which may include Direct Subsidized and Unsubsidized Loans and subsidized/unsubsidized Federal Stafford Loans, NSLDS will now show separate totals for the *Subsidized Agg OPB* and *Unsubsidized Agg OPB*. In addition, NSLDS will show a total for "Unallocated" loan amounts for loans that cannot be identified. You are not responsible for reviewing these unallocated loans to determine their origin.

### Effect of change in student status on aggregate loan limits

In some cases, a student may qualify for higher loan limits, but then lose the eligibility for the higher limits. This situation could occur because a dependent student's parent received a Direct PLUS Loan after having been denied in previous years, and the student therefore could no longer borrow at the independent student loan levels, or because a student with a graduate degree entered an undergraduate degree program. In these cases, you only count the loan amounts that the student would have received under his or her current eligibility as an undergraduate or dependent student against the applicable undergraduate aggregate loan limit.

The NSLDS website displays undergraduate and graduate aggregate amounts in the Aggregate Loan Information section for subsidized, unsubsidized, combined, and unallocated portions of consolidated loans. The undergraduate aggregate section will display only if the student has undergraduate loans and the graduate aggregate section will display only if the student has graduate loans. Also on the NSLDS website, the Exceeds Loan Limits warning symbols provide automatic filters to display the Loan Summary list on the Loan History web page to show those loans that were attributed to the applicable loan limit overage. These website tools will assist with separating undergraduate, graduate, and overall loan totals, and will aid in eligibility determinations.

## 150 Percent Rule: Remaining eligibility period of less than one year

An eligible student can receive a Direct Subsidized Loan when their Remaining Eligibility Period (REP) is less than one year. In this case, the student can receive a Direct Loan if the school can originate a Direct Loan in compliance with all of the requirements in 34 CFR 685.301 (pay particular attention to minimum loan period, which varies by program type), and the loan's loan period, academic year, enrollment status, and loan amount result in a Subsidized Usage Period (SUP) that is equal to or less than the student's REP.

For example, Kris attends a credit-hour, semester-based program at Sandburg College, has a REP of .5 years, and is full-time. Kris will be able to receive a single-term subsidized loan if he's otherwise eligible, because the minimum loan period for his circumstance is a semester, and the academic year will be at least two semesters. This loan for one semester (with a two-semester academic year) would create a .5 SUP, and will expend his .5 REP.

But consider if Kris was enrolled in a clock-hour program which is 1 year in length and had a REP of .5 years. Kris would not be able to receive another Direct Subsidized Loan because the minimum loan period must be, per the regulations, one year and since the academic year would also be one year, the SUP would be one year, which is greater than Kris's REP of .5 years.

As noted in the main body text section on the 150% limit, SUPs are prorated for enrollment status—multiply by .75 or .5 for three-quarter time or half-time. As such, even when a borrower has only a small remaining SUP, it may still be possible for them to receive a Direct Subsidized Loan if they are enrolled less than full-time.

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The following three scenarios present three different loan awarding scenarios that Sandburg College faces with its various students. Sandburg wonders if each loan will be accepted or rejected by COD due to the limitations related to the 150% limit. For each case, we give the loan period, academic year, and SUP, as measured in days. Will COD accept or reject each loan award?

### Award Scenario 1

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 5/10/17 (244 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP:  $244/244 = 1$  year

COD **rejects** the loan, because the SUP is 1 year, exceeding the student's REP of .8 years.

### Award Scenario 2

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 12/20/16 (102 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP:  $102/244 = .4$  years (.418 to be precise, but this is rounded to the nearest tenth—see the rounding guidance in the body text section on SUP calculation)

COD **accepts** the loan, because the SUP is .4 years, which is less than the student's REP of .8 years.

### Award Scenario 3

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 5/10/17 (244 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP:  $244/244 = 1$  year

Enrollment status: half-time

COD **accepts** the loan, because the SUP is 1 year, multiplied by .5 for half-time enrollment status, resulting in .5 SUP, which is less than the student's REP of .8 years.

### Example: Aggregate loan limits with additional Direct Unsubsidized when parents are denied Direct PLUS Loans

A dependent student is treated as an independent student for loan limit purposes and receives additional Direct Unsubsidized Loan funds (up to the additional amounts available to independent undergraduates) for the first 3 years at your school because a parent was denied a Direct PLUS Loan for each of those years, but a parent was eligible to borrow a Direct PLUS Loan for the student's fourth year. The student would be eligible for the following Direct Loan amounts:

1st year (independent student loan limit) = \$9,500 (maximum \$3,500 subsidized)

2nd year (independent student loan limit) = \$10,500 (maximum \$4,500 subsidized)

3rd year (independent student loan limit) = \$12,500 (maximum \$5,500 subsidized)

For each of the first three years, the student receives the maximum subsidized amount and the maximum additional unsubsidized amount. In the 4th year, the parent is eligible to borrow a Direct PLUS Loan, so the student is then subject to the annual and aggregate loan limits for a dependent undergraduate. Although it might appear that the student would have no remaining loan eligibility for year 4 because the total amount received for years 1-3 exceeds the \$31,000 dependent undergraduate aggregate loan limit, the additional Direct Unsubsidized Loan amount that the student received as a result of the parent Direct PLUS Loan denials in the first three years of the undergraduate program does not count against the \$31,000 dependent aggregate limit.

The student received a total of \$19,000 in additional Direct Unsubsidized Loan funds for the first three years (\$6,000 each in years 1 and 2, and \$7,000 in year 3). Of this total additional unsubsidized amount, the student would have been eligible to receive \$6,000 (\$2,000 each year) as a dependent undergraduate if the student's parent had qualified for a Direct PLUS Loan. The extra \$13,000 in unsubsidized funds that the student received as a result of the parent being unable to obtain a Direct PLUS Loan for the first three years (\$4,000 in years 1 and 2, and \$5,000 in year 3) is not counted against the \$31,000 dependent undergraduate aggregate when determining the student's loan eligibility for year 4. Excluding this amount, only \$19,500 of the total \$32,500 the student received for the first three years counts against the \$31,000 dependent undergraduate aggregate loan limit. This means that for year 4, the student is eligible to receive up to the full annual loan limit for a dependent undergraduate:

4th year (dependent student loan limit) = \$7,500

## RECALCULATION AND DIRECT LOANS

A change in enrollment status to less than half time as a result of the failure to begin attendance in all scheduled classes would not affect the student's eligibility for any Direct Loan funds previously disbursed because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. However, a student who is no longer enrolled at least half time may not receive as a late disbursement any second or subsequent disbursement of the loan.

Moreover, Title IV program funds are disbursed to a student on the presumption that he or she will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of Title IV program funds until a student has begun attendance in enough hours to qualify for the enrollment status for which the funds were awarded. However, if a school is recalculating a student's eligibility because a student has dropped classes and the student has not begun attendance in enough courses to establish a half-time enrollment status, the presumption that the student will attend the hours for which aid has been awarded is no longer valid. Therefore, a school may not make a first disbursement of a Direct Loan to a student who never began attendance in enough courses to establish a half-time enrollment status.

Likewise, if a school is recalculating aid for a student who was enrolled in a series of modules and who dropped all future classes before beginning attendance in enough classes for half-time enrollment status, the school may not disburse the Direct Loan for the payment period because the school knows the student never began attendance on at least a half-time basis (34 CFR 685.303(b)(3)(i) and (iv)).

If the student resumes enrollment on a half-time basis during the payment period or period of enrollment, the school may make the disbursement if the school documents (1) the student's revised COA, and (2) that the student continues to qualify for the entire amount of the loan, despite any reduction in the student's cost of attendance caused by the student's temporary cessation of enrollment on at least a half-time basis. (HEA Sec. 471, Part F) (34 CFR 685.303(b)(3)(iv)(A) through (C)).

Section 34 668.164(j)(3)(iii), which permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw but ceased to be enrolled as at least a half-time student, does not apply to a student who dropped all future classes or modules because the student never really began classes as a half-time student.

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### Regaining Title IV Eligibility after exceeding loan limits

34 CFR 668.35(d)

DCL GEN-13-02

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### Consolidation of loan amounts that exceed the annual or aggregate loan limit

If a borrower who inadvertently received more than the annual or aggregate loan limits has consolidated the loan(s) that caused the borrower to exceed the loan limit, the consolidation loan is considered to be a satisfactory arrangement to repay the excess amount that restores the borrower's eligibility for FSA aid. (Note, however, that consolidation of an amount that exceeded the aggregate Direct Subsidized/Unsubsidized Loan limits does not automatically make a student eligible for additional Direct Loan funds.)

## EFFECT OF OVERBORROWING THEN REGAINING ELIGIBILITY

A student who has inadvertently received more than the annual or aggregate loan limits is ineligible to receive *any* FSA funds until the overborrowing is resolved. The student can regain eligibility for aid by repaying the amount that exceeded the annual or aggregate loan limits, or by making satisfactory arrangements with the loan servicer to repay the excess amount. The loan servicer will allow a borrower to “reaffirm” that he or she will repay the excess according to the terms and timing of the original promissory note. For more details on the various steps involved in reaffirmation, see Dear Colleague Letter GEN-13-02.

If the inadvertent overborrowing occurred at your school, you should work with the student and the loan holder to ensure that the necessary actions are taken to restore the student's eligibility. Overborrowing is not considered inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the school that determined the borrower's eligibility for the loan, or on the part of the borrower who received the loan. If you determine that the overborrowing was the result of deliberate action on the part of another school or the borrower, you must notify your FSA School Participation Team and provide evidence.

Once you have documented that the student has either repaid the excess loan amount or has made satisfactory arrangements with the loan holder to repay the excess amount, you may award additional aid. However, the student may or may not be eligible to receive additional loan funds, depending on the circumstances. For example, a dependent undergraduate who inadvertently exceeded the \$23,000 (subsidized) aggregate limit could not receive any additional Direct Subsidized Loan funds as a dependent undergraduate unless the outstanding debt was paid down below the \$23,000 limit.

However, the student could potentially receive additional Direct Unsubsidized Loan funds, up to the \$31,000 aggregate loan limit, or non-loan aid. An independent undergraduate who inadvertently exceeded the \$23,000 subsidized limit (but who has not reached the \$57,500 combined aggregate loan limit for independent undergraduates) could borrow additional Direct Direct Unsubsidized Loan funds once he or she makes satisfactory arrangements to repay the subsidized amount that exceeds \$23,000. For more on overborrowing and overawards, see *Volume 5*.

The effective date when a student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq & Afghanistan Service Grant programs begins with the payment period in which the overborrowing was resolved, and for Direct Loans, eligibility is retroactive to the beginning of the academic year in which the overborrowing was resolved.

## Review of the Direct Loan process

The process for completing the Master Promissory Note (MPN) for a Direct Loan and making the initial loan includes the following elements, though some school procedures may be in a slightly different order. In completing several of these steps, the website [www.studentloans.gov/myDirectLoan/index.action](http://www.studentloans.gov/myDirectLoan/index.action) may be helpful.

### 1. Student applies for aid.

The student fills out the FAFSA (or a renewal FAFSA).

### 2. School determines eligibility and loan amount.

The school confirms the student's eligibility for federal student aid, determines the loan period and loan amount, and packages the loan(s) requested.

### 3. Origination.

The school originates the loan.

- \* In the Direct Loan Program, the school submits an origination record to COD and receives an acknowledgment from COD.

### 4. Student completes MPN.

The student fills out an MPN for the initial loan.

- \* The *Borrower's Rights and Responsibilities Statement* is included in the MPN.

### 5. Disclosure & entrance counseling.

First-time Direct Subsidized/Unsubsidized Loan and Direct Grad PLUS borrowers must complete entrance counseling before a disbursement can be made. (See *Volume 2, Chapter 6*.)

The borrower must be given a disclosure statement (usually provided by the Department) with specific information about the types of loans the borrower is getting, anticipated disbursement amounts, anticipated disbursement dates, and instructions on how to cancel the loans. This statement must be given either:

- prior to disbursement (up to 30 days prior to the first disbursement); or
- at the time of the first disbursement (and no later than 7 days after disbursement/crediting the student's account, if you don't obtain the borrower's

affirmation/authorization for the loan); or

- no later than 30 days after disbursement/crediting the student's account if you do obtain the borrower's affirmation/authorization for the loan).

### 6. Disbursement to the borrower.

The school (after checking that the borrower is still eligible) disburses the loan funds to the student's account or directly to the borrower, and notifies the borrower of each disbursement.

### 7. Making subsequent loans.

If the MPN is used as a multi-year note, a new MPN is not required for subsequent loans. However, your school must use a confirmation process (either active or passive) for subsequent loans, and the borrower must receive a Plain Language Disclosure, at or prior to the disbursement of any subsequent loans provided under an existing MPN. (The Plain Language Disclosure is usually sent to the borrower by the Department.) If the MPN is not used as a multi-year note, a borrower completes a new MPN for each subsequent loan period. Note that one common reason a multi-year MPN may be changed to a single-year note is the case of a Direct PLUS Loan that has an endorser.

For your reference, refer to the Electronic Announcement of December 15, 2016. Sample copies of the MPN and related materials are available online.

There are two methods of MPN processing: regular mail and overnight/express mail.

Send express and overnight mail to:

U.S. Department of Education  
2429 Military Road  
Suite 200  
Niagra Falls, NY 14304

Send regular mail submissions to:

U.S. Department of Education  
P.O. Box 9002  
Niagra Falls, NY 14302



# Awarding Campus-Based Aid

## CHAPTER 6

Your school has some latitude in selecting recipients of its Campus-Based funds. This chapter discusses the criteria that you must consider when selecting Campus-Based recipients and the amounts that you may award to them. In addition, the student must meet the general eligibility criteria discussed in Volume 1, and your Campus-Based awards may not exceed the student's financial need, as described in Chapter 7 of Volume 3.

### GENERAL CAMPUS-BASED PROGRAM RULES

#### Selecting independent & part-time students

If any part of a school's FSEOG or FWS allocation is directly or indirectly based on the financial need of independent students or students who are attending part-time, then you must offer a *reasonable proportion* of the FSEOG allocation and the FWS allocation to such students. This requirement includes part-time students at eligible additional locations, as well as part-time students on the main campus. A policy that excludes part-time or independent students is not acceptable.

"Part-time students" also includes correspondence students. To be considered enrolled in a program of correspondence study, the student must be enrolled in a degree-seeking program and must have completed and submitted the first lesson.

#### Uneven costs/unequal disbursements

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, you may make unequal disbursements of FSEOG. There is no explicit provision for unequal disbursements in FWS. However, because FWS wages are disbursed as work is performed, usually on a weekly or biweekly schedule, total disbursement amounts are likely to be different from one payment period to the next. In addition, as we'll discuss in the FWS section, a student may be paid for work performed during certain periods of nonattendance.

#### Summer school and special sessions

A student who enrolls as a regular student in an eligible program during summer school or a special session may receive Campus-Based aid if he or she meets the same general eligibility requirements that apply to a student enrolled in a regular session. If a student is not enrolled during the summer or special session, the student is not eligible to receive Campus-Based aid during the period of **nonattendance**, except in the case of an FWS job. (See FWS discussion in this chapter.)

### Chapter 6 Highlights

- FSEOG:
  - Undergraduate only — see Volume 1 for rules.
  - Maximum \$4,000, Minimum \$100.
  - Priority order for FSEOG recipients is based on Pell Grant eligibility and lowest EFCs.
- FWS:
  - Undergraduate/graduate eligibility.
  - Awards based on academic workloads & other factors, packaged based on net earnings, after taxes and job-related costs are subtracted.
  - Student may be employed during certain periods of nonattendance.
- Related Information:
  - See *Chapter 7* of this volume for a discussion of packaging Campus-Based aid with other assistance so as not to exceed the student's financial need.
  - See *Volume 1* for rules on undergraduate vs. graduate status.
  - See *Volume 4* for rules governing timing of disbursements & general FSA funds management.
  - See *Volume 6* for information on operating an FWS program, including allowable types of employment, JLD and Work College

### Selecting independent and part-time students

34 CFR 674.10(b), 675.10(c), 34 CFR 676.10(b)

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## FSEOG citations

Selection Procedures 34 CFR 676.10

Frequency of disbursements 34 CFR 676.16(a) and (e)

Minimum and maximum awards 34 CFR 676.20

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## Award year & payment period

"Award year" is defined as "the period of time from July 1 of one year through June 30 of the following year."

Institutional Eligibility regulations, 34 CFR 600.2

As discussed in *Chapter 1* of this volume, the payment period for a program that uses standard academic terms is a semester, trimester, or quarter. See *Chapter 1* for a description of payment periods in programs not using terms or not using standard terms.

Payment period defined: 34 CFR 668.4

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## FSEOG & Pell Grant LEU

Students who have reached or exceeded 600% of their Pell or Iraq & Afghanistan Service Grant LEU may still be eligible to receive FSEOG, however, they are in the second selection group.

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## FSA Assessments

To assess your school's compliance with the provisions of this chapter, see the FSA Assessment modules: Awarding & Disbursement, FSEOG and FWS programs under the "Campus-Based Programs" category, at: <http://ifap.ed.gov/qahome/fsaassessment.html>.

## AWARDING FSEOG

### *Award amounts*

The maximum Federal Supplemental Educational Opportunity Grant (FSEOG) for a full academic year is usually \$4,000. However, you may award as much as \$4,400 to a student participating in a study-abroad program that is approved for credit by the home school. The minimum FSEOG amount is \$100, but you may prorate this amount if the student is enrolled for less than an academic year.

The FSEOG maximum award for a student applies to both the federal share and the required non-federal share. However, when your school has a waiver of the non-federal share, the FSEOG maximum applies to just the FSEOG federal funds. When there is no waiver, the FSEOG federal dollars awarded to a student are considered to be 75 percent of that student's total FSEOG award, and the school must account for the remaining 25 percent non-federal share, regardless of the type of school resources used and the method used to match. For more detail on the requirements of federal and non-federal shares, see *Volume 6, Chapter 1*.

### *Selecting FSEOG recipients*

When awarding FSEOG funds for an award year, you must first select students with the lowest Expected Family Contribution (EFC) who will also receive Pell Grants in that award year. This group is known as the FSEOG first selection group. A student who will receive a Pell Grant in the award year is a student who has demonstrated Pell Grant eligibility for the same award year based upon an EFC that you have calculated for the student or the EFC on the student's valid SAR or ISIR.

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 for the fall semester only due to reaching his lifetime eligibility used (LEU), the student may be awarded an FSEOG for both the fall semester and subsequent spring semester.

If you have remaining FSEOG funds after making awards to all Pell Grant recipients for that award year, you must next select students with the lowest EFCs who are not receiving Pell Grants. This group of students is known as the FSEOG second selection group. This group also includes students who have exceeded their LEU. LEU is covered fully in *Chapter 3* of this volume.

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. If the FSEOG recipient does not actually receive a Pell Grant during the award year, but the documentation shows that the FSEOG award and disbursement was made in good faith, you are not required to recover the FSEOG funds. If the student loses Pell Grant eligibility prior to disbursement of the FSEOG, you must cancel the FSEOG award.

**Crossover payment period**

Certain flexibilities exist when determining whether a student is considered to be in the FSEOG first selection group during a payment period that falls into two award years (a payment period that begins before July 1 and ends on or after July 1, commonly referred to as a “crossover payment period”). If a student will also receive a Pell Grant during a payment period that occurs in two award years and the student is among those students with the lowest EFCs, the student satisfies the FSEOG first selection group requirements for the same crossover period regardless of which award year the Pell Grant funds are attributed.

In order to be considered part of the FSEOG first selection group, a student does not necessarily have to receive a Pell Grant in the same crossover payment period. A student can also be awarded FSEOG funds under the FSEOG first selection group requirements during a crossover payment period, from either award year’s allocation, as long as the student will also receive a Pell Grant in the award year to which the crossover payment period is attributed for Pell Grant purposes.

**Establishing categories of students**

Your selection procedures may specify categories of students to ensure that the students in each category have an opportunity to be awarded FSEOG funds. Categories may be based on class standing, enrollment status, program, date of application, or a combination of factors. You may choose to assign a percentage or dollar amount of FSEOG funds to each category; there is no requirement to make the percentage or dollar amount proportional to the need of students in a particular category or even to the number of students in the category. However, categorization may not be used to exclude certain students or groups of students from consideration. If you know that your school’s funds are so limited as to effectively exclude year after year categories that come later in the sequence, your school may not be in compliance with the “reasonably available” provision.

Your school’s written selection procedures must ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year. If your school enrolls students as often as monthly or weekly, FSEOG funds can be reserved for use throughout that award year (on the basis of your school’s experiences from previous periods), and selection practices can be applied in a manner that would assure a reasonable consistency over the entire award year.

When you use categories to package FSEOG, within each category you must first award the assigned FSEOG funds to students with the lowest EFCs who will also receive a Pell Grant. If FSEOG funds assigned for that category still remain, you must next award FSEOG funds to students in the category with the lowest EFCs who will not receive a Pell Grant.

**Frequency & amount of FSEOG disbursements**

If you’re awarding an FSEOG for a full academic year, you must pay a portion of the grant during each payment period, *even if the student’s program doesn’t use standard academic terms.* (See *Chapter 1* of this volume for an explanation of payment periods.)

**Perkins Loans**

DCL GEN-17-10



To determine the amount of each disbursement, you would usually divide the total FSEOG award by the number of payment periods the student will attend. However, you are allowed to pay an FSEOG in unequal amounts if the student has costs or resources that are different for different payment periods. You may make payments *within* a payment period in whatever installments will best meet the student's needs.

**AWARDING FEDERAL WORK-STUDY (FWS)**

Unlike the other two Campus-Based Programs, the FWS Program does not require that priority be given to students who have *exceptional* financial need. However, you must make FWS jobs reasonably available, to the extent of available funds, to all eligible students. Your selection procedures must be in writing, uniformly applied, and kept in your school's files.

There are no specific award limits for FWS earnings, other than the requirement that the amount of the FWS award not exceed the student's financial need. For a full discussion of packaging FWS with other aid, see *Chapter 7* in this volume.

When deciding on an appropriate FWS award for a student, you should consider the student's academic work load and any other factors that might affect the hours that a student could work each week.

***Basing FWS awards on net work earnings***

The *gross* amount of the award is based on the total number of hours to be worked multiplied by the anticipated wage rate. For awarding and packaging purposes, you should use the student's *net* FWS earnings, which exclude taxes and job-related expenses. To determine the student's *net* FWS earnings, you should subtract any job-related costs and non-refundable taxes from the student's *gross* FWS earnings. If you are certain that the student's federal or state taxes paid will be refunded, you should not subtract those taxes paid from the student's gross earnings.

Job-related costs are costs the student incurs because of his or her job. Examples of job-related costs include uniforms, the cost of meals at work, and transportation to and from work. For work during vacation periods, job-related costs can include room and board as long as the FWS student incurs these costs only because of the FWS employment. For example, room and board during the summer *cannot* be included in job-related costs if the FWS student also takes summer courses.

**Underuse of funds**

34 CFR 674.3(d)(3)

If your school does not use all of its Campus-Based funds annual authorization, this is called "underutilization." Schools with an underutilization of over 10% of their annual authorization will have their annual authorization for the following year reduced by the dollar amount of the underutilization.

**Graduate/undergraduate status in teacher certification program**

A student enrolled in a teacher certification program may be considered either an undergraduate or a graduate student.

### ***Earnings for the next period of enrollment***

Many FWS students must pay the bulk of their education costs in the beginning of each period of enrollment, before they have had a chance to earn FWS wages. Therefore, you may allow a student to earn FWS wages to cover educational expenses in the next period of enrollment that your school offers. The student must be planning to enroll in that next period of enrollment and must demonstrate financial need for that period of enrollment. The next period of enrollment is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.

A student may earn FWS funds for the next period of enrollment during any period of enrollment, including a period of enrollment that is comprised, in whole or in part, of minisessions. A student may also earn FWS wages toward the next period of enrollment during a period of nonattendance, as discussed below.

### ***Working during periods of nonattendance***

A student may be employed under FWS during a period of nonattendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an unattended fall or spring semester. To be eligible for this employment, a student must be planning to enroll for the next period of enrollment and must have demonstrated financial need for that period of enrollment. The student's net earnings (earnings minus taxes and job-related costs) during this period of nonattendance must be used to cover expenses associated with his or her financial need for the next period of enrollment.

When a student who had an FWS job in a period of nonattendance fails to enroll in the next academic period, you must be able to demonstrate that the student was eligible for employment and that, at the time the FWS was awarded, you had reason to believe the student intended to enroll in the next period. At a minimum, you must keep a written record in your files showing that the student had accepted the school's offer of admittance for the next period of enrollment. If, during the period of nonattendance, you learn that the student will no longer enroll in the next period of enrollment, the student must immediately stop working under FWS.

### **Calculating Maximum Gross Earnings example**

Kris has unmet financial need of \$1,000 at Grace University. Because Kris has a Social Security tax of 7.65% (that will not be refunded) and \$108 in job-related costs, the school may allow Kris to earn an FWS award amount that is higher than his \$1,000 unmet financial need in order for him to earn the allowable \$1,000 net FWS earnings.

To calculate the FWS award amount to reflect the maximum gross FWS earnings that Kris may earn without the net FWS earnings exceeding the student's \$1,000 financial need, the school must do the following:

1. Add the amount of job-related costs to the amount of his unmet need ( $\$108 + \$1,000 = \$1,108$ ) for a total of \$1,108.
2. Account for the Social Security tax by determining that his net FWS earnings are 92.35% of his gross earnings ( $100\% - 7.65\% = 92.35\%$ ) or (.9235).
3. Divide the total in step 1 by the ratio in step 2 ( $\$1,108 / .9235 = \$1,199.78$ ) for a result of \$1,199.78 (\$1,200 after rounding).

Grace University may give Kris a \$1,200 FWS award and his net FWS earnings will not exceed his \$1,000 unmet financial need.

### **Certain FWS students exempt from FICA taxes**

Under certain IRS specified conditions, FWS student wages for students employed by the school may be exempt from FICA taxes (for more detail, see <http://www.irs.gov/Charities-&-Non-Profits/Student-Exception-to-FICA-Tax>).

### **FWS community service requirement**

34 CFR 675.18(g)

## Taxes and job-related costs cite

34 CFR 675.25(a)

## Work during nonattendance

For further information about working during vacation periods or periods of nonattendance, see the discussion of enrollment requirements in *Volume 1*.

## FWS for period preceding study abroad

A student in an eligible study-abroad program may be employed during a period of nonattendance preceding the study abroad if he or she will be continuously enrolled in his or her American school while abroad and if the student's study is part of the American school's own program. In such a case, a student may be employed in a qualified position in the United States, at the American school's branch campus in a foreign country, or at a U.S. government facility abroad.

## FWS and minisessions

If your school combines a series of minisessions or modules into one term (e.g., three summer minisessions into one summer semester), an FWS student attending any of the minisessions may earn FWS wages at any time throughout that term. You may apply those earnings towards the student's financial need for the minisession(s) attended and/or the next period of enrollment. You must base the student's financial need for attending the summer term on the period when the student is actually enrolled in the minisessions. The amount of FWS wages a student may earn at any given point in the term does not depend on whether or not the student is enrolled in a minisession at that time. You have some flexibility in deciding with the student how to distribute the hours worked throughout the summer term. (See the example in the sidebar below.)

## Minisession example

Lutz University has a summer term made up of three minisessions. Robert enrolls in classes for the June and August minisessions but does not enroll in any classes for the July minisession. Robert has a financial need of \$500 for his attendance in two of the summer minisessions. Robert also plans to enroll in the following fall semester and has a remaining need of \$250 for that semester. Robert is given a \$750 FWS award in the summer (\$500 for the two summer minisessions and \$250 for the fall semester). Robert knows his June minisession courses will be very demanding and he will not have time to work. So, Robert earns \$500 during the July minisession when he has no classes. Robert has classes again in August, but his academic workload is lighter. In August, Robert earns \$250 toward his education costs in the upcoming fall semester.

## Community service requirement, penalty, waivers

A school must spend at least seven percent of its total FWS federal authorization to pay students employed in community service activities. In meeting this requirement, at least one or more of the school's FWS students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project. A school is still expected to pay the institutional share of a student's FWS wages.

If you fail to meet one or both of these requirements, you may be required to return FWS federal funds in an amount that represents the difference between the amount a school should have spent for community service and the amount you actually spent. Your school may also be subject to a Limitation, Suspension, and Termination proceeding, through which your school could be denied future participation in the FWS Program, and possibly other Title IV programs. Your school may also be subject to a substantial fine.

If enforcing the requirement(s) would cause a hardship for the students at the school (not a hardship for the school), the Department of Education may waive one or both of the community service requirements. The fact that it may be difficult for the school to comply with the requirement(s) is not in and of itself a basis for granting a waiver.

To submit a waiver request, go to the eCampus-Based website and navigate to the "Community Service Waiver" link at the top of the "Setup-Change Years/Schools" page. Your waiver request must specify whether your school is requesting a waiver of the seven percent community service requirement, the reading tutor or child/family literacy project requirement, or both. You must also include detailed information to demonstrate that complying with the requirement(s) would cause hardship for the school's students.

Some commonly denied reasons for a waiver include:

- The school was unable to generate sufficient FWS positions to utilize the funds;
- The school had difficulty making necessary FWS awards to students;
- Awarded students did not return the second semester;
- New financial aid administrator(s);
- Staff did not realize the funds had not been expended until too late.

Examples of acceptable waiver reasons include:

- School has an FWS annual authorization insufficient to meet the requirement(s);
- School is in a rural/low-population location;
- Students are in specialized program of study.

# Packaging Aid

## CHAPTER 7

*Once you've received the student's FAFSA information (including EFC) and calculated the student's aid eligibility, you can package the student's aid. The general rule in packaging is that the student's total financial aid and other Estimated Financial Assistance (EFA) must not exceed the student's financial need. If you discover that the student has other EFA that causes the aid package to exceed the student's need, you must attempt to adjust the aid package to eliminate the overaward. If the overaward can't be eliminated, you must follow the overaward procedures in Volume 5.*

In earlier chapters of this volume, we described how to calculate student awards, based on costs, period of enrollment, and statutory award maximums. Except for Pell Grants, Title IV award amounts are also constrained by the other aid that a student receives, known as *Estimated Financial Assistance* (EFA). The general rule is that the student's total aid may not exceed the student's financial need. (Need = Cost of Attendance minus EFC.)

The cost of attendance for the Campus-Based, TEACH Grant, and Direct/Direct PLUS Loan programs is based on the student's enrollment status and costs for the period for which the aid is intended. The Cost of Attendance (COA) used for Pell Grants and Iraq & Afghanistan Service Grants 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 program) or prorate down for students who are attending for periods longer than an academic year.

The process of awarding aid without exceeding the student's financial need 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 the students they serve.

To help you package federal student aid with your other aid awards, we provide a packaging module in EDEXpress. 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)

### CHAPTER 7 HIGHLIGHTS:

- Related software: EDEXpress Packaging Module
  - Available at <https://fsadownload.ed.gov>
- Packaging principles
  - Pell Grants packaged first; not reduced for other aid.
  - Campus-Based and Direct Subsidized/Unsubsidized Loans based on Pell, eligibility, EFC, and Estimated Financial Assistance.
  - Iraq & Afghanistan Service Grant
- Treatment of need-based earnings
- Treatment of other aid: special cases
  - AmeriCorps and veterans educational benefits
  - Vocational rehabilitation assistance
  - Bureau of Indian Affairs grants

### Financial need

<https://studentaid.ed.gov/fafsa/next-steps/how-calculated>

$$\frac{\text{Cost of Attendance} - \text{EFC}}{\text{Financial Need}}$$

### Some key points from Chapter 5 (Direct/Direct PLUS Loan Periods and Amounts)

- Before you originate a loan, you must determine the student's eligibility for a Pell Grant.
- You may originate a Direct Subsidized Loan only for the amount of the student's financial need—the student's costs minus the student's EFC and estimated cost minus financial assistance.
- A student may qualify for a combination of Direct Subsidized and Unsubsidized Loans.
- If they meet program requirements, the parents of a dependent student can take out a PLUS Loan to pay for the student's cost of attendance. There is no fixed loan limit for PLUS Loans.
- If the student is independent, or his/her parents can't borrow a PLUS, the student is eligible for additional Direct Unsubsidized amounts.
- Direct Unsubsidized Loans and Direct PLUS Loans (as well as TEACH Grant funds) can be used to replace the EFC, as well as to cover the student's unmet need.
- Direct PLUS Loans are available to graduate and professional students.
- Graduate/professional students may not receive Direct Subsidized loans for loan periods that start on or after July 1, 2012.

### Pell can't be used to pay a loan

If the student'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 loan repayment isn't an educational expense.

### Prohibition on originating Direct Loans for school charges only

HEA Sec. 479(A)(c)  
34 CFR 685.301(a)(8)  
DCL GEN-11-07

Your school cannot originate Direct Loans only in the amount needed to cover the school charges, nor limit Direct Unsubsidized borrowing by independent students. See *Chapter 5* of this volume for further information on originating loan amounts.

### Requirements for arrangements with private lenders

34 CFR 601

For more detail on the school's responsibilities with respect to education loans from private lenders, see the participation and student consumer information requirements in *Volume 2* of the *FSA Handbook*.

system.

### PELL GRANTS AS FIRST SOURCE OF AID

Pell Grants are considered to be the first source of aid to the student, and packaging Title IV funds begins with Pell eligibility. A correctly determined Pell Grant is never adjusted to take into account other forms of aid.

Therefore, if a student's aid package exceeds his/her need, you must attempt to eliminate the overaward by reducing other aid your school controls.

The Department issues Pell payment schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. As we'll see, aid from the other Title IV programs must be awarded to ensure that the student's need is not exceeded, unless certain types of aid are used to replace the EFC, as permitted.

Traditional financial aid practice suggests that you would also adjust non-federal aid awards, if necessary, to ensure that the student's financial need is not exceeded. But it's possible that the student will receive a scholarship or other aid that you can't adjust and is large enough (in combination with the Pell Grant) to exceed the student's need. In this case, the student is still eligible for a Pell Grant based on the payment schedule. However, you can't award any Title IV funds other than the Pell Grant.

For instance, the National Collegiate Athletic Association's rules for athletic aid sometimes permit a school to award athletic aid that exceeds the student's need. You must still pay the full Pell Grant to the student, but you may not pay other Title IV funds to the student, because his/her financial need has already been met.

### PACKAGING RULES FOR CAMPUS-BASED AID AND DIRECT LOANS

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

For students who have a Pell-eligible EFC, you must not award any

FSEOG to students who've reached their 600% Lifetime Eligibility Used (LEU) until after awarding all students who are still Pell-eligible.

## ESTIMATED FINANCIAL ASSISTANCE (EFA)

In contrast to Pell & Iraq and Afghanistan Service Grants, you must take other aid into account when awarding TEACH Grant funds, Campus-Based aid, or Title IV Loans. As noted earlier, the other aid that must be considered is called “estimated financial assistance” (EFA). “EFA” is used in the same way for the Title IV Loan programs purposes as for TEACH and the Campus-Based Programs. However, there are differences in the treatment of AmeriCorps and Chapter 30 GI benefits (discussed later in this chapter).

In general, EFA, as defined for the Campus-Based Programs and TEACH grants, refers to aid from the Title IV programs, as well as grants, scholarships, loans, and 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. 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

## Estimated Financial Assistance

34 CFR 673.5(c)

HEA: Sec. 428(a)(2)(C)(ii)

DL: 34 CFR 685.102(b)

Note: The Iraq and Afghanistan Service Grant is not considered EFA.

## Estimated Financial Assistance provided by a state

HEA Sec. 480(j)

If the assistance provided by a state is not considered Title IV assistance (such as a LEAP Grant), 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 Estimated Financial Assistance. You may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and Estimated Financial Assistance. If the amount excluded is less than the allowance provided in the student's COA, you must exclude the lesser amount.

## Prepaid tuition plans

GEN-06-05, HEA Sec. 480(f) & (j)

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.”

## Examples of Estimated Financial Assistance

### Estimated Financial Assistance

Any educational benefits paid because of enrollment in postsecondary education, such as:

- The student's Pell Grant eligibility;
- Direct Unsubsidized and Subsidized Loans;
- PLUS Loans;
- Long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be Estimated Financial Assistance);
- Grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs) 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;
- Income from insurance programs that pay for the student's education;
- Need-based employment such as FWS;
- Net income from need-based employment;
- AmeriCorps funds (except when packaging Direct Subsidized Loans);
- McNair Postbaccalaureate Achievement Program; and
- TEACH Grant funds.
- Private education loans are **not** considered EFA UNLESS the loan substitutes for the EFC and exceeds it, in which case the loan funds which exceed the EFC are considered EFA.

### Not EFA

- The Iraq & Afghanistan Service Grant is NOT considered EFA.
- Veterans education benefits are not considered EFA (see *Appendix A* at the end of this chapter).
- When awarding Campus-Based funds, you may exclude from EFA: funds up to the amount of any Direct Subsidized Loan that you award to the student when the student received AmeriCorps or Chapter 30 benefits.
- When determining eligibility for subsidized Direct Loans, you must exclude the entire amount of AmeriCorps benefits.

wages for employment but is not based on need, then it is not EFA and it remains in income.

## PACKAGING AID FOR CHILDREN OF IRAQ & AFGHANISTAN SOLDIERS

As described in *Chapter 3*, 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 1) 23 years of age or younger, or 2) 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:

- If the student has a Pell-eligible EFC, you must **award** all Title IV aid based on an EFC of zero and must **package** all aid based on an EFC of zero, without regard to the student's calculated EFC (you don't actually change the student's EFC).
- If the student has an EFC that is too high to qualify for a Pell Grant, he or she is potentially eligible to receive an Iraq & Afghanistan Service Grant.

### Packaging Iraq & Afghanistan Service Grants

July 30, 2010 E-Announcement

February 11, 2011 E-Announcement

An Iraq & 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 & Afghanistan Service Grant that **by itself** exceeds the student's cost of attendance is an overaward. All of these Iraq & Afghanistan Service Grant overawards must be corrected (for more detail on how to resolve overawards, see *Volume 5* of the *FSA Handbook*).

### Pell and Iraq & Afghanistan Service Grant Lifetime Eligibility Used

You must check the COD common records and the ISIR / NSLDS records to make sure students close to the 600% lifetime limit on a Pell Grant 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 PGLXOP, where XX=year) for your school's Pell-eligible applicants that have a Pell LEU greater than or equal to 450%. See *Chapter 3* for more detail on the effects of various levels of Pell/Iraq & Afghanistan Service Grant LEU.

### Packaging Graduate/Professional PLUS

A Direct PLUS Loan does not count against a graduate/professional student's Direct Unsubsidized annual or aggregate loan limits.

### 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 *Chapter 6* of this volume).

### Packaging Iraq & Afghanistan Service Grants

The amount of the Iraq and Afghanistan Service Grant is determined by enrollment status only (see *Chapter 3*). For students receiving Grants, you include the student's normally calculated EFC when packaging other Title IV aid. The 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 & Afghanistan Service Grant. For more detail on the Iraq & Afghanistan Service Grant, including calculating an award for a payment period, see *Chapter 3* of this volume.

An Iraq & Afghanistan Service Grant is not adjusted to take into account other forms of aid, so if a student's aid package includes a grant and the total package exceeds the student's need or cost of attendance, you must reduce other aid to eliminate the overaward. If a student's total grant payments, by themselves, excluding other aid, will exceed his or her FSA cost of attendance for a period of enrollment, the total amount of the grant paid to the student must be reduced to the cost of attendance for the period of enrollment (reduce each payment for each payment period by an equal amount).

## PACKAGING TEACH GRANTS

If you choose not to use the TEACH Grant to finance the EFC (see the “Substituting for the EFC” section below), all of the TEACH Grant is considered EFA for all other Title IV programs. Beginning with any unsubsidized loans, you should first reduce a student’s level of borrowing. Once a student’s loans have been reduced, or if the student has no loans, it may be necessary to reduce the student’s TEACH Grant or other aid. If your school fails to follow required procedures, your school must repay any Title IV overpayment. If your school followed the required procedures and the Title IV overpayment is \$25 or more, the student must repay the overpayment.

### *When a student has no need-based aid:*

TEACH Grants are not considered to be need-based aid. However, a student’s TEACH Grant, in combination with the student’s other estimated non-need-based financial assistance (a component of EFA), may not exceed the student’s cost of attendance. If a student is **not** receiving need-based financial assistance, the EFC is **not** included in determining whether a student is in an overaward status.

If you discover a situation where, for a student who is not receiving any need-based financial assistance, the TEACH Grant in combination with other non-need-based EFA exceeds the student’s cost of attendance, the TEACH Grant must be reduced.

### *When a student is receiving need-based aid:*

For a student who is receiving need-based student aid, the student’s EFC plus TEACH Grant, plus other EFA may not exceed the student’s cost of attendance. As with Direct Unsubsidized Loans, Direct PLUS Loans, and nonfederal education loans, TEACH Grants may be used to replace a student’s EFC. If the TEACH Grant exceeds a student’s EFC, the excess TEACH Grant is considered EFA for other Title IV programs.

If a student’s EFC plus TEACH Grant, plus EFA exceeds the cost of attendance, you should first apply the TEACH Grant to finance the EFC (remember, any TEACH Grant above the EFC is considered EFA for other Title IV programs). If the EFC, plus any remaining TEACH Grant, plus any other EFA still exceeds the student’s cost of attendance, the student is in an overaward status, and you must resolve it (for more detail on how to resolve overawards, see *Volume 4, Chapter 3*).

Before reducing a student’s need-based aid, you should reevaluate the student’s cost of attendance to determine whether the student has increased costs that were not anticipated when the school initially awarded aid to the student. If the student’s costs have increased, and if the total aid package does not exceed the revised cost of attendance, you are not required to take further action. If you determine that the student’s aid package still exceeds the student’s cost of attendance, you must resolve the overpayment (for more detail on how to resolve overawards, see *Volume 4, Chapter 3*).

### **Awarding when programs gain Title IV eligibility in the middle of a term**

When you have a program that gains Title IV eligibility in the middle of an award year, term, or payment period, for students already enrolled in the program, you may award Title IV aid for all non-loan programs beginning with the payment period in which the programs gain Title IV eligibility, if the student has not completed that payment period, and for loans, retroactive to the beginning of the period of enrollment (usually the academic year) assuming the student, program, and school are Title IV eligible.

When a student regains Title IV eligibility after a loan default is resolved, the borrower regains Title IV grant eligibility beginning with the payment period in which the default was resolved and regains Direct Loan eligibility beginning with the period of enrollment in which the default was resolved.

### **NCAA Considerations and recent changes**

The “Power Five” conferences of the NCAA (the ACC, Big Ten, Big 12, Pac 10, and SEC) have voted to expand their athletic scholarship to cover an athlete’s full cost of attendance. Previously, only the components listed under “Allowable costs in general” in *Chapter 2* of this volume were included in COA. This change only applies to the colleges in the Power Five, but may also be adopted by other Division I participating schools, at their discretion.

One important exception to the full cost COA is the practice of a school’s paying the costs of an athlete’s insurance against injury to protect against loss of future income. This expense may not be included in COA because it is not related to a student’s educational program, but **is** included as EFA for the student in the aid packaging process.

### Requirement to consider grants and subsidized loans first

34 CFR 685.200(a)(iii)

### Packaging when choosing not to borrow Direct Loans

If a graduate PLUS borrower does not request the maximum Direct Loan amount for which he/she is eligible, you must notify the borrower of his/her maximum Direct Loan eligibility, the loan interest rate for Direct Loans and Direct PLUS, the grace periods and repayment time frame of Direct and Direct PLUS, and give the borrower the opportunity to request the maximum Direct Loan at the lowest interest rate for which the borrower is eligible.

If the 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 estimated financial assistance when determining the amount of the Direct PLUS Loan. The same principle applies when a graduate/professional student is eligible for Direct Unsubsidized but chooses to borrow only Direct PLUS.

## CONSIDERING GRANTS AND SUBSIDIZED LOANS FIRST

The law requires aid administrators to find out whether the student is eligible for 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 Estimated Financial Assistance 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. In addition, a student may not receive a Direct Unsubsidized Loan unless the student has received a Direct Subsidized Loan for the maximum amount for which the student is eligible. (The difference between Direct Subsidized and Unsubsidized Loans is explained in *Chapter 5* of this volume.) However, if the amount of the Direct Subsidized Loan would be \$200 or less and the amount can be included as part of a Direct Unsubsidized Loan, you are not required to originate a separate subsidized loan.

For a dependent student, you may originate a Parent PLUS and disburse Parent PLUS funds without determining the student's Pell Grant and Direct Subsidized Loan eligibility. Determining Pell eligibility is not relevant for Graduate PLUS, but (unlike Parent PLUS) your school must determine a graduate/professional student's maximum Direct Unsubsidized eligibility before the student applies for PLUS.

## FSEOG & 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 for the fall semester only due to reaching his 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 & Afghanistan Service Grant LEU may still be eligible to receive FSEOG, however, they must be considered in the second selection group.

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 *Chapter 3* of this volume.

## SUBSTITUTING FOR THE EFC

A school may substitute certain types of aid (Title IV aid funds from programs for which eligibility is not based on the EFC) for the student's EFC. Forms of aid that may replace the student's EFC include Direct Unsubsidized Loans, TEACH Grant funds, PLUS Loans, state loans, private education loans, any other non-need-based loans. Note that all annual loan limits still apply (PLUS Loans count towards neither annual nor aggregate limits), and if any of these are used to substitute for EFC, amounts that exceed the EFC are counted as estimated financial assistance.

You must package Campus-Based funds and Direct Subsidized Loans before unsubsidized loans; as such, treatment of unsubsidized loans only becomes a factor when awarding Direct Unsubsidized and PLUS Loans. When awarding Direct Subsidized/Unsubsidized and Direct PLUS Loans, Direct Unsubsidized Loan amounts are only counted in *estimated financial assistance* if they exceed the EFC.

## RECALCULATION

Any time a student begins attendance in at least one course but does not begin attendance in all the courses he or she was scheduled to attend and on which his or her eligibility for Title IV Aid was based, the school must recalculate the student's eligibility for Pell Grant, Iraq and Afghanistan Service Grants, and TEACH, based on a revised enrollment status and cost of attendance. For the Campus-Based programs, the school may need to recalculate the student's eligibility based on a revised cost of attendance.

A school may adopt a recalculation policy that is more strict than the regulations require, e.g., a policy that requires recalculation up to a census date or anytime 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 if 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 & 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 the school has completed recalculating the student's eligibility, Title IV funds in excess of the amount the student is eligible to receive must be returned or reawarded, as applicable, by the school within three days (or, for up to one percent of a school's total amount of funds drawn down in the prior award year, up to seven days, as described in the excess cash requirements in 34 CFR 668.166(b)).

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### Substituting for the EFC

34 CFR 686.21(d)  
34 CFR 685.200(e)  
34 CFR 668.52

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### Recalculation and Direct Loans

If a school is recalculating aid for a student who was enrolled in a series of classes or modules and who dropped all future classes before beginning attendance in enough classes to qualify for half-time enrollment status, the school may not make a first disbursement of the loan because the student never began attendance on at least a half-time basis (34 CFR 685.303(b)(3)(i) and (iv)). However, if the school had already made a disbursement and the student began attendance, no action is necessary. For more detail on recalculating Direct Loans, see *Chapter 5* of this volume.

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### Recalculation and Pell Grants

Since Pell Grants are always based on the full-time cost of attendance, recalculation means that you are looking at the student's revised enrollment status and using the Pell Payment Schedule appropriate for the student's revised enrollment status. For more detail on recalculating Pell Grants, see *Chapter 3* of this volume.

### *Recalculating Cost of Attendance (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 payment periods*

A school may have a policy of recalculating awards when the cost of attendance changes from one payment period to the next—for example, because of changes to the student's tuition and fee costs, or because a student's living situation changes (such as when a student moves off campus). Schools also have the option to establish a policy to recalculate financial aid awards when a student's costs change *within* an award year, as long as the recalculation policy is carried out for all students whose costs change.

#### *COA changes within a payment period*

You may establish a policy of recalculating for cost changes from one payment period to the next, and at the same time, have a policy not to recalculate for cost changes *within* a payment period. You also have the option to establish a policy to recalculate 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, the school may wish to recalculate the student's award for that payment period.

For Pell purposes, such a policy is acceptable if it's carried out for all students whose costs change within the payment period.

You may not recalculate the payment for a payment period that took place *before* the cost change. For instance, in the example, if the 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.

## Basic packaging example

Cost=\$12,500	unmet need	<b>\$12,500 Cost</b> - <b>2,500 EFC</b> <hr/> <b>\$10,000 Need</b>
	10,000	
	EFC	

Ricki is a dependent student, returning as a sophomore to Dwight College. For academic purposes, Dwight College considers him to be a 2nd-year student. His cost of attendance is \$12,500, and his EFC for the current year is 2,500; therefore, the packaging process begins with \$10,000 in unmet need.

Cost=\$12,500	unmet need	<b>\$12,500 Cost</b> - <b>2,500 EFC</b> - <b>1,600 Pell Grant</b> - <b>1,400 Scholarship</b> <hr/> <b>\$ 7,000 Remaining Need</b>
	\$7,000	
	Pell + scholarship	
	\$3,000	
EFC	\$2,500	

The aid administrator at Dwight College begins by awarding Pell Grants and applying an outside scholarship before awarding Campus-Based aid. Ricki's Estimated Financial Assistance is a \$1,600 Pell and an \$1,400 outside scholarship.

Cost=\$12,500	unmet need	<b>\$12,500 Cost</b> - <b>2,500 EFC</b> - <b>1,600 Pell Grant</b> - <b>1,400 Scholarship</b> - <b>800 FSEOG</b> - <b>1,800 FWS</b> <hr/> <b>\$ 4,400 Remaining Need</b>
	\$4,400	
	C-B Aid	
	\$2,600	
	Pell + Sch.	
\$3,000		
EFC	\$2,500	

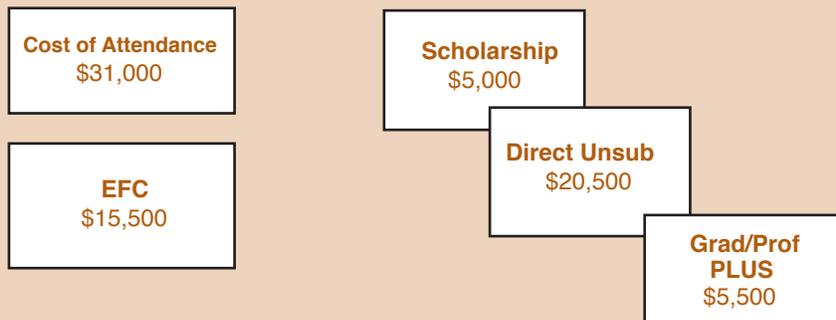
Ricki has sufficient need for the maximum awards that the aid administrator can make under Dwight's policy for Campus-Based funds: \$800 FSEOG, and \$1,800 in FWS employment, totaling \$2,600 in non-loan funds.

Cost=\$12,500	C-B Aid	<b>\$12,500 Cost</b> - <b>2,500 EFC</b> - <b>1,600 Pell Grant</b> - <b>1,400 Scholarship</b> - <b>800 FSEOG</b> - <b>1,800 FWS</b> - <b>4,400 Direct Sub. Loan</b> <hr/> <b>\$ 0 Remaining Need</b>
	\$2,600	
	Pell + Sch.	
	\$3,000	
	EFC	
	\$2,500	
Direct Sub	\$4,400	
unmet need	\$0	

The aid administrator at Dwight College finishes the packaging process by awarding FSA loans available to meet Ricki's need. As a 2nd-year student, Ricki's Direct Subsidized Loan limit is \$4,500. Because his remaining need is \$4,400, he can receive that amount as a Direct Subsidized Loan.

## Graduate/Professional PLUS Packaging Example

Kent enrolls in a graduate-level program at McCausland University with a total Cost of Attendance of \$31,000. Kent has already been awarded a graduate scholarship of \$5,000. Kent is a graduate student, so his annual loan limit is \$20,500. Due to the passage of the Budget Control Act, as a graduate student, Kent is not eligible to receive a Direct Subsidized Loan. McCausland awards Kent a \$20,500 Direct Unsubsidized Loan. Kent now has \$5,500 in remaining need. Kent can receive a Direct PLUS Loan for \$5,500 to satisfy his remaining need, partially replacing the EFC (minus the scholarship and Direct Unsubsidized Loans, which count as EFA).



## Using Loan Funds to Replace the EFC: Dependent example

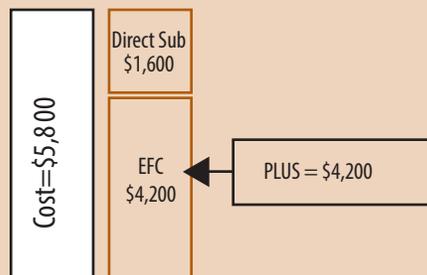
Nichelle is a first-year dependent student at Ricketts Community College. Her cost of attendance is \$5,800 and her ISIR shows that she has an EFC of 4,200, so her financial need is \$1,600. Nichelle’s EFC makes her ineligible for a Pell Grant, and Ricketts does not participate in the Campus-Based Programs. The Direct annual loan limit for a first-year dependent student is \$3,500. Nichelle qualifies for a \$1,600 Direct Subsidized Loan and has no remaining need.

Since a Direct Unsubsidized Loan can replace the EFC and Nichelle hasn’t reached the annual loan limit, she can borrow an additional \$1,900 in the form of a Direct Unsubsidized Loan to cover part of the EFC (\$3,500 annual loan limit - \$1,600 Direct Subsidized Loan = \$1,900 Direct Unsubsidized loan eligibility). Nichelle could borrow a \$1,900 Direct Unsubsidized Loan to partially cover the EFC. Her parents could then borrow \$2,300 in PLUS to cover the remaining EFC. Alternately, her parents could borrow up to \$4,200 in the form of a PLUS Loan.

\$ 5,800 Cost
<u>- 4,200 EFC</u>
\$ 1,600 Need

Replaces EFC

\$ 5,800 Cost
- 1,600 Direct Sub
- 1,900 Direct Unsub
- 2,300 PLUS
<hr/>
\$ 0 Need



## Using Loan Funds to Replace the EFC: Independent example

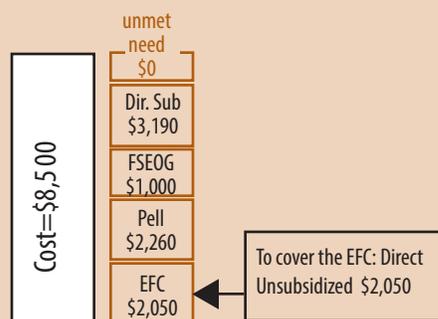
Allen enrolls in Aims College of Engineering and Animal Husbandry as a 1st-year independent student with an \$8,500 cost of attendance, and Aims has received an ISIR for him with an EFC of 2,050. He is eligible for a \$2,260 Pell Grant, and Aims also awards him a \$1,000 FSEOG. His remaining need is \$3,190, so he can receive that amount in a Direct Subsidized Loan (the Direct Subsidized Loan limit for a 1st-year student is \$3,500).

Since Allen is an independent student, he can take out an additional Direct Unsubsidized Loan to replace the EFC and as “self-help” to meet the EFC. Thus, Aims is able to award Allen an additional \$2,050 in Direct Unsubsidized Loan funds.

\$ 8,500 Cost
<u>- 2,050 EFC</u>
\$ 6,450 Need

Unmet Need + EFC

\$ 8,500 Cost
- 2,260 Pell Grant
- 1,000 FSEOG
- 3,190 Direct Subsidized
- 2,050 Direct Unsubsidized
<hr/>
\$ 0 Need



### Crossover period EFCs and Title IV aid

In a crossover payment period, when using Pell from a different award year from other Title IV aid, you must use the same EFC, COA, and need for all programs except Pell. For Pell, you use the EFC, COA, and need for the award year from which the student will be paid, and apply the amount of Pell received against the need when packaging aid from other Title IV programs.

### EFCs for periods other than 9 months

For information on EFCs for periods other than 9 months, see the *Application and Verification Guide, Chapter 3*.

### Pell crossover issues

You are no longer required to assign a crossover period to the award year in which the student would receive the greatest Pell award, but are free to 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 award to a different award year than the rest of the student's Title IV aid. For more detail on calculating Pell awards in crossover, summer, minisession, and transfer situations, see *Chapter 3* of this volume.

### Prior year charges and Title IV aid

34 CFR 668.164(d)(2)

DCL GEN-09-11

Generally, Title IV aid may only be used for current year charges. Recent regulatory amendments have allowed some limited use of current year funds to pay for prior year charges; see *Volume 4* for more detail on the circumstances and limitations of this provision.

## COUNTING NEED-BASED EARNINGS AS ESTIMATED FINANCIAL ASSISTANCE

The treatment of earnings from a job sometimes presents a problem—should the earnings be reported as income in need analysis or should they be counted as a form of student aid in the packaging process? Net earnings from *need-based employment* are considered to be student aid. “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. Only income from *need-based employment* may be considered as student aid. A Federal Work-Study job is clearly a form of need-based student aid. Employment with a state is considered to be student aid 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 the 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 locates on her own 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.

## CROSSOVER PERIODS

Crossover periods are payment, award, or loan periods that overlap two award years. In general, you may choose which award year EFC to use for a student, with one exception:

- When awarding FWS to a student not attending classes, the EFC for the next period of enrollment must be used.

The following chart summarizes the key flexibilities and options in handling crossover payment periods in the major Title IV programs. Note that for the award year selected, the student must have an official EFC calculated by the CPS, and for a Pell Grant the CPS must also have processed a valid SAR or ISIR. For crossover payment periods, you must use the same EFC, COA, and need for all programs except Pell; for Pell, use the EFC for the award year from which the student will be paid.

Handling Crossover Periods for Title IV Programs						
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 a student other TIV aid?	Use funds from the same award year as EFC?	Choice of academic year for annual loan limit regardless of award year EFC used?
<b>Pell Grant and Iraq &amp; Afghanistan Service Grant</b>	Payment period	Yes	No	Not applicable	Yes	Not applicable
<b>FWS</b>	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
<b>FSEOG</b>	Payment period	Yes	No	Yes, except for Pell Grant	No	Not applicable
<b>Direct Loans</b>	Loan period	Yes	No	Yes, except for Pell Grant	Not applicable	Yes, for term-based credit-hour programs using SAY. Not relevant for BBAY.

### Award letters and notification requirements

Many schools use an award letter to notify students of their proposed aid package. Whether you use an award 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>

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**Veterans benefits no longer EFA**

IFAP E-Announcement July 2, 2009

IFAP E-Announcement August 13, 2009

HEA 480(c)

Federal veterans benefits are excluded from the definition of estimated financial assistance as of July 1, 2009.

**PACKAGING VETERANS BENEFITS, AMERICORPS, VOCATIONAL REHABILITATION FUNDS, & BIA GRANTS***Veterans and AmeriCorps benefits*

For FSA purposes, federal veterans education benefits, as defined under Section 480(c) of the HEA, are not treated as estimated financial assistance (EFA). You can ask the student to provide the specific program or benefit under which they are receiving their veterans benefits. As in the past, veterans benefits are also not to be counted as income, and therefore are not reported as income on the FAFSA. For a full list of federal veterans education benefits, see *Appendix A* at the end of this chapter.

No AmeriCorps benefits are included in the EFA when determining eligibility for Direct *Subsidized* Loans. Note that this packaging exclusion does not affect any Campus-Based or TEACH Grant awards made to the student, because you may exclude the Direct Subsidized Loan from the EFA, up to the amount of the student's AmeriCorps benefits, for those programs. All AmeriCorps benefits are included as EFA when determining eligibility for Direct *Unsubsidized* Loans.

For example, a 2nd-year student has a COA of \$10,000 and is receiving \$4,000 in Pell and \$3,000 in AmeriCorps benefits. You package her with \$1,000 in FSEOG. You may award this student another \$3,500 in Direct Subsidized because the EFA for Direct Subsidized would not include the AmeriCorps benefits. Because there is a complementary exclusion Direct Loan that is equal to or less than AmeriCorps, this does not necessitate a recalculation of the Campus-Based awards.

Note that the income earned from the Veterans Affairs Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, and is *not* considered estimated financial assistance. It should be reported as untaxed income (not income earned from work) on the FAFSA.

*Noneducational veterans benefits* are not counted as estimated financial assistance. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits, and income from the VASWSAP. The student must report these noneducational benefits as nontaxable income on the FAFSA.

*Reserve Educational Assistance Program (REAP or Chapter 1607)*

A veterans education benefit program referred to as REAP or Chapter 1607 was signed into law on October 28, 2004. It is for reservists who serve on active duty on or after September 11, 2001, under Title 10 U.S.C., for a contingency operation and who serve at least 90 consecutive days or more. National Guard members also are eligible if their active duty is under section 502(f), Title 32 U.S.C., and they serve for 90 consecutive days when authorized by the President or Secretary of Defense for a national emergency and that active duty is supported by federal funds. Disabled members who are injured or have an illness or disease incurred or aggravated in the line of duty and who are released from active duty before completing 90 consecutive days are also eligible. The U.S. Department of Defense will identify contingency operations that qualify for benefits under Chapter 1607.

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**FSA Assessments**

For a guide to reviewing and evaluating your procedures regarding Direct Loans, see the Direct Loans module of FSA Assessments:

<http://ifap.ed.gov/qahome/fsaassessment.html>.

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**Yellow Ribbon Packaging**

August 13, 2009 E-Announcement

### *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 package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the 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 he or she is 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 cost of attendance, and increase his or her aid award.

Although the vocational rehabilitation funds shouldn't be considered estimated financial assistance when you initially package aid for the 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.

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### **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.

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### **Vocational rehabilitation packaging**

Lee has \$4,000 in vocational rehabilitation aid for the 2014-15 academic year. At Smith College, Lee has a COA of \$5,000. He is eligible for a \$5,000 Perkins Loan. Although Smith coordinates funding with the vocational rehabilitation agency to prevent an overaward, the vocational rehabilitation funds themselves are not considered EFA because they cover costs that are not components in Lee's COA, and Lee's vocational rehabilitation costs are also not included in his COA. Lee has \$2,000 of disability costs that are not met by his vocational rehabilitation award, so \$2,000 may be added to his COA. Smith decides to award Lee a \$2,000 Direct Loan to cover his COA. This is not an overaward, since Lee's original \$5,000 COA was increased by the \$2,000 in unmet disability costs not included in his COA.

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### **Bureau of Indian Affairs Grants**

34 CFR 673.6

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### **Reserve Educational Assistance Program (REAP/Chapter 1607)**

DCL GEN-05-16

As with all veterans benefits, Chapter 1607 benefits are not taxable and will not be used in the EFC calculation. In addition, Chapter 1607 benefits are not considered EFA under the Campus-Based regulations (34 CFR 673.5) nor under the Direct Loan Program regulations (34 CFR 685.102).

## TREATMENT OF OVERAWARDS

If, **at any time during the award period**, the student receives additional Estimated Financial Assistance that was not considered in calculating the student's eligibility for Campus-Based aid, and if the estimated financial assistance 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/Direct PLUS programs depends on whether the loans have been fully disbursed—if you discover that there's going to be an overaward before Direct/Direct PLUS funds are disbursed, you must eliminate the overaward through the packaging process by canceling the loan or by making a downward adjustment to a Direct Loan, or by reducing/canceling aid over which you have direct institutional control.

If the overaward situation 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 sidebar). See *Volume 5* of the *FSA Handbook* for a full discussion of overawards for all programs.

There is a \$300 overaward tolerance for the Campus-Based Programs. If the student's package is overawarded by \$300 or less (as a result of a late outside award, not the school's awarding methodology) and Campus-Based funds are part of the package, you can consider the student to not be overawarded.

For more on Pell Grant recalculations, including when they are optional and mandatory, see *Chapter 3* of this volume.

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### 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.

(see *Volume 5 - Overawards, Overpayments, & Withdrawal Calculations*.)

## APPENDIX A

### FEDERAL EDUCATION BENEFITS TO BE EXCLUDED FROM EFA, AS LISTED IN SECTION 480(C) OF THE HIGHER EDUCATION ACT

- 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



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# Introduction to Volume 4

*This volume provides guidance on how to request, disburse, manage, and report on the use of federal student aid funds.*

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**H**ere we provide a summary of changes and clarifications. **However, the introduction does not provide complete guidance on these changes.** For that, refer to the text in the chapters cited, the Code of Federal Regulations (CFR), and the Higher Education Act (HEA).

Throughout this volume new information is indicated with the following:

**NEW**

When the text represents a clarification rather than a change, it is indicated with

**Clarification**

When we believe that historically there might be some misunderstanding of a requirement, we indicate that with

**Reminder**

If we want to point out a bit of helpful information, we indicate it with

**TIP**

Finally, if we want to draw your attention to something, we use



## Notes on Active Links

At the top of each page you will find links to the Dear Colleague Letters, the Code of Federal Regulations, and the Handbook glossary and acronyms.

[Glossary](#) [CFR](#) [DCL](#)

## Noteworthy Changes

Throughout the volume references to the eCB system and Campus-Based Call Center were changed to the Common Origination and Disbursement (COD) system and COD School Relations Center to account for the transition of the former system to the latter.

We modified the margin note on page 10 about the end of the Perkins Loan Program and included a reference to Dear Colleague Letter GEN-17-10. We removed some references to Perkins throughout while retaining others since the guidance will continue to be relevant in 2018 and since some schools will continue to service Perkins loans rather than assign them all to the Department.

We rewrote page 15 for greater clarity and to add information about what causes a school to be placed on heightened cash monitoring and how the Department handles requests for funds under the HCM2 and Reimbursement payment methods.

We added and corrected text on pages 29 and 30 to clarify that charges for books and supplies must be included in institutional costs if students do not have a real and reasonable opportunity to buy those items from a source other than the school, and, as institutional costs, they must also be prorated if they are assessed for the whole program at its start.

On pages 32 and 33 we removed two of the options for apportioning charges for a program whose entire cost is incurred at the beginning. That cost must be divided proportionately according to what fraction of the credit or clock hours in the program occur in a given payment period.

We noted in the margin of page 36 why schools on the Heightened Cash Monitoring 2 and reimbursement payment methods cannot make interim disbursements (those made before verification is completed).

In the middle of page 40, we added a sentence noting that schools have latitude in how they offer students and parents the choice to receive regular (non-post-withdrawal) late disbursements.

On pages 40 and 41 we clarified the late disbursement guidance on what schools' obligations are when students withdraw, complete the payment period or period of enrollment, or do not withdraw but cease to be enrolled half time.

On page 46 we added a margin note about schools on the Heightened Cash Monitoring (HCM) 1 payment method paying credit balances by the normal deadline.

On page 48 we added a margin note about schools on the HCM and reimbursement payment methods having a way for students to get books and supplies in the normal time frame.

We moved from the body of page 54 to the margin the reference to the Federal Register notice containing the disclosure format for the fees and features associated with T1 and T2 arrangement financial accounts.

We combined the boxed sections in Chapter 2 on disclosure requirements associated with T1 and T2 arrangements since the text was redundant, and we moved the result to the body of pages 62 and 63. We also added a list of rules for displaying the relevant information on a school's website.

We added a margin note on page 72 mentioning and linking to an electronic announcement that clarifies reporting requirements when there is a Pell Grant overpayment.

We noted in the margin of page 73 that the Pell Grant default limit of 100% of a scheduled award can be exceeded if students qualify for year-round Pell, in which case they can receive up to 150% of a scheduled award.

On page 74 we removed the margin note about Iraq and Afghanistan Service grants at more than one school because starting in June 2018 COD will be sending multiple reporting records for that program to indicate concurrent enrollment and potential overawards.

On page 100 we put a note in the margin referring to our annual electronic announcement that serves as a reminder and summary for financial aid and business offices of the general requirements related to disbursement reporting, excess cash, and reconciliation.

We added the paragraph about updating loan disbursement amounts immediately below the bulleted list on page 135.



# Requesting and Managing FSA Funds



*Except for funds received as an administrative cost allowance (ACA), Federal Student Aid (FSA) funds received by a school are held in trust by the school for students and the Department. The cash management regulations discussed in this chapter establish rules and procedures that a school must follow in requesting and managing FSA program funds. These rules and procedures also apply to third-party servicers.*

## PURPOSE OF CASH MANAGEMENT REGULATIONS

The cash management regulations are intended to

- ◆ promote sound cash management of FSA program funds by schools;
- ◆ minimize the costs to the government of making FSA program funds available to students and schools; and
- ◆ minimize the costs to students who receive FSA loans.

Except for funds provided by the Secretary for administrative expenses and funds used for the Job Location and Development Program under 34 CFR part 675, subpart B, funds received by an institution under the Title IV programs are held in trust for the intended beneficiaries. **The school, as a trustee of those funds, may not use the funds as collateral or engage in any practice that risks the loss of those funds. Moreover, a school must exercise the level of care and diligence required of a fiduciary in managing Title IV program funds.**



To ensure adequate cash management practices, a school must have in place a cash management system that adheres to federal regulations and other standards. A school's cash management practices are governed by

- ◆ Generally Accepted Accounting Principles (GAAP),
- ◆ standards prescribed by the federal Office of Management and Budget (OMB),
- ◆ U.S. Department of Treasury regulations, and
- ◆ U.S. Department of Education (ED/the Department) regulations.

### Cash management

34 CFR Subpart K

### Purpose of regulations

34 CFR 668.161

### Definition

**Standard of conduct**—The requirement that an institution must exercise the level of care and diligence required of a fiduciary with regard to managing Title IV, HEA program funds.

34 CFR 668.161(c)

See 668.82 for other criteria that fall under this requirement.

### Self-Assessment Tool for fiscal management

You can evaluate your school's fiscal management procedures by referring to the "Fiscal Management Assessment" at <https://ifap.ed.gov/FSAAssessments/FiscalManagement.html>.

**Am I a Grantee or a Payee?**

A **grantee** is an entity (not a person) that applies for and receives a grant award from the Department. The grantee is responsible for ensuring the grant is administered according to program regulations.

A **payee** is an entity designated by the grantee to request and manage federal funds on its behalf. The grantee and payee can be the same entity.

**What Is a TIN?**

It is the unique, nine-digit, federal taxpayer identification number given to the grantee organization, which uses the TIN to report activity to the Internal Revenue Service.

\* G5 controls cash for both FSA and non-FSA Title IV programs.

**TIP**

Users must register for access to G5, and there is no limit to the number of G5 users an organization may have. Business officers and financial aid administrators are encouraged to use G5 to reconcile FSA funds.

**Access to G5**

The G5 website is [www.G5.gov](http://www.G5.gov). For questions, contact the G5 help desk using one of these options:

- Phone: 1-888-336-8930
- Email: [edcaps.user@ed.gov](mailto:edcaps.user@ed.gov)
- Go to the self-help portal at <http://edcaps.force.com/> to submit a ticket.

**EDCAPS AND G5****EDCAPS**

The Education Central Automated Processing System (EDCAPS) is designed to integrate the Department's financial processes, including financial management, contracts and purchasing, grants administration, and payment management.

EDCAPS integrates four formerly separate system modules into a single system. EDCAPS consists of the following:

- ◆ Financial Management Systems Software,
- ◆ Travel Management,
- ◆ Contracts and Purchasing Support System, and
- ◆ Grant Management System (G5).\*

G5 is the EDCAPS module that directly affects schools' participation in the FSA programs and the only part of EDCAPS to which schools have access.

**G5 Overview**

G5 is a delivery system that supports program award and payment administration. It is a component of EDCAPS, ED's integrated financial processing system, managed and administered by the Department's Office of the Chief Information Officer (OCIO).

G5 provides financial management support services for the grant life cycle in a single system. It supports the planning, obligating, authorizing, disbursing, and the final closing of Department of Education grant awards. G5 is the central repository for payment transactions of schools that receive funds from the Department.

Schools may use G5 to request payments, adjust drawdowns, and return cash. G5 also provides continuous access to current grant and payment information, such as authorized amounts, cumulative drawdowns, current award balances, and payment histories.

A school uses G5 to request cash for the

- ◆ Direct Loan Program,
- ◆ Federal Pell Grant Program,
- ◆ Federal Work-Study (FWS) Program,
- ◆ Federal Supplemental Educational Opportunity Grant (FSEOG) Program,
- ◆ TEACH Grant Program, and
- ◆ Iraq and Afghanistan Service Grant Program.

## Accessing G5

Schools request federal cash on the G5 website (<https://www.G5.gov>).

Before you can use G5, and as part of applying for Title IV participation, your school must register with the Department. This process includes:

1. obtaining a Data Universal Numbering System (DUNS) number,
2. obtaining a grant award number,
3. setting up bank information,
4. registering the DUNS number and TIN with the System for Award Management (SAM) at <https://www.sam.gov/portal/public/SAM/>, and
5. obtaining user ID(s) and password(s).

## Setting up bank information

Funds requested from G5 will be transmitted to the payee's bank account using either the Automated Clearing House (ACH) or the Fedwire transmission method. A payee designates its method of transmission when providing its bank account information.

## ACH

For payees using ACH, G5 electronically transfers payments through the U.S. Department of the Treasury into the payee's bank account. To use ACH you must complete a Direct Deposit Sign-Up Form (SF1199A) and mail it with a cover letter and a copy of your program participation agreement to the Department's Office of the Chief Financial Officer at the address on the form.

The form is located on the G5 homepage in the frequently asked questions (FAQs). Look under the banking section for the subheading "Domestic." The SF1199A is the first bullet point.

**You must reenroll in ACH when any of the following occur:**

1. you change banks,
2. the payee or its bank changes the account number,
3. the depositor account is closed, or
4. the bank closes—either voluntarily or involuntarily.

## ACH processing times

ACH payment requests made before 3 p.m. Eastern Time (ET) are deposited the next business day. ACH payment requests made after 3 p.m. ET are deposited on the second business day. You can enter payment requests up to 30 days in advance.

### What Is a DUNS Number?

The Data Universal Numbering System (DUNS) number is a unique nine-digit identification code that is assigned to a school. G5 grantees and payees must register their DUNS number and TIN with the System for Award Management (SAM). Also, schools must annually confirm registration of their DUNS number(s) on the SAM website and will receive 60-day and 30-day reminder emails to do this. See the [electronic announcement of March 14, 2018](#).

The DUNS number represents your school as a unique financial entity. You must notify the Department if your school merges with or is sold to another organization or separates from an existing organization and becomes a freestanding one.

To contact Dun & Bradstreet and get a DUNS number, [go to their webpage](#) for phone, email, and web chat options.

### What Is a Grant Award Number?

The Grant Award Number is a unique, 11-character identifier for each grant award issued by a specific program office to a specific grantee. **All funds are requested (and returned) using the Grant Award Number.**

This is an example of a Grant Award Number and an explanation of its parts:

#### **P031B151234**

- P** Program office issuing the award
- 031** Catalog of Federal Domestic Assistance (CFDA) numeric suffix of the program
- B** Alphabetic subprogram identifier
- 15** The trailing year in the academic year for DL and TEACH and the beginning year in the academic year for Pell and all other awards
- 1234** Unique identifier



**Example of Prefixes to Grant Award Numbers**

P007A	FSEOG
P033A	FWS
P063P	Pell
P268K	DL

Title IV funds are program and award year specific.

- P063P18#### is the award for 2018–2019 Pell funds.
- P268K19#### is the award for 2018–2019 Direct Loan funds.

"####" represents a school's unique four-digit G5 ID.

There is a unique grant award number for the Pell administrative cost allowance funds to which your school might be entitled—P063Q##XXXX.

You should always verify deposits before disbursing cash. When verifying ACH payments, you must tell the bank to check for deposits made through the Automated Clearing House. There are several kinds of electronic fund transfers. If other terms are used, the bank may search for the wrong payment(s).

**Fedwire**

The Fedwire transmission method is an electronic wire transfer of cash directly from G5 through the U.S. Department of Treasury into the payee's bank account. Large payees generally use this payment method. Most banks charge a fee for processing Fedwire payments.

Before a payee can receive Fedwire payments, the payee must enroll with the Office of the Chief Information Officer in the Department of Education. If the bank is online with the U.S. Department of Treasury, you must send the Department a letter containing the

- ♦ name and address of the payee's bank;
- ♦ bank's ABA number;
- ♦ contact (name and telephone number at the bank); and
- ♦ depositor's account number at that school, and the bank's telegraphic abbreviation.

If the bank is not online with the U.S. Department of Treasury, send the Department a letter containing the following:

- ♦ name of the payee's bank, and
- ♦ payee's account number at the bank.

**You must reenroll in Fedwire (by sending the Department a letter) if any of the information listed above changes.** Payees may obtain a Fedwire enrollment form letter by contacting the G5 Hotline at 1-888-336-8930.

**Fedwire processing time**

Payees may request Fedwire payments using the G5 Hotline. Payment requests completed by 2 p.m. ET will be deposited in the payee's bank account the same day. Fedwire payment requests made after 2 p.m. ET will be deposited the next business day.

You should always verify deposits before disbursing cash. When verifying Fedwire payments, you must tell the bank to check for deposits made through the Fedwire. There are several kinds of electronic fund transfers. If other terms are used, the bank may search for the wrong payment(s).

**TIP****System for Award Management**

The System for Award Management (SAM) is a free website that consolidates the capabilities in Central Contractor Registration (CCR), Online Representations and Certifications Application (ORCA), Federal Agency Registration (FedReg), and Excluded Parties List System (EPLS).

If you had an active record in CCR, you have an active record in SAM. You can search for registered entities in SAM by typing the DUNS number or business name into the search box.

### Obtaining a user ID and password

Individual authorized users must register for a G5 user ID and password. To obtain a user ID, an individual must complete a *G5 Production System External User Access Request Form*. The form is generated during the online registration process.

You can also download the form at <https://www.G5.gov>. You can register for a user ID and password by following these instructions.

1. The first step in registering after reaching [www.G5.gov](http://www.G5.gov) is to click on the “Not registered? Sign up” link.
2. Complete all necessary steps in the external user registration process.
3. Once you have completed registration, you will receive an email to activate the account. Follow the email instructions to finalize the user ID and password registration.

If you do not receive an activation email you must contact the G5 Help Desk at 1-888-336-8930.

Please note that your G5 user ID will be your email address. There are links if you forgot your email ID or need to reset your password.

### Using the user ID and password

User IDs and passwords are required to gain access to G5 or to request cash through the G5 Hotline. (Note: To enhance G5 security, payees are required to enter or state additional identifiers to gain access to G5.) You will be requested periodically to validate every user ID assigned to your organization. You are responsible for ensuring that this information is correct.

Once a grantee receives a grant (or is authorized funding), the designated payees will request cash by Grant Award Number using G5. Alternatively, payees can also call the G5 Hotline between 8 a.m. and 6 p.m. Eastern Time (ET) to request cash. A school may also call the G5 Hotline for help resolving problems with payments.

### Two-factor authentication

The U.S. Office of Management and Budget has mandated that all federal agencies implement increased cybersecurity capabilities to prevent unauthorized access to government systems. The U.S. Department of Education is implementing a more secure means for users of the G5 Grants Administration System to gain access, referred to as two-factor authentication.

#### TIP

Schools that use third-party servicers to request and return Title IV funds are ultimately responsible for the process. At a minimum they should request view-only access to G5 so they can review the work of their servicers.

Two-factor authentication is a security process in which the user provides two means of identification from separate categories of credentials. One is typically something you know, such as a password, and the other is something you have, such as a security code you download from a mobile device. The combination of these two security elements makes unauthorized access more difficult. Once both factors are validated, users are allowed into the G5 system.

## Projecting cash needs

### Immediate need

Immediate need is defined as the amount of FSA program funds a school needs to make disbursements within three business days following the date the school receives the funds. **This definition of immediate need applies to all FSA program funds (other than Perkins Loan funds), regardless of whether the school draws down funds by electronic funds transfer (EFT) through the ACH or through Fedwire.** Drawing down amounts beyond immediate need may result in excess cash, and there are penalties for holding excess cash. Schools should carefully review the excess cash tolerances regulation. (See the discussion of excess cash later in this chapter.)

A school on the advance payment method must determine the amount of funds it needs before it transmits a request to G5. So that excess funds do not exist after disbursements are made, for each FSA program, the amount requested must be limited to the amount needed to make immediate disbursements. The amount should be enough to meet

- ◆ Pell, TEACH, and Iraq and Afghanistan Service Grant disbursements to students;
- ◆ the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) disbursements to students and, if it applies, an administrative cost allowance (ACA);
- ◆ the federal share of Federal Work-Study (FWS) payroll disbursements and, if it applies, ACA;
- ◆ Direct Loan disbursements.

In general, the following equation may be used to calculate projected immediate needs:

$$\begin{array}{r}
 \text{Anticipated disbursements} \\
 \textit{minus} \text{ Balance of cash on hand} \\
 \textit{minus} \text{ Anticipated recoveries} \\
 \textit{minus} \text{ ACH/EFT cash in transit} \\
 \hline
 \textit{equals} \text{ Projected immediate need}
 \end{array}$$

A school's request for funds should not exceed its immediate need.

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#### Excess cash

34 CFR 668.166

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#### Three-day rule for funds received under the advance payment method

A school must disburse FSA funds as soon as administratively feasible but no later than three business days following the date the school received those funds.

34 CFR 668.162(b)(3)

#### End of the Perkins Loan Program

The Perkins Loan Extension Act of 2015 ended the authority of schools to make new Perkins loans as of September 30, 2017, and no disbursements on existing loans can be made after June 30, 2018. However, schools may choose to continue servicing their Perkins loans. For more information see DCLs [GEN-16-05](#) and [GEN-17-10](#) and the [online FAQs](#).

## Timing

When a school initiates a drawdown from G5, it should consider that processing requests within G5 typically take one to three business days, and consider whether the school is using ACH/EFT or Fedwire. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

## Recording payments

Payees should keep records of submitted payment requests. The amount of each request and the corresponding control number(s) need to be carefully documented. These records will serve as an audit trail and help payees reconcile their books to the G5 Activity Report.

## Delayed, denied, or reduced payment requests

Your payment requests may be delayed, denied, or reduced if any of the following occurs:

- ◆ An award included in your payment request is flagged for review and approval.
- ◆ The Department's accounts receivables unit has entered an offset against one or more of the awards.
- ◆ A program office has intervened as a result of a program review or audit finding.

## AWARD PERIODS

Before you can request cash, you must understand the award periods for G5 program authorizations. The length of the award periods vary by program and authorizing statute. The award period dictates when the payee can request cash. There are four award periods:

1. Performance period (59 months)
2. Liquidation period (1 month)
3. Suspension period (1 month)
4. Closeout period

The discussion that follows explains the differences between the award periods and how they affect a school's ability to draw funds. Also see the discussion in *Chapter 4* under *Returning Funds Through G5 for Both Open and Closed Awards*.

## Performance period

The performance period is the period between the Title IV program award begin date and the Title IV program award end date. During this period, schools can draw down cash. Before drawing down cash, schools must obligate that cash to eligible recipients (such as by submitting to the

Department anticipated disbursement records for students eligible for the Federal Pell Grant Program). Once the performance period ends, the closeout process begins.

During the performance period

- ◆ payees may request payments;
- ◆ payees may modify payment requests (Note that if a change needs to be made after the payment is out of “Ready for Scheduling” status, the school would have to return funds, create an adjustment, or create another payment request.);
- ◆ payees may adjust drawdowns (This should only happen when a school has accidentally drawn funds from the wrong award and needs to move the full amount to correct the error.); and
- ◆ changes may be made to the Federal Student Aid program’s grant awards authorizations.

### ***Liquidation period***

The liquidation period is one month, follows the performance period, and is the first closeout phase. During the liquidation period

- ◆ no new expenditures may be processed against a grant award;
- ◆ payees can draw down funds for obligations incurred during the performance period; and
- ◆ payees may use the period to adjust drawdowns for expenditures incurred during the performance period. (This should only happen when a school has accidentally drawn funds from the wrong award and needs to correct the error.)

The last date a school can draw down cash from the Department without special permission from the program office is the end of the liquidation period.

### ***Suspension period***

The suspension period is also one month and follows liquidation. Once an FSA program has entered the suspension period, no payment actions can take place without the approval of the program office. The Department program offices use this period to prepare for final closeout.

### ***Closeout period***

The closeout period immediately follows the suspension period. During closeout, the grant award is closed and any remaining cash is deobligated.

**The closeout process includes the liquidation, suspension, and closeout periods.**

## DRAWING DOWN FSA FUNDS

A school's *authorization* is the amount of FSA funds a school is currently eligible for in the year and the program in question. The authorization is called the Current Funding Level (CFL). Please note that in the Direct Loan and Teacher Education Assistance for College and Higher Education (TEACH) Grant Programs, you might also hear the authorization referred to as the Cash Control Amount (CCA).

A school's *available balance* is the amount of cash available for a school to draw down through G5. The available balance is the difference between the authorized amount and the school's net drawdowns to date. A separate authorization is maintained for each program by award year. Note that **FSA funds are school, award year, and program specific, and should not be used for another school, award year, or program.**

A school may not request more funds than it needs to make disbursements to eligible students and parents. Therefore, a school must make the disbursements as soon as administratively feasible but no later than three business days following the date the school receives those funds. If G5 accepts a school's request for funds, it will make an EFT of the amount requested to a bank account designated by the school.

### *The methods under which the Department provides Title IV funds to schools*

The Department provides funds to participating schools through one of three payment methods: the advance, heightened cash monitoring, and reimbursement payment methods. Most schools receive funds under the advance payment method, so we will discuss that first. The heightened cash monitoring and reimbursement payment methods are explained later in this chapter.

#### **Advance payment method**

Under the advance payment method, a school submits a request for funds to the Department that may not exceed the amount of funds the school needs to make immediate disbursements.

If the Department accepts that request, it initiates an electronic funds transfer (EFT) of that amount to the depository account designated by the school. The school must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the school receives those funds.

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#### **Three-day disbursement required**

34 CFR 668.162(b)(3)

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#### **The methods under which the Department provides funds**

34 CFR 668.162(a)

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#### **Advance payment method**

34 CFR 668.162(b)

### ***Drawing down funds in the Pell and TEACH Grant Programs***

There are no initial authorizations in the Pell Grant and TEACH Grant programs. A school's authorization for these programs will be based on the total actual accepted and posted disbursement records accepted by the Common Origination and Disbursement (COD) System (submitted using the Disbursement Release Indicator or DRI = true). A new electronic statement of account (ESOA) will be sent to a school's Student Aid Internet Gateway (SAIG) mailbox each time the school's authorization changes.

### ***Drawing down funds in the Campus-Based Programs***

The Department awards Campus-Based funds to a school for an upcoming award year on the basis of the application to participate portion of *The Fiscal Operations Report and Application to Participate* (FISAP). The way in which schools request Campus-Based funds from G5 will vary depending on the funding method under which schools operate. In all cases a school may not request funds in excess of the actual disbursements it has made or will make to students (plus any administrative cost allowance, if applicable).

**Note:** For the Campus-Based Programs, schools do not report individual disbursements in COD. Schools report expenditures on their FISAP expenditure reports (due before October 1). Therefore, a school's allocation of Campus-Based funds is not revised during the year unless the school receives a supplemental allocation (see sidebar).

#### **Iraq and Afghanistan Service Grant Disbursements**

For the Iraq and Afghanistan Service Grant Program, schools do not submit actual disbursements; the Department will provide an "exception-based process" through which schools will be funded when they submit anticipated disbursements (using the DRI = false in COD).

See *Volume 6* for more information on applying for and receiving Campus-Based funding.

### ***Drawing down funds in the Direct Loan Program***

Generally, schools on the advance payment method get initial Direct Loan authorizations in late spring or early summer (prior to July 1). Initial authorizations are based on a school's net accepted and posted disbursements from the previous award year.

As a school submits actual disbursement records where the DRI = true, the COD System will compare the total net accepted and posted disbursements to the school's current authorization. Each time the school's total net accepted and posted disbursements exceed its authorization, the COD System will automatically increase the authorization to the total net accepted and posted disbursements.

#### **Supplemental Campus-Based Allocations**

Schools must return unused prior year Campus-Based funds and request funds for the upcoming year through the **Reallocation-Supplemental award process**. Schools deobligate or request additional funds by completing the reallocation form (Department Form E40-4P), due in mid-August.

The Department will notify schools of supplemental funding in September.

Schools on the Heightened Cash Monitoring (HCM1 and HCM2) and Reimbursement payment methods, foreign schools, and those that request to be "records first" do not receive an initial authorization. They receive funding increases based on actual disbursement records that are submitted to and accepted by the COD System.

## The Heightened Cash Monitoring (HCM) and Reimbursement Payment Methods

The Department places a school on an HCM (there are two types) or Reimbursement payment method to closely monitor its cash management. Reasons for this include but are not limited to: lack of financial responsibility; program review or audit findings; student complaints; repeated failures to meet COD reporting requirements; an adverse action against the school by its accreditor or state authorizing agency; an enforcement action against the school (especially if it relates to Title IV) by a consumer protection agency; significant non-compliance with Title IV requirements such as not performing verification, not properly returning funds, or awarding aid for ineligible programs or locations; initiation of a termination action; providing incorrect data to ED officials to cover up violations; suspicion of fraud; and other activity that is or appears to be criminal.

Schools operating under these payment methods do not receive an initial authorization. Instead, they receive an authorization and increases to the authorization after the COD System has accepted and posted actual disbursement records. The school must credit a student's ledger account for the amount of Title IV funds the student or parent is eligible to receive **and pay the amount of any credit balance due under §668.164(h), before it submits a request for funds.** A school's request may not exceed the amount of the disbursements it has made to the students and parents included in that request.

Schools' administration of an HCM or Reimbursement payment method must be audited every year. The independent auditor engaged by the school to conduct its annual compliance audit must express an opinion in the audit report about the school's compliance with the HCM or Reimbursement requirements.

The payment methods differ as follows:

**Heightened Cash Monitoring 1 (HCM1)**—After a school makes disbursements to eligible students from institutional funds and submits disbursement records to COD, it draws down FSA funds to cover those disbursements in the same way as a school on the advance payment method.

**Heightened Cash Monitoring 2 (HCM2)**—A school placed on HCM2 cannot simply draw down funds as an HCM1 school can. After it makes disbursements to students and parents from institutional funds, it must submit a payment request to the Department and include a completed Form 270 (OMB 1845-0089). It must also include a completed data spreadsheet that identifies the students and parents for whom it is seeking reimbursement. This must be in the format specified by the Department, which may tailor the documentation requirements for schools on a case-by-case basis. Finally, the school must include documentation that each student and parent included in the request was eligible to receive and did receive the funds for which reimbursement is sought.

When the Department receives the request, it will review for errors the disbursements and the school's documentation for a sample of students and parents. If there are no mistakes, the Department will approve the request. If there are errors, the Department may still approve the request if there are only a few. Otherwise, it will deny the request, though it will reimburse funds for those persons in the sample who were paid correctly.

After the payment request is approved, and after recovering any negative or unsubstantiated cash balance that may be owed the Department, the Department electronically transfers the appropriate amount to the bank account in which the school maintains its federal funds. A school may submit only one payment request during any 30-day period.

**Reimbursement**—The Department places a school on Reimbursement if it determines that the school needs the highest level of monitoring. This generally occurs for the most severe of the reasons listed at the top of the page. The procedure is the same as for HCM2 except the Department reviews the documentation for all the students and parents included in the payment request, not just a sample. If all were paid correctly, the Department approves the request. If there were any errors, the request will be denied for those disbursements which had mistakes, and it will be approved for those disbursements which had no mistakes.

34 CFR 668.162(d) HCM

34 CFR 668.162(c) Reimbursement

**Maintaining and accounting for funds**

34 CFR 668.163

**Bank account requirements**

34 CFR 668.163(a)&amp;(b)

**Interest-bearing accounts**

34 CFR 668.163(c)

**Recordkeeping requirements**

34 CFR 668.24

**Depository Accounts of Foreign Schools**

For a school not located in a state, the depository account may be insured by the FDIC or NCUA, or by an equivalent agency of the government of the country in which the institution is located. If there is no equivalent agency, ED may approve an account designated by the foreign school.

**Not Applicable to Some Programs**

The cash management requirements are not applicable to the state grant and scholarship programs. The Robert C. Byrd Honors Scholarship (Byrd) Program and, if a state is the grantee, the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) are administered under rules established by the state.

**Timely Return of Funds**

Schools are required to make a timely return of any unearned funds after a student withdraws, as discussed in *Volume 5*.

**MAINTAINING AND ACCOUNTING FOR FUNDS**

All schools must maintain a bank account into which the Department transfers, or the school deposits, FSA funds. For a school located in a state, the depository account must be insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA). A school generally is not required to maintain a separate account for each FSA program unless the Department imposes this requirement as a result of a program review or other action.

***When a school does not maintain a separate account***

A school has a fiduciary responsibility to segregate federal funds from all other funds and to ensure that federal funds are used only for the benefit of eligible students. Absent a separate bank account, the school must ensure that its accounting records clearly reflect that it segregates FSA funds. Under no circumstances may the school use federal funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of FSA funds or subjects FSA funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps). Clearly, carrying out these fiduciary duties limits the ways the school can otherwise manage cash in an operating account when that account contains FSA funds.

If a school does not maintain a separate account for FSA program funds, its accounting and internal control systems must

- identify the balance for each FSA program that is included in the school's bank account as readily as if those funds were in a separate account; and
- identify earnings on FSA program funds in the school's bank account.

A school must maintain its financial records in accordance with the record keeping requirements described in *Volume 2*.

**SEPARATE DEPOSITORY ACCOUNT**

The Department may require a school to maintain Title IV funds in a separate depository account that contains no other funds if the Department determines that the school failed to comply with: (1) the cash management regulations, (2) the recordkeeping and reporting requirements, or (3) applicable program regulations.

***Bank account notification requirements***

For each account that contains FSA program funds, a school located in a state must identify that FSA funds are maintained in the account by

- ◆ including the phrase *federal funds* in the name of the account; or
- ◆ notifying the depository institution that the depository account contains Title IV program funds that are held in trust and keeping a copy of this notice in its records and, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds. The school must keep a copy of the UCC-1 statement in its records.

### ***Interest-bearing account***

To the extent possible, FSA funds must be maintained in an interest-bearing account unless

- the school receives less than \$120,000 in federal awards per year; or
- the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on the school's federal cash balances; or
- the financial institution holding the funds would require an average or minimum balance so high that maintaining the balance would not be feasible within the expected federal and non-federal cash resources.

As provided in 34 CFR 674.8(a), the school keeps any interest earned on Perkins Loan funds. The school may also keep up to \$500 per year of the interest or investment revenue earned on other than Perkins funds to pay for the administrative expense of maintaining the account.



No later than 30 days after the end of that award year, the school must remit any interest earned in excess of \$500. See the margin note.

### ***Additional Perkins Loan requirements***

A school that participates in the Perkins Loan Program must always maintain an interest-bearing account for Perkins Loan funds. The school must maintain sufficient liquidity in its Perkins fund to make all required distributions.

If a school is also required to maintain an interest-bearing account for other federal funds, the school may use one account for Perkins Loan funds and all other federal funds. However, if the school chooses to maintain one account, it must determine the amount of any interest earned on the Perkins Loan funds and retain those funds for use in the Perkins Program. The interest earned on the school's Perkins funds is not included in the \$500 maximum award year interest the school is permitted to retain.

#### **Bank Notification via UCC-1 form**

The requirement that a school file a UCC-1 statement when an account's name does not include the phrase *federal funds* was established to reduce the possibility that a school could misrepresent *federal funds* as its own funds to obtain a loan or secure credit. Because public institutions generally do not seek to obtain credit in the same manner as private institutions, they are exempt from the requirement.

#### **Standards for holding federal funds in depository accounts**

The Department has adopted the OMB guidance for holding federal funds in depository accounts.  
2 CFR 200.305(b)(8)

#### **Retaining interest**

34 CFR 668.163(c)(3)

#### **Remitting Interest**

Schools must remit interest over \$500 to the Department of Health and Human Services and include with it

- an explanation stating that the refund is for excess interest,
- "U.S. Department of Education—Federal Student Aid" as the name of the awarding agency, and
- the school's DUNS number in the addendum record or other correspondence.

[See HHS's instructions](#), but note they vary somewhat with what is above. For example, the HHS webpage refers to payee account and grant numbers that do not apply here and may be ignored.

Schools may remit excess interest electronically by ACH direct deposit or by FedWire; they may also mail a paper check, though the electronic methods are preferred. Note too that the mailing address for paper checks is no longer the Rockville, Maryland address that was included in the regulations.

[See the electronic announcement](#) of May 19, 2017, for more information.

**Perkins bank account requirements**

34 CFR 674.19(a) &amp; (b)

A school may deduct from the interest earned any bank or service charges incurred as a result of maintaining the fund assets in an interest-bearing account and deposit only the net earnings.

If a collection agency or third-party servicer receives funds directly from Perkins borrowers, it must immediately deposit those funds in a school trust account. The agency or servicer may open and maintain the account, but the funds in it belong to the school. If the funds will be held for more than 45 days, the account must be interest bearing.

**Excess cash**

34 CFR 668.166

**EXCESS CASH**

As mentioned earlier, under the advance payment method, a school must disburse funds no later than three business days following the date the school receives them. The Department considers excess cash to be any amount of FSA funds, other than Perkins Loan funds, that a school does not disburse to students or parents by the end of the third business day following the date the school

- ♦ received those funds from the Department; or
- ♦ deposited or transferred to its depository account previously disbursed FSA funds received from the Department, such as those resulting from award adjustments, recoveries, or cancellations.

Sometimes a school cannot disburse funds in the required three days because of circumstances outside the school's control. For example, a school may not have been able to disburse funds because of a change in a student's enrollment status, a student's failure to attend classes as scheduled, or a change in a student's award as a result of verification. In view of these circumstances, a school may maintain some excess cash for up to seven additional days.

***Allowable excess cash tolerances***

A school may retain for up to seven days an additional amount of excess cash that does not exceed 1% of the total amount of funds the school drew down in the prior award year. The school must return immediately to the Department any amount of excess cash over the 1% tolerance and any amount remaining in its account after the seven-day tolerance period.

The Department reviews schools to determine where excess cash balances have been improperly maintained. Upon a finding that a school has maintained an excess cash balance in excess of allowable tolerances, a school is required to reimburse the Department for the costs that the government incurred in making those excess funds available to the school.

Where excess cash balances are disproportionately large or where they represent a continuing problem with the school's ability to responsibly administer the FSA programs, the Department may initiate a proceeding to fine, limit, suspend, or terminate the school's participation in one or more of the FSA programs. For more on fines and other actions against schools, see *Volume 2*.

### ***Consequences for maintaining excess cash***

Upon a finding that a school maintained excess cash for any amount of time over that allowed, the actions the Department may take include, but are not limited to

- ◆ requiring the school to reimburse the Department for the costs the federal government incurred in providing that excess cash to the institution; and
- ◆ providing funds to the school under the heightened cash monitoring or reimbursement payment method.

### ***Deadlines by which funds must be returned to avoid excess cash penalties***

For funds electronically transmitted by the Department, the three-day period begins on the day the school receives the funds in the account designated by the school for that purpose.

For funds that the school deposits in its federal account—

- ◆ as part of the school's compliance with the requirement to return funds if a student withdraws before completing a period for which she was paid;
- ◆ that are Pell Grant funds deposited because of adjustments to the student's award and Direct Loan funds deposited because of adjustments or cancellations; and
- ◆ because a student failed to begin attendance—

the three-day period begins on the date the school deposits the funds in its federal account.

**Note:** A school must return aid for a student who withdraws before completing a period for which the student was paid within 45 days of determining the student withdrew. (See *Volume 5*.)

A school must return or deposit funds for a student who failed to begin attendance no later than 30 days after the date the school becomes aware that the student did not begin and will not begin attendance. See the discussion under *When a Student Fails to Begin Attendance* in *Chapter 3*.

#### **When the Department Considers a Check to Have Been Issued**

Generally, the Department considers a check to be issued when the school mails the check to the student or parent or notifies the student or parent that a check is available for immediate pickup.

However, upon finding that a school has maintained excess cash balances, the Department considers the school to have issued a check on the date that check cleared the school's bank account, unless the school demonstrates to the satisfaction of the Department that it issued the check to the student shortly after the school wrote that check.

**Administrative cost allowance**

34 CFR 690.10(b) and 34 CFR 673.7

**TIP**

Pell Grant administrative cost allowance funds to which your school is entitled are identified by a unique grant award number P063Q##XXXX, where ## is the last two digits of the first year of the award year.

If you receive funds identified by the award number P063Q##XXXX, please note that those are your school's funds. Please do not return the funds to the Department or disburse them to students.

**ADMINISTRATIVE COST ALLOWANCE (ACA)**

The ACA is an annual payment calculated by the Department and made available for drawdown in G5 to help offset the cost of administering the FSA programs. The Department reimburses schools participating in the Pell Grant Program \$5 per award year for unduplicated recipients at the school who receive a Pell Grant. For the Campus-Based Program, the ACA is taken from the school's federal allocation, and the maximum amount permissible is up to 5% of the sum of the loans advanced in Perkins, the total earned compensation in FWS, and the total awards to recipients in FSEOG.

For the Campus-Based Programs, the ACA is not a separate allowance sent to the school. Rather, the school has the option of taking its Campus-Based ACA out of the annual authorizations it receives for the FSEOG and FWS Programs. A school may draw its allowance from both programs, or it may take the total allowance from only one provided there are sufficient funds in that program and the school has disbursed funds to students from that program during the award year.

A school must use its ACA to offset its cost of administering the Pell Grant, FWS, and FSEOG programs. Administrative costs may include the expenses incurred in carrying out a school's student consumer information requirements. In addition, a school may use up to 10% of its ACA that is attributable to the school's expenditures under the FWS Program to pay the administrative costs of conducting community service programs.

**A SCHOOL'S FIDUCIARY RESPONSIBILITY**

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development Program, funds received by a school under the FSA programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school may not use (or use as collateral) FSA funds for any other purpose.

FSA funds are awarded to a student to pay current-year charges. Notwithstanding any authorization obtained by a school from a student or parent, the school must pay

- ◆ any remaining balance from loan funds by the end of the loan period; and
- ◆ other remaining FSA funds by the end of the last payment period in the award year for which they were awarded.

**TIP**

For more information about the Pell Grant ACA, see the [announcement of March 2, 2018](#), on Pell Grant administrative cost allowance payments for the 2017–2018 award year.

**Paying remaining balances**

34 CFR 165(b)(5)(iii)



**A school that fails to disburse funds by those dates is in violation of the Department’s cash management regulations.**

In addition, a school has a fiduciary responsibility to

- safeguard FSA funds;
- ensure FSA funds are used only for the purposes intended;
- act on the student’s behalf to repay a student’s FSA education loan debt when the school is unable to pay a credit balance directly to the student; and
- return to the Department any FSA funds that cannot be used as intended.

### ***Accounting and fiscal records***

As part of meeting its fiduciary responsibilities, a school must

- ◆ maintain accounting and internal control systems that identify the cash balance of the funds of each Title IV, HEA program that are included in the school’s depository account(s) as readily as if those funds were kept in a separate depository account;
- ◆ identify the earnings on Title IV, HEA program funds in the school’s depository account(s); and
- ◆ maintain its fiscal records according to 34 CFR 668.24.

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### **Cash management**

34 CFR Subpart K

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### **Scope and Institutional responsibility**

34 CFR 668.161

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### **Accounting and fiscal records**

34 CFR 668.163(d)

## **GARNISHMENT OF FSA FUNDS IS PROHIBITED**

**No FSA grant, loan, or work assistance (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department. Schools must oppose any garnishment order they receive.**

FSA funds may only be used for educational purposes. If your school is not the employer in an off-campus employment arrangement, it must have an effective procedure to notify off-campus employers that garnishment of FWS wages for any debt other than a cost of attendance is not permissible.

With the permission of the student, a student’s FWS wages may be used by the school to pay current year charges and prior-year charges of not more than \$200. (See *Volume 6* for additional information.)

**Time frame for returning unclaimed funds**

34 CFR 668.164(l)

**Garnishment/attachment prohibited**

HEA 488A(d)

**ESCHEATING OF FSA FUNDS IS PROHIBITED**

A school must return to the Department any FSA program funds, except FWS Program funds, that it attempts to disburse directly to a student or parent if the student or parent does not receive the funds or cash the check. (For FWS funds, a school is required to return only the federal portion of the payroll disbursement.)

A school must have a process that ensures FSA funds never escheat to a state or revert to the school or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the FSA regulations.

**Unpaid FWS Wages**

If a school cannot locate a student whom it owes FWS funds that she has earned, the federal portion must be returned to the school's FWS account.

If the student returns or the school later locates her, it can recover the FWS funds if the account for that year is still open. If the account is closed, the school must pay the student (under the wage laws) with its own funds.

**In order to prevent the escheating of Title IV funds, the Department encourages schools that disburse Title IV credit balances by EFT to remind students before the end of the award year (or at the time of withdrawal for students who cease attendance before completing the period for which the funds were paid) to examine the balances remaining in any accounts to which Title IV funds were transferred.**

**Undelivered Perkins Funds**

If a portion of the undelivered credit balance consists of Perkins funds, the school must reimburse its Perkins Loan fund for that amount and report those funds as other income in Part III, Section A of the FISAP.

**Example of a Policy to Prevent Escheating**

Typically, each state establishes the useful life of a check or bank draft used to disburse FSA funds. After the expiration date, the uncashed check cannot be negotiated and the proceeds escheat to an unintended third party (the state or the institution).

In State A, a bank check has a useful life of 180 days. To prevent FSA funds from escheating, the business office at School A identifies at the end of each month all outstanding uncashed checks containing FSA funds and voids them prior to the 180th day. It restores the funds to the applicable FSA program and notifies the school's financial aid office so it can report the corresponding student-level disbursement decrease to COD.

# Disbursing FSA Funds



*This chapter explains the rules for crediting Federal Student Aid (FSA) funds to the student's account and making direct disbursements to the student or parent, and it explains early, delayed, and late disbursements. These rules apply to the Pell Grant, Teacher Education Assistance for College and Higher Education (TEACH) Grant, Iraq and Afghanistan Service Grant, Federal Supplemental Educational Opportunity (FSEOG) Grant, and Direct Loan programs. We also note specifically when rules apply to Federal Work-Study (FWS) disbursements.*

## NOTIFICATIONS

### **Notification of disbursement**

In general, there are two types of notifications a school must provide: (1) a general notification to parent Direct PLUS borrowers and all students receiving FSA funds, and (2) a notice when FSA loan funds or TEACH Grant funds are credited to a student's account.

### **General notification**

A school must notify a student of the amount of funds the student and his or her parent can expect to receive from each FSA program, including FWS, and how and when those funds will be disbursed. This notification must be sent before the disbursement is made.

If the funds include a Direct Loan, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. A school must provide the best information that it has regarding the amount of FSA program funds a student can expect to receive. Because the actual loan disbursements received by a student may differ slightly from the amount expected by the school (due to loan fees and rounding differences), you may include the gross amount of the loan disbursement or a close approximation of the net disbursement amount.

### **Loan and TEACH Grant notification**

Except in the case of loan funds made as part of a post-withdrawal disbursement, when Perkins Loan, Direct Loan or TEACH funds are being credited to a student's ledger account, the school must also notify the borrower in writing (paper or electronically) of the

- ◆ anticipated date and amount of the disbursement;
- ◆ student's or parent's right to cancel all or a portion of a loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement and have the loan proceeds or TEACH Grant proceeds returned to the Department; and

## Notices and Authorizations

### Notices

34 CFR 668.165(a)

### Student and parent authorizations

34 CFR 165(b)

HEA Sec. 420R(d) specifies that Iraq and Afghanistan Service grants shall be awarded in the same manner, and with the same terms and conditions, as Pell Grants.

### **Borrower Notification via email**

If you are notifying the student of the next disbursement by email or other electronic means, you are encouraged to follow up on any electronic notice for which you receive an "undeliverable" message.

The loan notification requirements for post-withdrawal disbursements are covered in *Volume 5*.

### **Privacy of Loan Data**

Schools are reminded that the details of any loan transaction may be shared only with the borrower.

### Acceptable Means of Notification

Your school may not use an in-person or telephonic conversation as the sole means of notification of disbursement because these are not adequate and verifiable methods of providing notice. However, a school may use in-person and telephone notices in addition to those provided in writing.

- ◆ procedures and deadlines by which the student or parent must notify the school that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

The timing of a loan or TEACH Grant notification varies depending on whether a school obtains affirmative confirmation from a student that she wants a loan **or** accepts the grant. Under affirmative confirmation a school obtains written confirmation of the types and amounts of Title IV loans a student wants for the period of enrollment before the school credits the student’s account with those loan funds (34 CFR 668.165(a)(6)). The process under which the TEACH Grant program is administered is considered to be an affirmative confirmation process.

This notification must be sent

- ◆ *if the school obtains affirmative confirmation*, no earlier than 30 days before and no later than 30 days after crediting the student’s account; or
- ◆ *if the school does NOT obtain affirmative confirmation*, no earlier than 30 days before and no later than 7 days after crediting the student’s account.

If the borrower or TEACH Grant recipient wishes to cancel all or a portion of a loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement, he must inform the school. A school must return the loan or grant, cancel it, or do both, provided that the school receives the loan cancellation request within the following time frames:

- ◆ *If the school obtains affirmative confirmation from the student*, by the later of the first day of a payment period or 14 days after the date the school notifies the student or parent of her right to cancel all or a part of a loan or grant
- ◆ *If the school does not obtain affirmative confirmation from the student*, within 30 days of the date the school notifies the student or parent of his right to cancel all or a part of a loan

If a school receives a borrower’s request for cancellation outside of the period during which the school is required to cancel the loan, grant, or loan or grant disbursement, the school has the option of canceling and returning the loan or grant. In the case of a loan, if a school declines to return a disbursement, the school should direct the borrower to contact the borrower’s assigned loan servicer.

The school must inform the student or parent **in writing** of the outcome of any cancellation request. **Schools should not return loan funds on a borrower’s behalf if more than 120 days have elapsed since the funds were disbursed.**

### Self-assessment tool for fiscal management procedures

You can evaluate your school’s fiscal management procedures by referring to the “Fiscal Management Assessment” at <https://ifap.ed.gov/FSAAssessments/FiscalManagement.html>.

**Schools should not return Direct Loan funds to ED’s federal loan servicers directly.** If a borrower asks the school to return Direct Loan funds more than 120 days after the disbursement date, the school should direct the borrower to the appropriate servicer for guidance on how the borrower can return the money.

When acting upon a cancellation request, your school must return the funds (if received) and/or cancel the loan or grant as appropriate. A school is not responsible for returning any portion of a loan or grant that was disbursed to a student or parent directly (e.g., as a result of a credit on the student’s account) before the request for cancellation was received. However, you are encouraged to take an active role in advising the borrower to return the funds already received.

Direct Loan funds that are returned within 120 days of the disbursement by the school or the borrower, for any reason, are treated as a partial or full cancellation, with the appropriate adjustment of the loan fee and interest. In addition, Direct Loan funds that are returned by a school at any time to comply with a regulatory or statutory requirement are treated as a partial or full cancellation.

Direct Loan funds that a borrower returns 120 days or more after disbursement are processed as a payment, and there is no adjustment of the loan fee or interest. For additional information on returning loan funds, see *Chapters 3 and 4* in this volume and *Volume 5* (for the return of loan funds when a student withdraws).

## AUTHORIZATIONS

You must obtain authorization from a student (or parent borrower) before your school can perform any of the following activities:

- ◆ Use FSA funds to pay for allowable educationally related charges **other than** tuition, fees, room, and board (if the student contracts with the school).
- ◆ Credit FWS wages to a student’s account to pay any educationally related charges [34 CFR 675.16(b)(1)(i)].
- ◆ Hold an FSA credit balance (see the discussion later in this chapter).
- ◆ Apply up to \$200 of FSA funds to prior-year charges other than for tuition, fees, room, and board [34 CFR 668.164(c)(3)(i)(B) and 675.16(b)(1)(ii) and (b)(2)].

### TIP

Schools should always use G5 to return funds from loans or grants cancelled within the 120-day period.

### When a student dies

See Appendix C of the FSA Handbook, *Actions a School Should Take When a Current Student Dies*, for information about loan discharge and other issues when a student dies.

### Authorizations

34 CFR 668.165(b)

### Electronic disclosures

34 CFR 668.41(b) & (c)

### Bank account definition

A Federal Deposit Insurance Corporation (FDIC) insured account or a National Credit Union Share Insurance Fund (NCUSIF) account. This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.

### Information Security Requirements

The Gramm-Leach-Bliley (GLB) Act requires schools to have an information security program to ensure the security and confidentiality of customer information, protect against anticipated threats to the security or integrity of such information, and guard against the unauthorized access to or use of such information. For more information related to the GLB Act, see “FTC standards for safeguarding customer information” in *Volume 2*.

**An authorization must explain what FSA funds are covered by the document, and it must specify the time period covered by the authorization.** Unless otherwise specified, a student or parent may authorize a school to carry out the allowable activities for a specific period of time such as an academic year or for the entire period the student is enrolled, including multiple academic years.

**A school may not require or coerce the student or parent to provide an authorization, and it must clearly explain to the student or parent how to cancel or modify the authorization.** The school must also explain how it will go about cancelling the authorization and that a cancellation is not retroactive.

**A student or parent may cancel or modify an authorization at any time.** A cancellation or modification is not retroactive—it takes effect on the date that the school receives it from the student or parent. If a student or parent cancels an authorization to use FSA funds to pay for other allowable charges, the school may use FSA funds to pay only authorized charges incurred by the student before the school received the notice.

If a student or parent cancels an authorization to hold excess funds, the funds must be paid directly to the student or parent as soon as possible but no later than 14 days after the school receives the notice. (See the discussion under *Time frame for paying FSA credit balances* later in this chapter.)

If a school holds excess student funds, the school must

- ◆ identify the amount of funds the institution holds for each student or parent in a subsidiary ledger account designed for that purpose;
- ◆ maintain, at all times, cash in its depository account in an amount at least equal to the amount of funds the institution holds on behalf of the student or the parent; and
- ◆ notwithstanding any authorization obtained by the school, pay any remaining balance on loan funds by the end of the loan period, and any remaining other Title IV funds by the end of the last payment period in the award year for which the funds were awarded.

A school may include two or more of the items that require authorization in one statement. Each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

An authorization must clearly explain how the school will carry out an activity, but it does not need to detail every aspect pertaining to the activity. However, a blanket authorization that only identifies the activities to be performed is not acceptable. For instance, an authorization permitting a school to use an FSA credit balance (discussed later in this chapter) must provide detail that is sufficient to give the student or parent a general idea of what charges the credit balance would be used to pay. A blanket statement that the credit balance would cover any charges is not acceptable.

### ***Using electronic processes for notifications and authorizations***

So long as there are no regulations specifically requiring that a notification or authorization be sent via U.S. mail, a school may provide notices or receive authorizations electronically. You may also use an electronic process to provide required notices and make disclosures by directing students to a secure website that contains the required notifications and disclosures.

If you use an electronic process to provide notices, make disclosures, or direct students to a secure website, then you must notify each student individually every year. You may provide the required notice through direct mailing to each individual through the U.S. Postal Service, campus mail, or electronically directly to an email address.

The annual individual notice must

- ◆ identify the information required to be disclosed that year;
- ◆ provide the exact Internet or intranet address where the information can be found; and
- ◆ state that, upon request, individuals are entitled to a paper copy, and inform students how to request a paper copy.

#### **A School Must Obtain a Student’s Voluntary Consent to Participate in Electronic Transactions**

Voluntary consent to participate in electronic transactions is required for all financial information provided or made available to student loan borrowers and for all notices and authorizations to FSA recipients required under 34 CFR 668.165. (The Electronic Signatures in Global and National Commerce Act or E-Sign Act)



**Power of attorney**

Perkins: 34 CFR 674.16(g)

FWS: 34 CFR 675.16(a)(8)

***Limitations on using power of attorney in disbursing FWS and Perkins funds***

A school may not obtain a student’s power of attorney to authorize FWS disbursements unless the Department has granted prior approval (contact your School Participation Division). Your school must be able to demonstrate that there is no one else (such as a relative, landlord, or member of the clergy) who could act on behalf of the student.

Similarly, a school official should not have used a student’s power of attorney to endorse any Perkins Loan disbursement check or to sign for any Perkins Loan advance unless the Department has granted prior approval. Approval could be granted only if

- ◆ the student was not available to sign the promissory note and there was no one else (such as a relative, landlord, or member of the clergy) who could act on behalf of the student;
- ◆ the school showed that the funds could not be directly deposited or electronically transferred;
- ◆ the power of attorney was not granted to a school official or any other official who had an interest in the loan; and
- ◆ the power of attorney met all legal requirements under the law of the state the school is located in and the school kept the original document granting power of attorney in its files.

**INSTITUTIONAL CHARGES*****Institutional versus noninstitutional charges***

Institutional charges are generally those for tuition and fees, room and board, and other educational expenses that are paid to the school directly. If a fee (like a registration or technology fee) is required for all students in a program, it should be considered an institutional charge. Similarly, if a charge is part of an enrollment agreement or any addendum or if the school routinely debits a student’s ledger account for the amount with the tuition and fees, it is an institutional charge. A charge does not have to appear on a student’s account to be considered an institutional charge.

All charges for tuition, fees, and room and board (if contracted with the school) must be considered institutional charges.

A school may include the costs of books and supplies as part of tuition and fees in any of the following three situations:

1. The school demonstrates there is a compelling health or safety reason for it to provide the books and supplies;
2. The school documents on a current basis that the books and supplies, including digital and electronic course materials,

are not available elsewhere or accessible by students enrolled in that program from sources other than those provided or authorized by the school; or

3. The school

- has an arrangement with a book publisher or other entity that enables it to make those books or supplies available to students below competitive market rates,
- provides a way for a student to obtain those books and supplies by the seventh day of a payment period, and
- offers a way for a student to opt out of how the school provides books and supplies. Books and supplies must be considered part of tuition and fees, and therefore as institutional charges, if a student does not have a real and reasonable opportunity to purchase them elsewhere. (See the discussion that follows and the section on demonstrating a real and reasonable opportunity in *Chapter 1 of Volume 5*.)

**Exceptions:** When calculating returns under 34 CFR 668.22 a school may exclude from the total amount of institutional charges costs such as the documented cost of unreturnable equipment and of returnable equipment not returned in good condition within 20 days of withdrawal. Note that the documented cost of equipment is what the school spent to buy it, not necessarily what students were charged for it.

Noninstitutional charges (not included in a return calculation) include

- ◆ charges for any required course materials that a school can document a student had a real and reasonable opportunity to purchase elsewhere;
- ◆ charges to a student's account for group health insurance fees if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal, and
- ◆ charges to a student's account for discretionary, educationally related expenses (e.g., parking or library fines, the cost of athletic or concert tickets, etc.).

### ***Apportioning and prorating charges***

In most cases, the total charges a school assesses the student in a semester, academic year, or other instructional period are for education and services the institution provides within that period of time. However, some schools charge a student up front for the total cost of a multiyear program (for example, the student signs an enrollment agreement and

### **Paying Overtime Charges Is Prohibited**



A school may not use Title IV funds to pay overtime charges for a student who fails to complete his or her academic program within the normal time frame. Section 472 of the HEA defines cost of attendance as the tuition and fees normally assessed a student carrying the academic workload required of all students in the same course of study. Overtime charges are in addition to normal tuition and fees. Since they are not charges normally assessed, they may not be included in a student's cost of attendance for Title IV purposes. (See *Volume 3, Chapter 2* for additional information.)

### **Apportioning and prorating charges**

34 CFR 668.164(c)(5)

is charged for the total costs of an 1,800-clock-hour program at the beginning of the program). In this case, because the charges assessed up front represent the costs of education and services that will be provided over a two-year period, the institution would, on a program basis, apportion the total charges over the two-year period to determine the amount of charges applicable to each year (each loan period or award year, as appropriate).

Institutional charges (in general, tuition and fees) allocated to each year or portion of a year would be based on the education and services the school provides during that period of time, in the same way as they are for schools that charge their students year by year. Charges for books and supplies that are institutional charges would also be prorated. See *Disbursements by payment period* later in this chapter for an explanation of how to prorate the charges.

### Three Principles Associated With Institutional Charges

*Published in a January 7, 1999, policy bulletin, these principles are applicable to determining institutional charges.*

#### **Principle 1: Most costs charged by the school are institutional charges.**

The most important principle to keep in mind is that all tuition, fees, room and board, and other educationally related charges a school assesses a student are institutional charges, unless demonstrated otherwise. If you want to exclude specific charges or costs from a calculation, you must document that the charges are not institutional charges.

#### **Principle 2: An institutional charge does not need to be assessed to all students.**

A charge assessed to all students enrolled in a course or program is an institutional charge whether or not it is assessed to all students at the school. Moreover, a charge does not have to be specified in a student's enrollment agreement to be considered an institutional charge.

#### **Principle 3: Charges on a student's account are not always school charges; school charges do not always appear on a student's account.**

With the student's authorization, a school may credit a student's account with Title IV funds to pay for noninstitutional charges. If a student withdraws from the school with debits for noninstitutional charges on his or her account, the school should exclude those charges from the Return calculation.

Conversely, there may be institutional charges that do not appear on a student's account. If a school disburses Title IV funds to a student to buy required books, equipment, supplies, or materials and the student does not have a real and reasonable opportunity to purchase them from another source, those costs must be classified as institutional charges.

Note that this procedure for apportioning the costs over the length of the program does not affect how a school maintains or should maintain its accounting records.

### Charges Incurred at Bookstores

34 CFR 668.164(c)

DCL GEN-12-21, November 28, 2012

## PAYING INSTITUTIONAL CHARGES

### *Paying pass-through charges*

The law allows a school to credit a student's account with FSA funds to pay for institutionally provided housing or to pay for charges incurred at a school-owned bookstore. However, it is not necessary that the school actually own the student housing or the bookstore. The school may enter into a contract with a third party to provide institutional housing and/or bookstore services. A school that has such a contractual agreement for housing and books and supplies is viewed as providing the goods and services itself.

As allowed under 34 CFR 668.164(c), with the student's authorization a school may credit his or her account with Title IV, HEA funds to pay for housing and for educationally related goods and services from the bookstore. If a third party operates the bookstore, the school must have a written contract or other legal agreement with it, under which the student is able to charge the goods and services. Other FSA requirements apply to housing and the bookstore. For instance,

- ◆ A school must include the cost of housing as an institutional charge in any return calculation required when an eligible recipient ceases to be enrolled prior to the end of the payment period or period of enrollment. (See *Volume 5*.)
- ◆ Bookstore charges must count as institutional charges when performing a return calculation if students did not have a “real and reasonable opportunity” to purchase the books and supplies from any place other than that bookstore. (See *Volume 5*.)
- ◆ The school must include the contracted third-party housing among the locations for which it fulfills the requirements for reporting campus crime and safety information.
- ◆ If the bookstore is on campus or in any off-campus building or property the school owns or controls, the school must include the bookstore among the locations for which it reports campus crime and safety information. See *Volume 2* and [The Handbook for Campus Safety and Security Reporting](#) for more information.

The third party that owns the housing or bookstore also must comply with the civil rights and privacy requirements contained in the school's program participation agreement (see *Volume 2*).

### Students Must Have an Option

A school must give a Title IV eligible student the opportunity to opt out of having purchases of books and supplies from any institutionally owned or contracted bookstore charged to the student's account.

34 CFR 668.164(m)(3)

### Campus security

34 CFR 668.41(e), 668.46, and 668.49

### Example: Apportioning Charges that Are All Posted During the First Payment Period

Katrina Technical Center (KTC) is a nonprofit postsecondary school in Houma, Louisiana, offering a program in storm water abatement. Hanna enters KTC’s abatement program on April 30, 2018. KTC posts the charges for the entire (1,500-hour) program at its beginning. The cost of equipment is incorporated in each student’s enrollment agreement, so it is included in the tuition and fees.

#### Program Profile

Academic Year/Program	900 hours 30 weeks of instructional time
Program	1,500 hours 50 weeks of instructional time
Program Start Date	April 30, 2018
Program End Date	April 12, 2019
Program Cost	\$13,500
Pell Award Years Included	July 1, 2017–June 30, 2018 July 1, 2018–June 30, 2019
Payment Period 1 (450 hours)	April 30, 2018, to August 10, 2018
Payment Period 2 (450 hours)	August 13, 2018, to November 23, 2018
Payment Period 3 (300 hours)	November 26, 2018, to February 1, 2019
Payment Period 4 (300 hours)	February 4, 2019, to April 12, 2019
First loan period (900 hours)	April 30, 2018, to November 23, 2018
Second loan period (600 hours)	November 26, 2018, to April 12, 2019

#### Hanna’s Federal Student Aid Information

Hanna is eligible to receive the following Federal Student Aid during her program:

2017–2018 Pell Grant Scheduled Award	\$4,800
2018–2019 Pell Grant Scheduled Award	\$4,800
Subsidized Direct Loan for First Loan Period	\$3,500
Subsidized Direct Loan for Second Loan Period	\$2,334

When a school charges for an entire program at the start of the course (up front), it must determine the charges in proportion to the number of clock hours in each payment period. So KTC would apportion \$4,050 (450 hours/1,500 hours x \$13,500) to each of the payment periods in the first loan period and \$2,700 (300 hours/1,500 hours x \$13,500) to those in the second loan period.

#### Student’s Apportioned Charges

First Payment Period (450 hours)	\$ 4,050
Second Payment Period (450 hours)	\$ 4,050
Third Payment Period (300 hours)	\$ 2,700
Fourth Payment Period (300 hours)	\$ 2,700

**Example: Apportioning Charges (continued)**

On April 30, 2018, the school credits Hanna's account with \$4,150: \$2,400 in 2017–2018 Pell Grant funds and \$1,750 in Direct Loan funds. When these funds are applied against the \$4,050 in school charges for the first payment period, it creates an FSA credit balance of \$100 ( $\$4,150 - \$4,050$ ) that the school electronically transfers to the bank account Hanna previously specified to be used for that purpose.

On August 13, 2018, the school credits Hanna's account with \$4,150: \$1,750 in Direct Loan funds and \$2,400 in Pell funds, which this time are from the 2018–2019 scheduled award. This again creates a credit balance of \$100 ( $\$4,150$  disbursement –  $\$4,050$  school charges) that the school transfers to her specified bank account.

On November 26, 2018, the school credits Hanna's account with \$2,767 (the third payment period is only 300 hours versus 450 in the first and second periods) in FSA funds: \$1,600 in 2018–2019 Pell funds and \$1,167 in Direct Loan funds. Applied against the \$2,700 in school charges for the third payment period, the funds create a credit balance of \$67 ( $\$2,767 - \$2,700$ ) that the school transfers to her bank account.

Hanna begins the fourth and final payment period on February 4, 2019, and, as in the third payment period, the aid officer credits her account with \$2,767: \$1,167 in Direct Loan funds and \$1,600 in Pell. This again yields a credit balance of \$67 that the school transfers to Hanna's account. Notice that Hanna has now received \$5,600 in Pell funds for 2018–2019, which is more than her scheduled award of \$4,800. This is okay because Hanna, who is enrolled more than half time, is eligible to receive an additional (year-round) Pell Grant award of up to 50% of her scheduled award (see *Volume 3, Chapter 3*). The additional \$800 in Pell money amounts to  $1/6$  or 16.7% of her scheduled award ( $\$800 \div \$4,800$ ) and counts toward her Lifetime Eligibility Used.

Hanna graduates from KTC and starts to work for the Army Corps of Engineers to help ensure that the levees in New Orleans never fail again.

34 CFR 668.164(c)(5)(ii)

**Prior-year charges**

34 CFR 668.164(c)(3) &amp; (4)

**Authorizations for paying prior-year charges**

34 CFR 668.165(b)

**Prior Year**

If the student's aid package does not include a Direct Loan, *prior year* means **any** award year that ended prior to the start of the current award year.

If the student's aid package includes a Direct Loan, *prior year* means **any** loan period that ended prior to the start of the current loan period.

**Disbursements to Students on Leave of Absence**

A school may disburse Pell, TEACH Grant, Iraq & Afghanistan Service Grant, or FSEOG funds to a student on a leave of absence. However, a school must not disburse Direct Loan funds to a student on a leave of absence.

Because FSA credit balance funds are funds that have already been disbursed, a school must pay an FSA credit balance to a student on a leave of absence.

**Paying prior-year charges**

In general, FSA funds may only be used to pay for the student's costs for the period for which the funds are provided. However, a school may use current-year funds to satisfy prior award year charges of not more than \$200 for

- ♦ tuition, fees, and room and board provided by the school without obtaining the student's or parent's authorization; and
- ♦ educationally related goods and services provided by the school if it obtains the student's or parent's authorization under §668.165(b).

A "prior year" is any award year or loan period prior to the current one, as applicable. See the margin note.

The costs of education and other services a school provides a student are associated with the year for which the education and services are provided. "Year" is defined as follows:

- ♦ For a student or parent who receives only a Direct Loan, the current year is the current loan period.
- ♦ For a student who does not receive a Direct Loan, the current year is the current award year.
- ♦ For a student or parent who receives a Direct Loan AND funds from any other Title IV program, the current year is either the current loan period or the current award year.

FSA funds may not be used to repay a student's loan. Loan payments are not part of the cost of attendance for the period of enrollment.

**Disbursements by payment period**

Except for paying a student her work-study earnings, or unless one or more payment periods have elapsed before a school makes a disbursement, a school must disburse during the current payment period the amount of FSA funds that the student or her parent is eligible to receive for that payment period. That is, a disbursement must be in direct relation to the actual cost incurred by the student for that payment period.

**A school may not reduce or eliminate a student's eligibility for a Title IV credit balance by front-loading or apportioning institutional charges that the school cannot document are attributable to that payment period.**

For a program with substantially equal payment periods, a school apportions the charges associated with a current payment period by dividing the total institutional charges for the program by the number of payment periods in the program.

For a program that does not have substantially equal payment periods, a school apportions charges by dividing the number of credit or clock hours in the current payment period by the total number of credit or clock hours in the program and multiplying that result by the total institutional charges for the program.

A school may make a prior-year, late, or retroactive disbursement during the current payment period as long as the student was enrolled and eligible during the payment period covered by that disbursement.

For more information about disbursing funds by payment periods, see *Volume 3, Chapter 1*.

## CHECKING ELIGIBILITY AT THE TIME OF DISBURSEMENT

Before you awarded funds to a student, you confirmed that she was an eligible student and was making satisfactory academic progress (see *Volume 1*). Also, before disbursing FSA funds, you must determine and document that she remains eligible to receive the type and amount of FSA funds that you expect to disburse. You and your third-party servicer must have a process (consistent with the regulations) for determining student eligibility at the time of disbursement. See the discussion under *When a School Uses Third-Party Servicers to Disburse FSA Funds by EFT and Tier One and Tier Two Arrangements* later in this chapter for additional information about working with third-party servicers. The things you must confirm include the following:

- ◆ for Direct Loans, the student is enrolled at least half time and has a valid, linked MPN;
- ◆ for a student otherwise eligible for a Pell Grant, the scheduled disbursement will not cause the student to exceed her lifetime eligibility (see *Volume 3*);
- ◆ a student enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length has completed the previous period (credits and weeks of instruction or clock-hours and weeks of instruction);
- ◆ first-time FSA borrowers have completed entrance counseling, received the required disclosures, and completed the first 30 days of their academic program (see *Volume 3*);
- ◆ for TEACH Grant awards, the student has
  - a) completed the relevant initial or subsequent counseling;
  - b) signed an *Agreement to Serve*; and
  - c) earned the appropriate GPA, otherwise met the performance standard through testing, or is a retiree or a current or former teacher (see *Volume 1*).

### If a Borrower Dies Before Loan Funds Are Disbursed

The Department does not permit disbursement of Title IV loan funds when there is no possibility of repayment. Therefore, if a student borrower or parent PLUS loan borrower dies after the school has received the loan funds but before the loan is disbursed, the school must return the entire disbursement to the Department. See Appendix C of the FSA Handbook: *Actions a School Should Take When a Current Student Dies*.

### Third-party servicer responsibility to check eligibility before disbursement

34 CFR 668.25(c)(4)  
34 CFR 668.164(b)(3)



A third-party servicer is bound by the same provisions that apply to a school. The servicer must carry out its contracted activities in a manner keeping with a fiduciary under the Title IV, HEA programs.

### Interim disbursements to students selected for verification

A school can make an interim disbursement of certain types of FSA funds to a student who is selected for verification (including a student selected for verification by the school rather than the CPS). If the school has any conflicting documentation or other reason to believe that it does not have a valid output document, it may not make such a disbursement. See *Chapter 4* of the *Application and Verification Guide*.

### Disbursement of funds received under advance payment

34 CFR 668.162(b)(3)

The most common change that would make a student ineligible for a Direct Loan disbursement is if the student has dropped below half-time enrollment, so it is important that the financial aid office have a system to verify the student's enrollment status at the time of disbursement. If the student has only temporarily dropped below half-time enrollment, you may still make a Direct Loan disbursement after the student resumes at least half-time enrollment.

### Schools that can't make interim disbursements

Because schools on the HCM2 and reimbursement payment methods must, as part of their request for Title IV funds from the Department, submit documentation showing that students were eligible to receive the funds disbursed to them, and because final determination of student eligibility includes completing verification, HCM2 and reimbursement schools are not able to make interim disbursements.

### Conditions under which a third-party servicer is responsible for confirming a student's eligibility

A third-party servicer is responsible for confirming a student's eligibility if the school engages the servicer to perform activities or transactions that lead to or support a disbursement of Title IV funds. Examples of activities and transactions are:

- ◆ processing financial aid applications;
- ◆ performing need analysis;
- ◆ verifying students have begun attendance in the classes on which their Title IV aid was based;
- ◆ verifying that students are making satisfactory academic progress (SAP);
- ◆ performing verification;
- ◆ determining the type and amount of Title IV funds that students are eligible to receive;
- ◆ creating origination, disbursement, or other records in COD;
- ◆ requesting funds under the advance, reimbursement, or heightened cash monitoring (HCM) payment methods; or
- ◆ accounting for funds that are originated, requested, or disbursed in reports or data submissions to the Department.

### Importance of Timely Review of Pell Lifetime Eligibility Used

Electronic Announcement, August 13, 2012

#### TEACH Grant Counseling

Students must complete TEACH Grant initial counseling prior to receiving the first disbursement of their first TEACH Grant. See *Volume 3*.

## TIME FRAMES FOR PAYING FSA FUNDS

### Prompt disbursement (three-day) rules

In general, schools that are not receiving federal cash from the Department through one of the heightened cash monitoring payment methods must make disbursements as soon as administratively feasible but no later than three business days after receiving funds from the Department. The disbursements may be credited to the student's account or made directly to the student or parent, as discussed earlier.

In order to comply with the excess cash regulations (described in *Chapter 1*), when requesting funds with which to make FSA disbursements, schools must ensure they do not draw down more cash than they can disburse over the next three days.

Note that these time frames for disbursing to the student's account (or directly to the student or parent) are different than those for paying FSA credit balances to the student or parent. As we discuss later in this chapter, a school generally has 14 days to pay an FSA credit balance to the student or parent, unless it has written permission to hold the credit balance.

### Submitting disbursement records

A school must submit Federal Pell Grant, TEACH Grant, and Direct Loan disbursement records no later than 15 days after making a disbursement or becoming aware of the need to adjust a student's disbursement.

A school's failure to submit disbursement records within the required time frame may result in an audit or program review finding. In addition, the Department may impose a fine or other penalty.

## EARLY DISBURSEMENTS

The earliest a school may disburse Title IV funds to an eligible student or parent is

- ◆ if the student is enrolled in a credit-hour program offered in terms that are substantially equal in length, 10 days before the first day of classes of a payment period; or
- ◆ if the student is enrolled in a clock-hour program, a non-term credit-hour program, or a credit-hour program offered in terms that are not substantially equal in length, the later of
  - a) 10 days before the first day of classes of a payment period or
  - b) the date the student completed the previous payment period for which he received Title IV funds.

A school may not make an early disbursement of a Direct Loan to a first-year, first-time borrower who is subject to the 30-day delayed disbursement requirements in 34 CFR 685.303(b)(5).

A school may not compensate a student employed under the FWS program until the student earns that compensation by performing work, as provided in 34 CFR 675.16(a)(5).

### Reporting Disbursements Within 15 Days

Schools must submit Direct Loan and Pell, TEACH, and Iraq and Afghanistan Service Grant disbursement records no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement.

The Department considers that Title IV funds are disbursed on the date that schools (a) credit those funds in their general ledger or any subledger to a student's account or (b) pay those funds to a student directly. Title IV aid is disbursed even if schools use their own funds in advance of receiving program funds from the Department.

Failure to submit disbursement records within the required time frame may result in rejection of all or part of the reported disbursement and in an audit or program review finding. The Department may also impose a fine or other penalty.

[Federal Register Volume 82, Number 122, June 27, 2017](#)

### Early Disbursements

34 CFR 668.164(i)

### Exception to the 30-day delay

The 30-day restriction does not apply if the school is exempt from the 30-day delayed disbursement requirements under 34 CFR 685.303(b)(5)(i)(A) or (B).

34 CFR 668.164(i)(2)

## Defining the Date of Disbursement (34 CFR 668.164(a))

*(These rules apply to the FWS program as well.)*

It is important to define the date of disbursement because several regulatory requirements are based on that date. For instance, you must disburse an FSA credit balance to a student no later than 14 days after the date it was created or no later than 14 days after the first day of class, and you must notify a student of a loan disbursement within a time frame related to the date of that disbursement.

The date of disbursement also determines when the student becomes an FSA recipient and has the rights and responsibilities of an FSA recipient. For example, when FSA loan funds are disbursed to a recipient, the student or parent assumes responsibility for the loan and has the right to cancel the loan.

A disbursement occurs when your school credits a student's account **or** pays a student or parent directly with

- FSA funds received from the Department; or
- School funds labeled as FSA funds in advance of receiving actual FSA funds (except as noted below).<sup>1</sup>

When using school funds in place of FSA funds, there are two situations where the FSA disbursement is considered to have taken place on the earliest day that the student could have received FSA funds rather than the actual disbursement date.

- If a school credits a student's account with its own funds earlier than 10 days before the first day of classes of a payment period, that credit is not considered an FSA disbursement until the 10th day before the first day of classes (the earliest a school may disburse FSA funds).
- If a student borrower is subject to the 30-day disbursement delay and a school credits the student's account with its own funds before the 30 days have elapsed, this is not counted as an FSA loan disbursement until the 30th day after the beginning of the payment period (the 31st day of classes).

<sup>1</sup> If your school simply makes a memo entry for billing purposes or credits a student's account and does not identify it as an FSA credit (for example, an estimated Federal Pell Grant), it is not a disbursement. For example, some schools prepare billing statements or invoices showing the estimated amount of FSA funds that students are eligible to receive. These estimated amounts are not FSA disbursements.

## RETROACTIVE PAYMENTS

If a school did not make a disbursement to an enrolled student for a payment period the student completed (for example, because of an administrative delay or because the student's ISIR was not available until a subsequent payment period), the school may pay the student for all prior payment periods in the current award year or loan period for which the student was eligible.

A retroactive Pell Grant payment must be calculated based on the student's enrollment status according to work already completed, as required by 34 CFR 690.76(b).

## LATE DISBURSEMENTS

Generally, an otherwise eligible student or parent becomes ineligible to receive FSA funds on the date that

- ◆ for the Direct Loan program, the student is no longer enrolled at the school as at least a half-time student for the period of enrollment for which the loan was intended, or
- ◆ for the FSA grant and Perkins Loan programs, the student is no longer enrolled at the school for the award year.

However, if certain conditions are met, students must be considered for a disbursement after the date they became ineligible. These disbursements are called "late disbursements."

### *Conditions for a late disbursement*

A student must be considered for a late disbursement (and the parent for a parent PLUS Loan disbursement) if the Department processed a SAR/ISIR with an official EFC before the student became ineligible. Therefore, a school must review its records to see if a student who did not receive a disbursement of FSA funds before becoming ineligible is eligible for a late disbursement. (Check the processed date as described in the sidebar on the next page.)

In addition, for a Direct Loan or an award under the TEACH Grant Program, the school must have originated the loan or award prior to the date the student became ineligible (see sidebar). For an FSEOG or a Federal Perkins Loan, the school must have made the award to the student prior to the date the student became ineligible.

If a school receives a valid SAR/ISIR for a student who is no longer enrolled, before performing a return calculation, the school must recalculate the FSA grant eligibility based on the student's enrollment status on the date the student ceased to be enrolled.

### **Retroactive payments**

34 CFR 668.164(k)

### **Late disbursements**

34 CFR 668.164(j)

### **Pell and Iraq and Afghanistan Service Grant disbursements**

If a school receives a valid SAR or ISIR within the applicable deadlines, it must disburse the student's Pell or Iraq & Afghanistan Service Grant.

34 CFR 690.61(a)

#### **Date of Origination**

**TIP**

The regulations define the date of loan origination as "the date a school creates the electronic loan origination record."

If the school created an electronic loan origination record in its system before the date the student became ineligible, and the school can document the creation of that record, the school satisfies the date of origination component required for making a late disbursement (assuming that all other late disbursement requirements are met).

34 CFR 685.301(a)(6).

**Late Disbursement Limitations**

34 CFR 668.164(j)(4)

**Processed Date**

For purposes of determining eligibility for a late disbursement, use the processing date on the SAR/ISIR. For an ISIR, use the field labeled *Processed Date*. For a SAR, use the date above the EFC on the first page. For a SAR Acknowledgment, use the date labeled “transaction process date” in the school use box.

**Obtaining SAR/ISIR With Earlier Process Date**

Sometimes a school may have a SAR/ISIR with an official EFC processed while the student was enrolled but before the student listed the school on the FAFSA or ISIR. Subsequently, the school may have received a SAR/ISIR for the student with a processed date after the student ceased to be eligible. In this case you need to obtain a copy of the earlier SAR/ISIR to document eligibility for the late disbursement.

**Post-withdrawal disbursement**

This is a type of late disbursement that occurs after a student withdrew and that the student has earned based on a return of Title IV funds calculation. The conditions and limitations for a post-withdrawal disbursement are the same as for all other late disbursements though there are additional requirements. See *Volume 5* for the rules about offering and paying a post-withdrawal disbursement.

34 CFR 668.22(a)(5)

**Late Disbursements May Be Declined**

Though a school must, in some cases, offer a late disbursement, a student or parent is never required to accept it. For example, a student may decline a late disbursement of a loan to avoid taking on debt.

**Limitations on making a late disbursement**

The regulations prohibit a school from making a late disbursement in certain situations, **even if a student otherwise meets the conditions for a late disbursement. A school is prohibited from making**

- ◆ a late second or subsequent disbursement of Direct Loan funds unless the student has graduated or successfully completed the loan period;
- ◆ a late disbursement of Direct Loan funds to a first-year, first-time borrower who withdraws before the 30th day of the student’s program of study, unless the school meets the requirements for a waiver based on low default rates (see *Volume 2*); and
- ◆ a late disbursement of Title IV funds to a student for whom the school did not have a valid SAR/ISIR by the deadline established by the Department.

**In addition, a school may not make a late disbursement later than 180 days after the date the student becomes ineligible.**

**Late disbursements that must be made vs. late disbursements that may be made**

If a student who qualifies for a late disbursement completes or withdraws during the payment period or period of enrollment, a school **must** make or offer, as appropriate, a late disbursement.

If the student completed the payment period or period of enrollment, the school must provide her or her parent the choice to receive the amount of Title IV funds that she or her parent was eligible to receive while she was enrolled. Unlike with post-withdrawal disbursements below, there are no specific requirements for how schools offer this choice. When making a late disbursement in this circumstance, the school may credit the student’s account for allowed charges but must pay or offer any remaining amount to the student or parent.

A late disbursement for a student who has withdrawn during the payment period or period of enrollment is called a post-withdrawal disbursement. The school must make any post-withdrawal disbursement required by the provisions of 34 CFR 668.22. See the margin note.

If a student did not withdraw or fail to complete the payment period or period of enrollment but ceased to be enrolled as at least a half-time student, the school **may** make a late disbursement of a Direct Loan. So long as the school previously confirmed that the student began attendance for the loan period and was enrolled at least half time, it is not required to reconfirm his attendance before making a late disbursement of the loan.

A student who withdraws and subsequently signs a promissory note in time for the school to include the loan funds in the return of

Title IV aid calculation may receive a post-withdrawal disbursement of the applicable amount of her loan funds (see *Volume 5* for more information). In addition, a student who loses eligibility for a reason other than her withdrawal and subsequently signs a promissory note may receive a late disbursement of the applicable amount of her loan funds.

### ***Paying a late disbursement***

A school may credit a student's account with a late disbursement of FSA funds without the student's permission for

- ◆ current allowable charges;
- ◆ prior-year charges of not more than \$200 for tuition, fees, and room and board provided by the school; and
- ◆ prior-year charges of not more than \$200 for educationally related goods and services provided by the school if it obtained the student's or parent's authorization under §668.165(b) before the student lost eligibility.

If funds remain from a late disbursement after the outstanding charges on the student's account have been satisfied, **the school must pay the funds directly to the student within 14 days.**

As already noted, if a student with an FSA credit balance withdraws before the funds are disbursed, other limitations apply. See *Volume 5* for an explanation of post-withdrawal disbursements.

If a school chooses to make a late disbursement of a Direct Loan to a student who ceases to be enrolled as at least a half-time student, the school determines the amount of the late disbursement of the Direct Loan it will offer the student by determining the educational costs the student incurred for the period of instruction during which the student was enrolled at least half time.

## **DISBURSING FWS WAGES**

Your school may use any type of payroll period it chooses, provided students are paid at least monthly. It is a good idea to have the FWS payroll correspond to other similar payrolls at the school. Unless you are paying the student with noncash contributions (see sidebar), you must pay the nonfederal share to the student at the same time you pay the federal share.

FWS wages are earned when the student performs the work. A school may pay the student after the last day of attendance for FWS wages earned while he or she was still in school. However, when a student has withdrawn from school and is not planning to return, FWS funds may not be used to pay for work performed after the student withdrew. A correspondence student must submit the first completed lesson before receiving a disbursement under the FWS Program.

### **Flexibility in Contacting Students**

To avoid having to contact students multiple times, a school may use one contact to

- counsel borrowers about their loan repayment obligations;
- obtain permission to credit loan funds to students' accounts to cover unpaid institutional charges;
- obtain permission to make a late disbursement of grant or loan funds for other than institutional charges;
- obtain permission to make a late disbursement of grant or loan funds directly to students; and
- confirm that students wish the school to receive, as a direct disbursement, any grant or loan funds the students are due as a late disbursement.

Students' response to an offer of a late disbursement does not have to be in writing, but the school must document it.

### **Extended Direct Loan Processing**

Direct Loan processing for an award year generally remains open in COD for 13 months following the end of the award year (until July 31 of the year following the end of the award year). A school should be able to submit data via batch or web processing through that time unless it has already confirmed closeout for the impacted award year. If a school finds the year is closed in COD before the 13 months are up, it should contact COD School Relations for help in re-opening the award year.

Once the 13-month period is over and COD has closed the year, a school may request extended processing through <https://cod.ed.gov>. Toward the end of each award year the Department publishes an announcement with the closeout deadline and instructions on requesting extended processing.

### Conditions and Limitations on Late Disbursements

For students to receive a late disbursement, these conditions must be met before they lose eligibility [34 CFR 668.164(j)(2)]

Program		
Pell Grant <sup>1</sup>	For all programs, the Department processed a SAR/ISIR with an official EFC.	No additional requirements
FSEOG		Student is awarded a grant.
Direct Loans		A loan record is originated. <sup>2</sup>
TEACH Grants		The grant is originated.

### These additional limitations must be satisfied before a school may make a late disbursement [34 CFR 668.164(j)(4)]<sup>3</sup>

- ✓ For all Title IV programs, the school received a valid SAR/ISIR by the date established by the Department in the annual deadline date notice.
- ✓ For Direct Loans:
  1. Students who are first-time, first-year borrowers completed 30 days of the program (subject to waivers discussed in *Volume 3*).
  2. For a second disbursement, students graduated or completed the period for which the loan was intended.

<sup>1</sup> Within this chart, the rules for a Pell Grant also apply to Iraq and Afghanistan Service Grants.

<sup>2</sup> A school may not originate a Direct Loan for a loan period in which the student is no longer enrolled on at least a half-time basis, even if the student is otherwise still enrolled at the school.

<sup>3</sup> For all programs, the late disbursement is made no later than 180 days after the date of the school’s determination that the student withdrew, or, for a student who did not withdraw, 180 days after the student became ineligible.

For audit and program review purposes, your school must have documentation (e.g., canceled checks, bank statements) showing that students received disbursements in the amount charged to the FWS Program.

### **Crossover payment periods**

When a payment period is in two award years (that is, when it begins before July 1 and ends on or after July 1), the student is paid for compensation earned through June 30 with funds allocated for the first award year and for compensation earned beginning July 1 with funds allocated for the following award year. (See *Volume 6* for a discussion of carrying back funds for summer employment.)

Disbursing to students from the correct award year is important; schools have been held liable when students were paid from the wrong FWS authorization.

### **Holding FWS funds on behalf of the student**

With written authorization from a student, a school may hold, on behalf of the student, FWS funds that would otherwise be paid directly to the student (unless this is prohibited by the terms of a reimbursement payment method). The restrictions for such an authorization are the same as those that apply to written authorizations for disbursements to student accounts. If your school holds FWS funds on behalf of students, it must:

- ◆ identify the amount of FWS funds held for each student in a designated subsidiary ledger account;
- ◆ maintain cash in its bank account that is always at a minimum equal to the FWS funds being held for students; and
- ◆ disburse any remaining balance by the end of the school's final FWS payroll period for the award period.

## **METHOD OF DISBURSEMENT**

There are two ways to disburse FSA funds: by crediting the student's account for allowable charges at your school or by paying the student or parent directly.

### **Credit to the student's account**

When a school disburses FSA funds to a student by crediting a student's account, it may do so only for allowable charges associated with the current payment period (except for the allowances for prior year, late, or retroactive disbursements discussed elsewhere in this chapter).

Allowable charges include the following:

- ◆ current charges incurred by the student at the school for tuition and fees as defined in Volume 3, and room and board

### **Extended Processing and Late Disbursements of Pell and Direct Loans for a Closed Year**

Extended processing or *post-deadline processing* allows a school to make needed adjustments that may be identified after the closeout or processing deadline.

A school may request an extension to the data submission deadline for Direct Loans or grants via the post deadline/extended processing request page in COD.

Note: Schools do not need to request post deadline processing for Pell Grants if they are processing only downward disbursement adjustments.

Authorized school users must log on to the website, select the "School" menu and then select "Request Post Deadline/ Extended Processing" on the left side. Users then

- select the correct award year and program for the request;
- choose the general reason why extended processing is being requested from the reason code dropdown menu;
- provide an explanation for the request; and
- select "Submit."

In the information a school provides to the students when the school informs them that they are due a late disbursement, the school may include information about the advantages of keeping loan debt to a minimum.

**FWS payments to students**

34 CFR 675.16

**Crediting student's account**

34 CFR 675.16(b)

**Noncash contribution**

Your school has the option of paying its share of a student's FWS wages in the form of a noncash contribution of services or equipment—for example, tuition and fees, room and board, and books and supplies. However, you may not count forgiveness of a charge such as an FWS student's parking fine or library fine as part of the noncash contribution to the student.

Noncash payments (tuition, fees, services, or equipment) must be made before the student's final payroll period of the award period. If your school pays its share for a future academic period in the form of prepaid tuition, fees, services, or equipment, you must give the student—again, before the end of her final payroll period—a statement of the amount of the noncash contribution earned.

**Self-assessment tool for disbursement procedures**

You can evaluate your school's disbursement procedures by referring to the "Fiscal Management Assessment" at <https://ifap.ed.gov/FSAAssessments/FiscalManagement.html>.

**Method of disbursement**

- Credit to student's account: 34 CFR 668.164(c)
- Direct disbursements: 34 CFR 668.164(d)
- Releasing a Pell check: 34 CFR 690.78(c)
- Cost of attendance: HEA Section 472

**Tuition and fees**

Section 472 of the HEA  
34 CFR 668.164(d)

**Crediting Direct Loan funds to current charges first**

Direct Loan funds credited to a student's account must pay for current charges first.

if the student contracts with the school (third-party or pass-through charges are not included except in the case of third-party housing, books, and supplies contracted by the school);

- ◆ the prorated amount of those charges if the institution debits the student's ledger account for more than the charges associated with the payment period;
- ◆ books, supplies, and other educationally related goods and services provided by the institution if you obtain the student's or parent's (as applicable) written authorization; and
- ◆ prior-year charges not exceeding \$200 (see the discussion under *Paying prior-year charges* earlier in this chapter).

**Direct disbursement to the student or parent**

You may also disburse FSA funds directly to the student or parent. Most schools choose to first credit FSA funds to the student's account at the school and then disburse the credit balance to the student or parent.

A school makes a direct payment for the amount of the Title IV program funds a student is eligible to receive (including Direct PLUS Loan funds that the student's parent authorized the student to receive) by

- ◆ initiating an EFT of that amount to the student's financial account, including transferring funds to stored-value cards and debit cards (see the discussion under *Paying FSA Credit Balances* later in this chapter);
- ◆ issuing a check or other instrument payable to and requiring the endorsement or certification of the student;
- ◆ dispensing cash for which the school obtains a receipt signed by the student.

A school makes a direct payment to a parent, for the amount of the Direct PLUS Loan funds that a parent does not authorize the student to receive, by

- ◆ initiating an EFT of that amount to the parent's financial account;
- ◆ issuing a check for that amount payable to and requiring the endorsement of the parent; or
- ◆ dispensing cash for which the school obtains a receipt signed by the parent.

### When the Department considers a check to have been issued

The Department considers that a school has issued a check on the date the school

- ◆ mails the check to the student or parent; or
- ◆ notifies the student or parent that the check is available for immediate pick-up at a specified location at the institution.

### FSA CREDIT BALANCES

A Title IV credit balance occurs whenever the amount of Title IV funds credited to a student's account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period. Please see *Volume 5* for a discussion of credit balances when a student withdraws.

If FSA disbursements to the student's account at the school create an FSA credit balance, you must pay the credit balance directly to the student or parent as soon as possible but no later than 14 days after

- ◆ the first day of class of a payment period if the credit balance occurred on or before that day;
- ◆ the balance occurred if that was after the first day of class.

The law requires that any excess PLUS Loan funds be returned to the parent. Therefore, if PLUS Loan funds create a credit balance, the credit balance would have to be given to the parent. However, the parent may authorize your school (in writing or through [StudentLoans.gov](http://StudentLoans.gov)) to transfer the proceeds of a PLUS Loan credit balance directly to the student for whom the loan is made (for example, to a bank account in the student's name). The Department does not specify how a school must determine which FSA funds create an FSA credit balance.

A school may not require a student to take any actions to obtain his or her credit balance. It is the sole responsibility of the school to pay, or make available, any FSA credit balance within the 14-day regulatory time frames.

Notwithstanding any authorization obtained by the school, the school must provide the student with any remaining FSA credit balance resulting from FSA loan funds by the end of the loan period and any other FSA program credit balances by the end of the last payment period in the award year for which the funds were awarded.

### Disbursements in Programs of Less than One Year Where Grades Are Not Awarded

Before disbursing funds to students enrolled in programs equal to or less than one year in which they do not receive grades or credits until the end of the program, your school must have a satisfactory academic progress standard as described in *Volumes 1* and *2* of the Handbook, and you must

- measure a student's academic progress by the time the student has completed one-half of the program (one payment period); if no grades are given for the first half/payment period, a comparable assessment must be made; and
- not make a second disbursement of FSA funds to students who are not making satisfactory academic progress, except that students on probation or warning may receive a second disbursement if they completed the clock hours or credit hours associated with the first period.

### Holding a check

A school may hold the check for no longer than 21 days after the date the school notifies the student or parent. If the student or parent does not pick up the check, the school must immediately

- mail the check to the student or parent,
- pay the student or parent directly by other means, or
- return the funds to the appropriate Title IV program.

34 CFR 668.164(d)(2)

### Credit balances

34 CFR 668.164(h)(1)

### School responsibility to pay credit balance in time frame

34 CFR 668.164(h)(2)

### School responsibility to pay credit balance by the end of the last payment period

34 CFR 668.165(b)(5)(iii)

### When an HCM1 school must pay a credit balance

The Department considers a school on Heightened Cash Monitoring 1 to have made a disbursement when it satisfies the conditions explained under *Defining the Date of Disbursement* earlier in the chapter. If a disbursement creates a Title IV credit balance, the school must pay the balance directly to the student or parent before it requests funds through G5 but no later than the deadline given on the previous page.

### Refunds vs. paying credit balances

FSA regulations refer to the amount of aid that exceeds the allowable charges as a credit balance. School administrators sometimes refer to this as a refund; however, it is not the same thing as a refund under the school's refund policy or a post-withdrawal disbursement given to a student under the return of Title IV funds rules.

### Paying a credit balance

by EFT: 34 CFR 668.164(d)(1)(i)(A) & (ii)(A)  
by check: 34 CFR 668.164(d)(1)(i)(B) & (ii)(B)

### Credit balances under \$1.00

A school is not required to pay a credit balance that is less than \$1.00.

#### Delivery of FSA Funds Must Be Free

Schools are prohibited from charging students a fee for delivering FSA funds. If a school delivers FSA funds to students by crediting funds to a school-issued debit or smart card, the school may not charge students a fee for making withdrawals of FSA funds from that card. However, the school may charge for a replacement card.

See the discussion under the treatment of T1 and T2 accounts later in this chapter for a discussion of charges allowed under those accounts.

## PAYING FSA CREDIT BALANCES

### *Paying FSA credit balances by issuing a check*

A school may pay a credit balance by issuing a check payable to and requiring the endorsement of the student or parent. A school is considered to have issued the check on the date that it

- ♦ mails the check to the student or parent; or
- ♦ notifies the student that the check is available for immediate pickup and provides the specific location.

A school that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. A school can, within that 14-day period, do a number of things, including sending a notice to the student that his or her money is available. A school that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the school's process complies with the rest of the regulation. That is, **the school must be able to give the student a check when the student comes to the office within the 14-day time frame.**

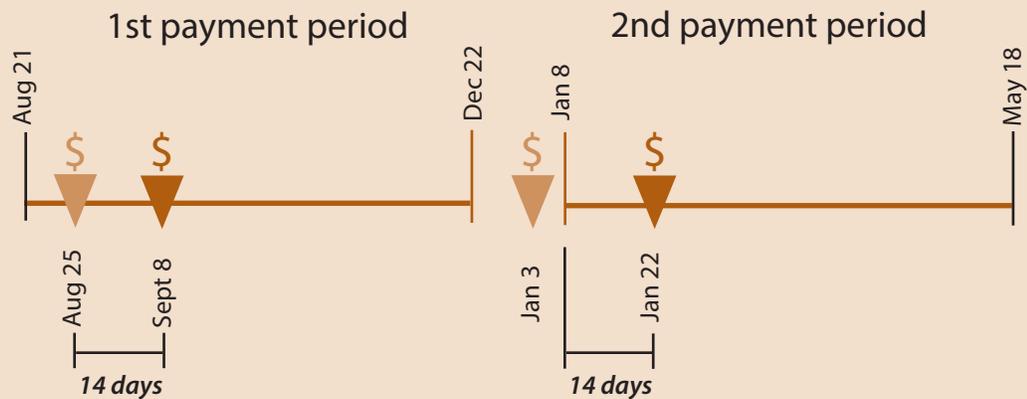
If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored-value card), and not be told that a check will be mailed to him or her.

A school may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate FSA program.

### *Paying FSA credit balances by initiating an EFT*

A school may pay a credit balance by initiating an EFT to a bank account designated by the student or parent. Moreover, a school may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of FSA funds to students. Consequently, **if a student does not comply with the school's policy, the school must nevertheless disburse the funds to the student either by dispensing cash, for which the school obtains a signed receipt, or issuing a check. A school must disburse the credit balance within the regulatory time frame.** (See the discussion under *When a school uses third-party servicers to disburse FSA funds by EFT* later in this chapter for additional information.)

### Example—14-Day Time Frame for Paying Credit Balances



In the first payment period above, the school disburses FSA funds to incoming students after the students have started classes, so it has 14 days from that date to pay the credit balance to the student (or parent, in the case of PLUS).

In the second payment period, the school disburses FSA funds before classes start, so the school has 14 days *from the beginning of classes* to pay the credit balance.

### FSA credit balances example

An FSA credit balance occurs only if the total amount of FSA program funds credited to the student's account exceeds allowable charges.

For example, Ms. Inu Nagar enrolls at Eaglewood Technical Institute as a computer student, and her total allowable charges for the fall term amount to \$1,500. ETI credits \$2,000 to her account, **composed of** \$1,000 in FSEOG, \$500 in private scholarship funds, and \$500 in Pell Grant funds.

Although there is an excess of \$500 on the account, this does not constitute an FSA credit balance because the total amount of FSA funds (\$1,500) credited to the student's account does not by itself exceed the amount of allowable charges (\$1,500).

If, in this example, ETI credited \$600 of Pell Grant funds, rather than \$500, an FSA credit balance of \$100 would be created because the total FSA funds credited to the account (\$1,600) would exceed the allowable charges (\$1,500). The order in which these funds were credited does not matter.

## Provisions for books and supplies

34 CFR 668.164(m)

### Authorization not required

If a Pell-eligible student uses the process provided by the school to obtain books or supplies, the student is considered to have authorized the use of the FSA funds, and no written authorization is required.

### School options

A school has the flexibility to choose the method or methods to satisfy this provision based on its administrative needs and constraints or an evaluation of the costs and benefits of one or more methods. For example, the school may issue a bookstore voucher, make a cash disbursement, issue a stored-value card, or otherwise extend credit to students to make needed purchases.

### Effect of Verification

To be eligible to receive the disbursement for books and supplies, a student must meet all the student eligibility requirements before the start of the student's payment period.

A student who has not completed the verification process, has an unresolved "C" code on the SAR and ISIR, or has unresolved conflicting information is not covered by the special provisions for books and supplies if those issues have not been resolved at least 10 days before the start of the student's payment period.

## Schools using HCM and reimbursement payment

Although schools on the HCM and reimbursement payment methods do not receive funds from the Department prior to making disbursements, they must still provide a way for students to get or purchase books and supplies within the time specified in the body of this page.

## Special provisions for books and supplies

In order to academically succeed in a program, a student must be able to purchase books and supplies at the beginning of the academic period. Therefore, by the seventh day of a payment period, a school must provide a way for a student who is eligible for FSA funds to obtain or purchase the books and supplies required for the payment period if

- ◆ ten days before the beginning of the payment period, the school could have disbursed FSA funds to the student; and
- ◆ disbursement of those funds would have created an FSA credit balance.

A school must consider all the FSA funds a student is eligible to receive at the time it makes the determination, but the school need not consider aid from non-FSA sources.

A school that includes the costs of books and supplies in the tuition charged and provides all of those materials to the student at the start of his or her classes meets the requirements of these regulations.

The amount a school must provide is the lesser of the presumed credit balance or the amount determined by the school that the student needs to obtain the books and supplies. In determining the required amount, a school may use the actual costs of books and supplies or the allowance for those materials used in estimating the student's cost of attendance for the period.

A school's policy must allow a student to decline to participate in the process the school provides for the student to obtain or purchase books and supplies.

If a student uses the method provided by the school to obtain or purchase books and supplies, the student is considered to have authorized the use of FSA funds, and the school does not need to obtain a written authorization for this purpose.

If a school uses a bank-issued, stored-value or prepaid debit card that is supported by a federally insured bank account to deliver funds for books and supplies, a student must have access to the funds via the card by the seventh day of his or her payment period. If a bank delays issuing a stored-value or prepaid debit card to the student because it must resolve conflicting identity data under federal law, the Department will not hold the institution accountable as long as the institution exercises reasonable care and diligence in providing in a timely manner any identity information about the student to the bank. Likewise, the school is not responsible if the student provides inaccurate information or delays in responding to a request from the bank to resolve any discrepancies.

Under a consortium agreement between two eligible schools, if a student is enrolled in a course at the host school and classes start before the payment period begins at the home school that is paying the FSA funds, the regulations require that the student obtain the books and supplies by the seventh day of the start of the payment period of the home school. If the host school is paying the FSA funds, the student must be able to obtain the books and supplies by the seventh day of the start of the payment period of the host school.

A student may decline to participate (opt out) in the way a school provides for obtaining books and supplies. For instance, if a school provides a bookstore voucher, the student may opt out by not using the voucher. If the school provides the funds using a stored-value or prepaid debit card, the school must have a procedure through which the student may opt out. For example, a school may require a student to notify the school by a certain date so that the school does not unnecessarily issue a check to the student or transfer funds to the student's bank account. If a student opts out, the school may, but is not required to, offer the student another way to purchase books and supplies as long as it does not otherwise delay providing funds to the student as a credit balance.

A school is required to provide, in its financial aid information and its notifications provided to students receiving FSA funds, information on the way the school provides for Federal Pell Grant eligible students to obtain or purchase required books and supplies by the seventh day of a payment period under certain conditions and how the student may opt out. The information must indicate whether the school will enter a charge on the student's account at the school for books and supplies or pay funds to the student directly. Also, during the aid counseling process, the school must explain to a student who qualifies for the funds advanced to purchase books and supplies how the method is handled at the school and how a student may opt out.

## TIME FRAME FOR RETURNING AN UNCLAIMED TITLE IV CREDIT BALANCE

FSA funds may not escheat to a state or any other third party. (See the end of *Chapter 1* for more on escheating.) A school must return to the Department any Title IV funds, except FWS program funds, that it attempts to disburse directly to a student or parent that are not received by the student or parent. For FWS program funds, a school is required to return only the federal portion of the payroll disbursement.

If an EFT to a student's or parent's financial account is rejected, or a check to a student or parent is returned, a school may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned. In cases where the school does not make another attempt, the funds must be returned to the Department before the end of this 45-day period.

### Clarification

#### 30-Day Delay Requirement

If the 30-day delayed disbursement provisions for Direct Loans apply to a student, and a Direct Loan is the only Title IV aid the student is receiving, a school does not have to comply with the provisions of 34 CFR 668.164(m).

### Book vouchers and institutional charges in the return of Title IV funds calculations



Remember, if a book voucher issued by a school cannot be used to purchase course materials from a **convenient unaffiliated source**, the student does not have a **real and reasonable opportunity** to purchase his or her course materials elsewhere.

In that case, the school must include the cost of books and materials purchased with the voucher as institutional charges in Step 5, Part L of any Return of Title IV funds calculation. See *Volume 5*.

### Returning Funds

34 CFR 668.164(l)

### How to Recognize TEACH Grants That Have Converted to Direct Unsubsidized Loans

TEACH Grants converted to Direct Loans will have in NSLDS a loan type code of D8—Direct Unsubsidized (TEACH). On ISIRs, the financial aid history page has a TEACH Grant Loan Conversion Flag with a “Y” for Yes or “N” for No.

The school must cease all attempts to disburse the funds and return them no later than 240 days after the date it issued the first check. All unclaimed credit balances must be returned—there is no *de minimis* amount.

### Clarification

#### When A School Must Return a Title IV Credit Balance After 240 Days

Because the regulations allow schools up to 240 days to deliver a Title IV Credit Balance to a student who left school before receiving the credit balance, a school might find that it is holding Title IV funds that belong to a student the school cannot locate. When that happens, the school should return the Title IV funds in the same order the school would use if the school had to return funds because the student withdrew before the 60% point in the payment period or period of enrollment (See sidebar for the order of return).

**Direct Loans**—The school must complete two separate procedures:

1. The school must return the funds through G5.
2. The return must be offset by a downward adjustment in student’s Direct Loan record in COD.

When the school reduces the student’s Direct Loan actual disbursement amounts in COD, the information is transmitted to the student’s loan servicer and results in a reduction of the outstanding principal balance on the student’s loan.

**Perkins Loans**—The school must

- reimburse its Perkins Loan fund;
- report those funds as income in Part III, Section A of the FISAP; and
- reduce the student’s Perkins Loan balance, and make an accounting entry that ties the reduction to the journal entry for the reimbursement of its Perkins Loan fund.

The school should not make any changes to the student’s Perkins promissory note.

**Pell Grants, TEACH Grants, and Iraq and Afghanistan Service Grants**—The school must complete two separate procedures

1. The school must return the funds through G5.
2. The return must be offset by a downward adjustment in student’s Pell or Iraq and Afghanistan Service Grant award in COD.

**Supplemental Educational Opportunity Grants**—If the award year has not changed, the school can immediately award the funds to another eligible student. If the award year has changed **and** the school has not already carried forward the maximum 10% allowable, the school may carry the funds forward to the current year and award them to another eligible student. Note that the school will have to amend Part IV, Sections B-E and Part VI of the FISAP to reflect the amount being carried forward.

If the FSEOG funds cannot be carried forward to the next award year the school must return them to the correct award year through G5, and amend Part IV, Sections C-E and Part VI of the FISAP.

## HOLDING FSA CREDIT BALANCES

A school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). If your school has the authorization to hold the credit balance, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. Your school also must maintain, at all times, cash in its bank account at least equal to the amount that it holds for students. The school is permitted to retain any interest earned on the student's credit balance funds.

Because FSA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, you must pay

- ◆ any remaining balance on FSA loan funds by the end of the loan period, and
- ◆ any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.

If your school has lost contact with a student who is due a credit balance, you must use all reasonable means to locate the student. If you still cannot find the student, your school must return the credit balance to the appropriate FSA program(s) and/or lender. The FSA regulations do not set specific rules for determining which funds created a credit balance. However, we encourage schools to return FSA funds to loan programs first to reduce the borrower's loan balance. For more information on holding a credit balance, see the discussion under *Authorizations* earlier in this chapter and the sample authorization on the next page.

### ***Authorization to hold an FSA credit balance***

**All elements of an authorization to hold an FSA credit balance must be conspicuous. An authorization must include the following elements:**

- ◆ An authorization must explain what FSA funds are covered by the document, and it must specify the time period covered.
- ◆ An authorization must clearly provide the student or parent with the information he or she needs to make an informed decision.
- ◆ The student or parent must be informed that he or she may refuse to authorize any individual item, that he or she may cancel such authorization at any time, and that a cancellation is not retroactive.
- ◆ A credit-balance authorization must provide detail that is sufficient to give the student or parent an idea of how the credit balance will be used.

### **The Order in Which Title IV Funds Must Be Returned**

- Unsubsidized Direct Loans (other than PLUS), including a loan created because a TEACH Grant recipient failed to provide the confirmation required under 34 CFR 686.40(a) 120 days after ceasing enrollment. See 686.43(a).
- Subsidized Direct Loans
- Direct PLUS Loans
- Federal Pell Grants
- FSEOG Grants
- TEACH Grants
- Iraq and Afghanistan Service Grants

### **Prohibited Behavior**

A school may not suggest or require that all students or all of a specific group (e.g., those in the final term or payment period of a program) allow the school to hold a Title IV credit balance for unanticipated expenses that do not currently appear on the student's account and are not part of the charges normally assessed to those enrolled in her program.

Title IV funds are provided to a student to pay current charges for the payment period or period of enrollment, not those that might accrue later at some undefined time. Moreover, Title IV credit balances must be available for students to pay noninstitutional charges such as off-campus housing or transportation for the current period.

In addition, the requirement that Title IV loan funds be disbursed by the end of the loan period means that those funds may not be held in anticipation of charges that might be posted to a student's account after the end of the loan period.

During a program review or federal audit, the Department will review authorizations to hold credit balances and note patterns that suggest a school is pressuring students to allow it to hold credit balances and then using those balances to pay charges for periods that begin after the end of the loan period or last payment period in the award year.

34 CFR 668.165(b)(2)(i) and (b)(5)(iii)

## Sample Authorization to Hold an FSA Credit Balance

### TRISKAIDEKA MARLEY UNIVERSITY AUTHORIZATION TO HOLD A FEDERAL STUDENT AID CREDIT BALANCE

Through this document, you will tell Triskaideka Marley University (TKMU/the University) how you would like the school to manage the FSA credit balance on your student account.

An FSA credit balance is created when the total of all FSA funds credited to a student's account exceeds the total of tuition, fees, room, board, and other eligible educational charges on a student's account. Your FSA credit balance of \$2,500 was created by funds from the Federal Pell Grant and Direct Loan Programs.

Unless a student or parent (in the case of a parent PLUS loan) authorizes a school to hold a credit balance, the credit balance must be paid to the student or parent as soon as possible but no later than 14 calendar days after the balance is created (or 14 calendar days after the first day of class if the credit balance was created before the first day of class).

This form, if signed by you (the student or parent, as applicable), authorizes TKMU to retain an FSA credit balance and pay it to you in accordance with *TKMU'S Procedure for Paying Federal Student Aid Credit Balances*. TKMU will pay credit balances by depositing the funds in a savings or checking account or transferring the funds to a "stored-value" or debit card that you designate.

You have the right to withhold agreement from all or part of this authorization. If you elect not to authorize the University to hold your FSA credit balance, the funds will be paid to you within the 14-day period noted above. Note that if you elect not to sign this form or if you later cancel your authorization, you will be required to pay any outstanding charges to the University.

This authorization will remain in effect for each subsequent payment period unless you withdraw it. However, in no case will TKMU hold an FSA credit balance of loan funds beyond the end of the loan period nor an FSA credit balance of other funds beyond the end of the last payment period in the award year for which the funds were awarded.

This authorization may be withdrawn at any time by providing a written request to the following address:  
**TKMU Financial Aid Office**  
**Director of Financial Aid**  
**1300 Ted Drive, Suite 1313**  
**Pixie, CA 13013**

If you withdraw your authorization, the University will deliver any remaining credit balance to you within 14 days. Note that your cancellation is not retroactive.

Authorization

I voluntarily authorize the University to hold and manage my FSA credit balance as described above, and I acknowledge that interest will not be earned on these balances.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

### Schools on the HCM and reimbursement payment methods are prohibited from holding credit balances

Schools on the heightened cash monitoring and reimbursement payment methods must credit a student's ledger account for the amount of Title IV funds the student or parent is eligible to receive and **pay** the amount of any credit balance due under 34 CFR 668.164(h) before the schools submit a request for those funds. A requirement to pay students their credit balances prohibits schools from holding the funds. Since holding the funds is prohibited, obtaining an authorization do so is also prohibited.

### THIRD-PARTY SERVICERS DISBURSING CREDIT BALANCES BY EFT

In response to current trends, banks and financial service companies are now offering services that include the following:

- ◆ obtaining a student's authorization to perform electronic transfers;
- ◆ transferring Title IV funds electronically to a student's bank account;
- ◆ opening a bank account for the student; and
- ◆ issuing debit cards in conjunction with a participating bank.

Companies that contract with schools to provide these types of services in most instances become third-party servicers.

So long as a school cannot recall or receive a payment from a student or parent account, the Department considers the electronic transfer of funds to a bank account that a servicer opens on behalf of a student to be the equivalent of a school's transfer of funds to a student's account and the equivalent of making a direct payment to a student.

A school that enters into a contract with a servicer to provide debit, demand, or smart cards through which FSA credit balances are paid to students must have a system to ensure compliance with all regulatory time frames, including students having access to any credit balance within the 14 days and to any FWS wages at least once per month.

### *Schools must provide students a choice of the way they receive Title IV credit balances*

A school located in a state that makes direct payments to students by EFT that enters into an arrangement described later in this chapter under **Tier One (T1) and Tier Two (T2) Arrangements** including an institution that uses a third-party servicer to make those payments, must establish a **selection process** under which students choose one of several options for receiving those payments.

### Reimbursement and HCM payment methods

34 CFR 668.162(c) and (d)



See the discussion earlier in this chapter under *Conditions under which a third-party servicer is responsible for confirming a student's eligibility* for additional information about the responsibilities of third-party servicers.

### Notifying the Department About Third-Party Servicers

Schools are required to notify the Department of all third-party servicer contracts—including those in which a servicer participates in any way in establishing or maintaining accounts that Title IV credit balances are deposited in.

If a school has submitted information regarding its third-party servicers as part of applying for certification or recertification, no additional submission is required.

The school must notify the Department (by updating Section J of the E-App) within 10 days of any of the following changes to servicer arrangements:

- The school enters into a contract with a new third-party servicer.
- The school significantly modifies a contract with an existing third-party servicer.
- The school or one of its third-party servicers terminates a contract.
- A third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy.

This notification must include the name and address of the servicer and the nature of the change or action.

A school is only required to submit a copy of its contract with a third-party servicer if the Department requests it; the contract is not required as part of the recertification process. (See *Volume 2* for more about third-party servicer contracts.)  
34 CFR 668.25(e)

**Student Choice**

34 CFR 668.164(d)

In all cases student consent must be obtained in writing (including electronically) and schools must retain copies of that consent.

A school's selection process must

1. inform students in writing that they are not required to open or obtain a financial account or access device offered by or through a specific financial institution in order to receive their Title IV credit balances;
2. ensure that student options for receiving direct payments are described and presented in a clear, fact-based, and neutral manner;
3. ensure that initiating direct payments by EFT to students' existing financial accounts is as timely and no more onerous to students than initiating an EFT to accounts provided under Tier One and Tier Two arrangements;
4. allow students, at any time, to change their previously selected payment options, as long as students provide the school with written notice of the change within a reasonable time;
5. ensure that no account option is preselected; and
6. ensure that students who do not make an affirmative selection are paid the full amount of their credit balance within the time frame specified in the appropriate regulations.

In describing the options under its selection process, a school

- ◆ must present prominently as the first option, a financial account belonging to the student;
- ◆ must list and identify the major features and commonly assessed fees associated with each financial account under Tier One and Tier Two arrangements (see the margin note);
- ◆ must provide a URL on which the terms and conditions associated with each account are provided;
- ◆ may provide, for the benefit of the student, information about available financial accounts (other than those provided in Tier One and Tier Two arrangements) that are checking, savings, or similar accounts insured by the Federal Deposit Insurance Corporation (FDIC) accounts or National Credit Union Share Insurance Fund (NCUSIF).

**Definition**

**State**—A State of the Union, American Samoa, the Commonwealth of Puerto Rico, the District of Columbia, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. The latter three are also known as the Freely Associated States. An institution is physically located in a state if it has a campus or other instructional site in that state.

34 CFR 600.2

**Disclosure format**

See the [Federal Register of July 18, 2017](#), for the final suggested format for the disclosure of features and fees associated with financial accounts under T1 and T2 arrangements.

**Exception to Selection Process**

A school that does not offer or use any financial accounts under Tier One or Tier Two arrangements may make direct payments to a student's or parent's existing financial account, or issue a check or disburse cash to the student or parent without establishing this selection process.

## Third-Party Servicer Agreements

A third-party servicer is an individual or a state or a private, for-profit or non-profit organization that contracts with a school to administer any of the school's responsibilities under the FSA programs, including managing its Perkins Loan collections.

The agreement between the school and servicer must be in the form of a written contract that may or may not require compensation to the servicer. The contract must provide that the servicer agrees to the following:

- comply with all Title IV provisions, including those that refer solely to schools as well as those that explicitly refer to third-party servicers;
- be jointly and severally liable with the school for any violation by the servicer of any Title IV, HEA provision;
- use any Title IV funds (and any interest or earnings on them) solely for the purposes specified in and in accordance with the applicable program regulations;
- refer any reasonable suspicion of fraud or criminal conduct in the Title IV programs by the school or by an applicant or student to the Department's inspector general;
- return to the school all Title IV funds and records related to the servicer's administration of the Title IV programs if the contract is terminated, the servicer ceases to perform any functions prescribed under the contract, or if the servicer files for bankruptcy;
- annually submit a compliance audit as provided in 34 CFR 668.23. For a servicer that contracts with several participating schools, a single compliance audit can be performed that covers its administrative services for all the schools. Read more on these requirements at the Department's [Office of the Inspector General's website](#).

34 CFR 668.25

34 CFR 668.23(a)(3) & (c)

DCL GEN-12-08

34 CFR 99.31(a)(1)(i)(B)

34 CFR 668.2

DCL GEN 15-01

**Note:** For more about activities that define third-party servicers, see *Volume 1*, 34 CFR 668.2, and DCL GEN 15-01.

### Why the Department Distinguished Between Financial Institutions and Third-Party Servicers that Process Direct Payments

Financial entities and third-party servicers have different incentives. Banks and credit unions seek to create long-term relationships with college students that will go on long after they have left school. Third-party servicers are more likely to seek to partner with schools to provide them and their students fee-based services.

A third-party servicer's relationship with students typically ends once they are no longer enrolled. This short-term interaction creates an incentive to increase fee revenue over what traditional banks might charge. In addition, third-party servicers have privileged access to systems and data that traditional banks not serving as third-party servicers do not. As a result, third-party servicers have been able to brand or market access devices in ways that can (1) confuse students into assuming the device is required as part of enrollment, (2) prioritize electronic delivery of credit balances to a preferred account before a preexisting bank account, and (3) access personal student information for targeted marketing purposes.

Multiple independent organizations and agencies (Consumers Union, Government Accountability Office, USPIRG, ED's OIG, FDIC, etc.) have found that students in relationships with third-party servicers providing them direct payments often face higher costs, deceptive business practices, and misleading direct marketing.

Finally, the requirements described under Tier One and Tier Two arrangements do not apply to accounts only incidentally offered to students. The requirements apply to schools, third-party servicers, and the arrangements those entities voluntarily enter into that affect the delivery of Title IV funds.

## TIER ONE AND TIER TWO ARRANGEMENTS

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) changed consumer protections available to college students to address concerns about the marketing practices and financial incentives related to contractual relationships between institutions and credit card providers. The CARD Act authorized new rules to restrict credit card marketing practices on campus, impose transparency requirements, ban “free” gifts for signing up for an account, and require consumers under the age of 21 to show ability to pay or get a cosigner in order to get a credit card.

In 2015 the Department published regulations supporting the CARD Act protections and identifying two types of agreements between schools and financial service providers: Tier 1 and Tier 2 arrangements.

### Tier 1 arrangements

A Tier 1 (T1) arrangement is one in which a school located in a state contracts with a third-party servicer to perform one or more of the functions associated with processing direct payments of Title IV funds on behalf of the school, and the school or third-party servicer makes payments to one of the following:

- ◆ One or more financial accounts that are offered to students under the contract.
- ◆ A financial account where information about the account is communicated directly to students by the third-party servicer or the school on behalf of or together with the third-party servicer.
- ◆ A financial account where information about the account is communicated directly to students by an entity contracted or affiliated with the third-party servicer.

**Examples of functions associated with processing direct payments of Title IV funds on behalf of the school include: receiving Title IV funds; posting Title IV funds to student accounts; calculating a student's Title IV credit balance; processing documents for direct payment to students; and disbursing or delivering FSA funds.**

### Privacy and security in T1 accounts

The Gramm-Leach-Bliley (GLB) Act requires that schools have in place an information security program that ensures the security and confidentiality of customer information, protects against anticipated threats to the security or integrity of such information, and guards against the unauthorized access to or use of such information. For more information related to the GLB Act, see “FTC standards for safeguarding customer information” in *Volume 2*.

Schools that participate in T1 arrangements must ensure that students actively consent to participate in any account offered under that T1 arrangement and that, in obtaining students' consent, schools must satisfy the standards presented earlier in this chapter under *Schools must provide students a choice*. We remind schools that informing students of the terms and conditions of the each financial account offered are part of that process.

A school must ensure that it obtains a student's consent to open an account under a T1 arrangement, before an access device, or a representation of an access device, is sent to the student. However, a school may send a student an access device that is a card provided to the student for school activities, such as a student ID card, so long as the school or financial institution obtains the student's consent before validating the access device for use by the student in relation to the financial account.

Before a student selects the way he or she will receive direct payments from a school, the school is prohibited from sharing any personally identifiable information (PII) about a student with a third-party servicer or financial institution except

- ◆ directory information;
- ◆ a unique student identifier generated by the school that does not include a Social Security number, in whole or in part;
- ◆ the disbursement amount;
- ◆ a password, PIN code, or other shared secret provided by the school that is used to identify the student; and
- ◆ any additional items specified by the Department in a notice published in the Federal Register.

Schools, third-party servicers, and financial institutions are jointly responsible for ensuring that any personally identifiable information about students is used solely for activities that support making direct payments to the student and not for direct marketing or any other purpose; and is not shared with any other affiliate or entity except for purposes of making direct payments of Title IV, HEA program funds.

### Student access to and costs for T1 accounts

Schools located in a state must ensure that students who choose to participate in accounts offered under T1 arrangements

1. have convenient access to the funds in the financial account through a surcharge-free national or regional Automated Teller Machine (ATM) network that has ATMs sufficient in number and housed and serviced in a way that guarantees that Title IV funds are reasonably available to students, including at the times the school or its third-party servicer makes direct payments into the financial accounts of those students;

### Definitions

**Access device**—a card, code, or other means of access to a financial account, or any combination thereof, that may be used by a student to initiate electronic fund transfers.

**Depository account**—an account at a depository institution described in 12 U.S.C. 461(b)(1)(A), or an account maintained by a foreign institution at a comparable depository institution that meets the requirements of 34 CFR 668.163(a)(1).

**EFT** (electronic funds transfer)—a transaction initiated electronically instructing the crediting or debiting of a financial account or an institution's depository account. For transactions initiated by the Department, EFT includes all transactions covered by 31 CFR 208.2(f). For transactions initiated by or on behalf of an institution, EFT includes, from among the transactions covered by 31 CFR 208.2(f), only Automated Clearing House transactions.

**Financial account**—a student's or parent's checking or savings account, prepaid card account, or other consumer asset account held directly or indirectly by a financial institution.

**Financial institution**—a bank, savings association, credit union, or any other person or entity that directly or indirectly holds a financial account belonging to a student, issues to a student an access device associated with a financial account, and agrees with the student to provide EFT services.

**Parent**—the parent borrower of a Direct PLUS Loan.

**Student ledger account**—a bookkeeping account maintained by an institution to record the financial transactions pertaining to a student's enrollment at the institution.

### Situations That Are Neither T1 Nor T2 Arrangements

Examples of circumstances that are neither T1 nor T2 arrangements and therefore not subject to the regulations:

- General marketing of a financial institution that does not specify the kind of account or how it may be opened (i.e., not direct marketing described under §668.164(f)(3))
- Sponsorship of on-campus facilities with financial institution branding that does not promote particular accounts
- A lease permitting the operation of an on-campus branch or on-campus ATMs
- A list of area financial institutions recommended generally to students for informational purposes rather than being provided as part of a contract with the institution
- Providing students access to Title IV credit balances through school-issued, stored-value cards with no third-party involvement. See the discussion later in this chapter.

2. do not incur any cost
  - for opening the financial account or initially receiving an access device;
  - for conducting a balance inquiry or withdrawal of funds at an ATM in a state that belongs to the surcharge-free regional or national network;
  - when the student conducts point-of-sale transactions in a state (assessed by the institution, third-party servicer, or a financial institution associated with the third-party servicer);
3. have no credit extended or associated with the financial account; and
4. have no fees charged to the student for any transaction or withdrawal that exceeds the balance in the financial account or on the access device.

### Other responsibilities of schools that offer T1 accounts

A school offering accounts under T1 arrangements must ensure that

- ◆ financial accounts and access devices are not marketed, portrayed as, or converted into credit cards;
- ◆ no credit is extended or associated with the financial account, and no fee is charged to the student for any transaction or withdrawal that exceeds the balance in the financial account or on the access device, except that a transaction or withdrawal that exceeds the balance may be permitted only for an inadvertently authorized overdraft, so long as no fee is charged to the student for such inadvertently authorized overdraft;
- ◆ the school, third-party servicer, or third-party servicer's associated financial institution provides a student account holder convenient access to Title IV, HEA program funds in part and in full up to the account balance via domestic withdrawals and transfers without charge, during the student's entire period of enrollment following the date that such Title IV, HEA program funds are deposited or transferred to the financial account;
- ◆ the school takes affirmative steps, by way of contractual arrangements with its' third-party servicer as necessary, to ensure all requirements for T1 arrangements are met;
- ◆ ensure that the terms of the accounts offered pursuant to a T1 arrangement are not inconsistent with the best financial interests of the students opening them.

The Department considers this requirement to be met if:

- a school documents that it conducts reasonable due diligence reviews at least every two years to ascertain whether the fees imposed under the T1 arrangement are, considered as a whole, consistent with or below prevailing market rates; and
- all contracts for the marketing or offering of a school's T1 arrangements to its students make provision for termination of the arrangement by the school based on complaints received from students or a determination by the school that the fees assessed under the T1 arrangement are not consistent with or are higher than prevailing market rates.

### When a student who receives T1 payments is no longer enrolled

Except for the disclosure requirements about students enrolled during the award year, the T1 requirements cease when students are no longer enrolled and there are no pending Title IV disbursements at the school. A school may continue to share information related to enrollment status with the servicer so that it can comply with the regulations.

### Tier 2 arrangements

A Tier 2 (T2) arrangement is one where a school contracts with a financial institution or other entity to offer financial accounts that are marketed directly to students.

A financial account is marketed directly if

- ◆ the school communicates information directly to its students about the financial account and how it may be opened;
- ◆ the financial account or access device is cobranded with the school's name, logo, mascot, or other affiliation and is marketed principally to students at the institution; or
- ◆ a card or tool provided to the student for school purposes, such as a student ID card, is validated, enabling the student to use the device to access a financial account.

### Formula for determining the required level of school compliance

A school must comply with all of the requirements that apply to Tier 2 arrangements if for the three most recently completed award years

1. an average of 500 or more of its students had a Title IV credit balance; or
2. an average of 5% or more of the students enrolled at the institution had a Title IV credit balance as determined through the following formula:

### T1 and T2 accounts must meet the regulations on federal participation in the Automated Clearing House (ACH)

34 CFR 668.164(g)

When T1 and T2 accounts are opened through outreach to a school's students and made through ACH credit of Title IV funds, those are federal payments and as such must be deposited into an account at a financial institution in the name of the student.

All payments of Title IV funds deposited to an account that students will access through a prepaid card must

- be held at a financial institution;
- must meet the requirements for pass-through deposit or share insurance such that the funds accessible through the card are insured for the benefit of the recipient by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund in accordance with applicable law; and
- NOT be attached to a line of credit or loan agreement under which repayment from the account is triggered upon delivery of the Title IV payments.

In addition, the financial institution issuing the card must provide the holder of the card with all of the consumer protections, and must comply with all of the requirements that apply to a payroll card account under the rules implementing the Electronic Fund Transfer Act, as amended.

31 CFR 210.5(a) and (b)(5)

The average number of students with credit balances for the three most recently completed award years

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The average number of students enrolled at the institution at any time during the three most recently completed award years

Schools that fall below this threshold but have at least one student with a Title IV credit balance for the three most recently completed award years, are exempt from certain requirements as described later in this chapter under *Schools that fall below the threshold*.

### Privacy and security in T2 accounts

The Gramm-Leach-Bliley (GLB) Act requires that schools have in place an information security program that ensures the security and confidentiality of customer information, protects against anticipated threats to the security or integrity of such information, and guards against the unauthorized access to or use of such information. For more information related to the GLB Act, see “FTC standards for safeguarding customer information” in *Volume 2*.

Schools that participate in T2 arrangements must ensure that students actively consent to participate in any account offered under a T2 arrangement. A school must obtain that consent before

- ◆ the school provides, or permits a third-party servicer to provide, any personally identifiable information about the student to the financial institution or its agents, other than directory information; and
- ◆ an access device, or a representation of an access device, is sent to the student.

However, a school may send a student an access device that is a card provided to the student for school activities, such as a student ID card, so long as the school or financial institution obtains the student’s consent before validating the access device for use by the student in relation to the financial account.

In addition, before the final T2 account is opened, schools must

- ◆ list and identify the major features and commonly assessed fees associated with each financial account offered under Tier One and Tier Two arrangements; and
- ◆ provide a URL on which the terms and conditions associated with each account are provided.

### Student access to and costs for T2 accounts

Schools must ensure that students who choose to participate in accounts offered under T2 arrangements

#### Limited Applicability of Fee Restrictions

Note that the fee restrictions that apply to Tier 1 accounts do not apply to Tier 2 accounts.

1. have convenient access to the funds in the financial account through a surcharge-free national or regional automated teller machine (ATM) network that has ATMs sufficient in number and housed and serviced in a way that guarantees that Title IV funds are reasonably available to students, including at the times the school or its third-party servicer makes direct payments into the financial accounts of those students; and
2. do not incur any cost for
  - opening the financial account or initially receiving an access device; or
  - conducting a balance inquiry or withdrawal of funds at an ATM in a state that belongs to the surcharge-free regional or national network.

### Other responsibilities of schools that offer T2 accounts

A school offering accounts under T2 arrangements must ensure that

- ◆ the financial accounts are not marketed or portrayed as, or converted into, credit cards;
- ◆ the school takes affirmative steps, by way of contractual arrangements with its third-party servicer as necessary, to ensure all requirements for T2 arrangements are met;
- ◆ the terms of all T2 accounts offered are not inconsistent with the best financial interests of the students opening them.

The Department considers this requirement to be met if—

- The school documents that it conducts reasonable due diligence reviews at least every two years to ascertain whether the fees imposed under the T2 arrangement are, on the whole, consistent with or below prevailing market rates; and
- All contracts for the marketing or offering of accounts to students allow the school to end the arrangement based on complaints from students or a determination in a school review (see the previous bullet) that the fees assessed under the T2 arrangement are not consistent with or are above prevailing market rates.

### When a student who receives T2 payments is no longer enrolled

Except for the disclosure requirements regarding students enrolled during the award year, the T2 requirements cease when students are no longer enrolled and there are no pending Title IV disbursements at the school. A school may continue to share information related to enrollment status with the financial institution or entity that is party to the arrangement.



The Department encourages schools that fall below the threshold to comply voluntarily with the web disclosure requirements described under *Disclosure Requirements Associated with Tier Two Arrangements* earlier in this chapter.

### Schools that fall below the threshold

A school that had at least one student with a Title IV credit balance for the three most recently completed award years, but had less than the number and percentage of students with credit balances described under *Formula for determining the required level of school compliance* earlier in this chapter is exempt from the following T2 requirements:

- ◆ the requirement discussed earlier in this chapter under *Schools must provide students a choice*;
- ◆ the web disclosure requirements described under *Disclosure Requirements Associated with Tier Two Arrangements* earlier in this chapter;
- ◆ ensuring the terms of all accounts offered under a T2 arrangement are consistent with the best financial interests of the students opening them; and
- ◆ ensuring that students have convenient access to the funds in the financial account through a surcharge-free national or regional ATM network that has ATMs sufficient in number and housed and serviced in a way that guarantees that Title IV funds are reasonably available to students, including at the times the school or its third-party servicer makes direct payments into the financial accounts of those students.

### Cobranding of financial accounts that are not T2 accounts

If a school enters into an agreement for the cobranding of a financial account with the school's name, logo, mascot, or other school insignia but the school maintains that the account is not marketed principally to its enrolled students and does not otherwise satisfy the definition of a Tier 2 account, the school must retain the cobranding contract and all other documentation the school believes provides evidence that the account is not marketed directly to its enrolled students.

A school must include in the documentation it maintains all evidence that the cobranding financial account or access device is offered generally to the public.

### Disclosure Requirements for T1 and T2 Arrangements

No later than 60 days following the most recently completed award year, schools that offer accounts under a T1 or T2 arrangement must disclose conspicuously on their website in a format established by the Department the contract(s) establishing the arrangement except for any portions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or physical facilities.

No later than 60 days following the most recently completed award year, schools with T1 and certain T2 arrangements must also disclose on their website the total consideration for the year, monetary and

non-monetary, paid or received by the parties under the terms of the contract. The school must also include, for any year in which its enrolled students open 30 or more financial accounts under the T1 or T2 arrangement, the number of students who had financial accounts under the contract at any time during the year, and the mean and median of the actual costs incurred by those account holders.

In doing this, schools should follow these rules:

- Prominently place first the number of student account holders and the information on the mean and median costs they incurred.
- Place information on the total monetary consideration paid or received by the contracting parties directly below the information on student accounts.
- Place any non-monetary consideration between the contracting parties directly below the monetary consideration.
- Display the monetary consideration and the mean and median fees charged to students in a format that includes a dollar sign, the amount in whole dollars, and a comma after the thousands place (e.g. \$1,234).

See [DCL GEN-16-16](#) for more information about the cost disclosure requirements above, including suggestions on calculating cost disclosure information, and the [June 16, 2017, electronic announcement](#), which has more information about the format schools should use in making the disclosures. Schools with T2 accounts are also required to ensure this data is posted in the centralized database on a URL provided by the Department.

## SCHOOL-ISSUED, STORED-VALUE CARDS WITH NO THIRD-PARTY INVOLVEMENT

Historically, there have been instances where schools themselves have provided student ID cards which, in addition to allowing access to controlled buildings, permitting the use of labs and equipment, providing library privileges, etc., are used to hold funds for student use. In some cases, those schools also allow students to have their Title IV credit balances placed on those “school-issued stored-value” cards.

As long as

- ♦ there is no financial institution or third-party involved in marketing the school-issued stored-value cards;
- ♦ the school itself is holding and is in control of the funds held on those cards;
- ♦ the “stored-value cards” are the students’ IDs;

- ♦ the ID cards are not “branded” with the name of a financial institution or bank; and
- ♦ the ATMs through which students access their funds are leased or owned by the school—

then the school-issued cards do not fall under the definition of an account with a third-party servicer.

When a school pays an FSA credit balance to a student by making those funds available through a school-issued, stored-value card over which the school exercises control, and with which there is no third-party involvement, the school is, in effect, holding a student’s FSA credit balance. **Therefore, all of the conditions on holding credit balances apply.**

If a student withdraws his or her authorization for the school to hold the credit balance in a school-issued, stored-value card, **the school must deliver any remaining credit balance within 14 days.**

If a student withdraws from school and any of the FSA credit balance in his or her school-issued, stored-value card is unclaimed, the school must return to the Department any unclaimed funds within the time frames specified earlier in this volume under *Time frame for returning unclaimed FSA credit balances*.

# Overawards and Overpayments

## CHAPTER 3

*In this chapter we will discuss a student's and a school's responsibility for resolving overawards and overpayments. This chapter does not cover returning funds when a student withdraws; see Volume 5 for that discussion. See Volume 3 for avoiding overawards during packaging.*

### OVERAWARDS

An overaward exists when a student's aid package exceeds his or her need. While your school must always take care not to overaward a student when packaging his or her aid, circumstances may change after you have packaged the student's aid that result in an overaward. For instance, the student may receive a scholarship or grant from an outside organization. When an overaward situation arises, you may be required to adjust the Federal Student Aid (FSA) in the student's package in order to eliminate the overaward.

Overawards only become overpayments if a school cannot correct them before funds are disbursed to a student. That is, an overpayment exists when some or all of the funds that make up an overaward have been disbursed to the student. An overaward exists whenever a

- ◆ school awards aid either to a student who is ineligible for a specific program or to a student who is ineligible for any FSA program assistance;
- ◆ student's award in an individual program exceeds the regulatory maximum, e.g., lifetime limit for Pell, annual or aggregate loan limits, annual limit on Federal Supplementary Educational Opportunity Grant (FSEOG) awards, or a Pell award based on the wrong payment schedule/enrollment status;
- ◆ student's aid package exceeds his or her need (including when the student's expected family contribution [EFC] is revised upward after initial packaging);
- ◆ student's award exceeds his or her cost of attendance (COA); and
- ◆ student is receiving a Pell or Iraq and Afghanistan Service Grant at multiple schools for the same period.

In general, unless a school is liable, a student is liable for any overpayment made to him or her that is greater than \$25.

#### When There Are Different Regulations

When a student's aid package includes assistance from multiple programs that have different overpayment regulations/requirements, a school must apply the most restrictive requirements.

#### Overpayments

FSA debts 34 CFR 668.35  
Pell Grants 34 CFR 690.79  
Direct Loans 34 CFR 685.303(e)

#### Overpayments and eligibility

HEA Sec. 484(a)(3)  
34 CFR 668.32(g)(4), 668.35(c) & (e)

#### Recovery of loan disbursements to students ineligible due to immigration status

34 CFR 668.139

#### Recovery of interim disbursements

34 CFR 668.61

## Pell Grants

A Pell Grant is determined by using the Pell Payment Schedule appropriate for the student's enrollment status, as well as the correct EFC and COA. A correctly determined Pell Grant is never adjusted to take into account 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 aid your school controls. A Pell Grant awarded to an ineligible student is an overaward, as is a grant based on an enrollment status greater than that for which the student is enrolled.

## Iraq and Afghanistan Service Grants

The following situations are considered Iraq and Afghanistan Service Grant overawards and must be corrected

- ◆ an award made to an ineligible student;
- ◆ an award based on a Pell Grant Payment Schedule for an enrollment status that is greater than that for which the student is enrolled; and
- ◆ an award that by itself exceeds a student's COA.

Iraq and Afghanistan Service Grants, like Pell Grants, are not adjusted to take into account other forms of aid. So, if a student's aid package includes an Iraq and Afghanistan Service Grant and the aid package exceeds his or her need or cost of attendance, but the Iraq and Afghanistan Service Grant was determined correctly and by itself does not exceed the student's need, you must reduce other aid in your effort to eliminate the overaward.

## Teacher Education Assistance for College and Higher Education Grants

### When a student has no need-based aid

TEACH Grants are not considered to be need-based aid. However, a student's TEACH Grant in combination with a student's other non-need-based estimated financial assistance (EFA) may not exceed the student's COA.

If a student is **not** receiving need-based financial assistance, the EFC is not included in determining whether a student is in an overaward status. If you discover a situation in which a student who is not receiving any need-based financial assistance has a TEACH Grant that in combination with other non-need based EFA, exceeds the student's COA, the TEACH Grant must be reduced.

### When a student is receiving need-based aid

For a student who is receiving need-based federal student aid, a student's EFC, plus the student's TEACH Grant, plus the student's other EFA may not exceed the student's COA.

### If an Iraq and Afghanistan Service Grant Recipient Becomes Pell-Eligible

If an Iraq and Afghanistan Service Grant recipient becomes eligible for a Pell Grant during the award year, then the school must treat the Pell Grant as estimated financial assistance and may need to adjust the student's aid package.

Schools must have a process to identify those Iraq and Afghanistan Service Grant recipients who become Pell Grant-eligible during the year.

### COA may not be exceeded

Federal Register / Vol. 73, No. 121 / June 23, 2008 / page 35483

### TEACH Grant maximums

34 CFR 686.21(c)

### TEACH may replace EFC

34 CFR 686.21(d)

As with Unsubsidized Direct Loans, PLUS loans, and nonfederal education loans, TEACH Grants may be used to replace a student's EFC. If a TEACH Grant exceeds a student's EFC, the excess TEACH Grant is considered financial assistance for other FSA programs.

If a student's EFC, plus the student's TEACH Grant, plus the student's EFA exceeds the student's COA, the school should first apply the TEACH Grant to finance the EFC. (Remember, any TEACH Grant above the EFC is considered financial assistance for other FSA programs.) If the EFC plus any excess TEACH Grant, plus any other EFA still exceeds the student's COA, the student is in an overaward status that the school must resolve.

Before reducing a student's need-based aid, the school should reevaluate his COA to determine whether he has increased costs that the school did not anticipate when he was originally awarded aid. If the student's costs have increased and his total aid package does not exceed the revised COA, the school is not required to take further action. If his aid package still exceeds his COA, the school must resolve the overaward.

### ***Campus-Based Programs***

If a school learns that a student received financial assistance that was not included when calculating her eligibility for Campus-Based aid and that resulted in the student's total aid exceeding her financial need by more than \$300, the school must resolve the overpayment.

Before reducing the student's Campus-Based aid, the school should determine if she has increased need that was not anticipated when she was initially awarded aid. If her need has increased and the total financial assistance does not exceed the revised need by more than \$300, the school is not required to take further action. If her need has not increased or it has increased but the total financial assistance still exceeds her need by more than \$300, the amount over the \$300 threshold is an overpayment that the school must eliminate.

### ***Federal Work-Study Program***

Because students can't be required to repay wages earned, you can only adjust FWS by reducing the hours they can work in the future and thus their future earnings. You can continue to employ the students, but they can't be paid from FWS funds. If you've already adjusted all other federal aid and institutional aid, and there's still an overaward, **you must reimburse the FWS program from your school's funds.**

### ***FSEOG Overpayments***

For purposes of FSEOG overpayments, when a school awards FSEOG using the individual recipient or aggregate matching share methods, the FSEOG overpayment amount includes only the federal share. When a school uses the fund-specific method of matching, there is no distinction between federal and other funds. As a result, 100% of the funds disbursed are considered part of the overpayment.

#### **Reminders**

1. If a school chooses not to use the TEACH Grant to finance the EFC, then all of the TEACH Grant is considered EFA for the other FSA programs.
2. If a TEACH Grant overpayment exists, the school should first reduce students' level of borrowing, beginning with any unsubsidized loans. Once their loans have been reduced or if they have no loans, it may be necessary for the school to reduce their TEACH Grant or other aid.
3. If the school failed to follow required procedures, it must repay any FSA overpayment. If it followed the required procedures and the overpayment is \$25 or more, the student must repay the overpayment.

### **Campus-Based overaward tolerance**

34 CFR 673.5(d)

The \$300 overaward tolerance/threshold for the Campus-Based Programs is allowed only if an overaward occurs after Campus-Based aid has been packaged.

The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other, exceeds the student's financial need.

## TEACH Grant Overpayments—Examples

### Example 1

#### When a student is not receiving need-based aid

*Rule: The TEACH Grant, in combination with other non-need-based EFA, may not exceed COA, and any EFC is ignored.*

COA	\$9,000	TEACH Grant	\$4,000
EFC (ignore)	1,000	Other non-need-based EFA	<u>6,000</u>
		Total EFA	\$10,000

A student receives a \$6,000 non-need-based scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is not receiving any need-based EFA, and therefore the EFC is ignored. The TEACH Grant plus the other non-need-based EFA exceeds the COA by \$1,000 (\$10,000 – \$9,000). The \$1,000 is a TEACH Grant overpayment the school must resolve.

### Example 2

#### When a student is receiving need-based aid

*Rule: The student's EFC plus the TEACH Grant, in combination with any other EFA, may not exceed COA. However, the TEACH Grant may be used to replace the EFC. If a school elects this option, the amount by which the TEACH Grant exceeds the EFC is considered EFA for FSA purposes.*

A student receives a \$6,000 need-based scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is receiving need-based EFA. Therefore, the EFC must be considered. The total of the EFC (\$1,000), the TEACH Grant (\$4,000), and other EFA (\$6,000), is \$11,000 and exceeds the COA by \$2,000 (\$11,000 – \$9,000). The \$2,000 is an overpayment the school must resolve.

COA	\$9,000	TEACH Grant	\$4,000
		Need-based EFA	6,000
		EFC that must be included	<u>1,000</u>
			\$11,000

If the school elects to use \$1,000 of the TEACH Grant to replace the EFC, only \$3,000 of the TEACH Grant will be included as financial assistance, and the overpayment that the school must resolve will be reduced to \$1,000 (from \$2,000 because the aid will now total \$10,000).

## Direct Loans

If you discover that you have budgeted a student to receive more Direct Subsidized Loan funds than the student is eligible to receive, so long as the student has remaining annual and aggregate eligibility for Direct Unsubsidized Loans, you may resolve the overaward by replacing the undisbursed Direct Subsidized Loan funds with Direct Unsubsidized Loan funds.

**Note:** The guidance in Dear Colleague Letter GEN-13-02 that prohibits replacing a Direct Subsidized Loan with a Direct Unsubsidized Loan as a means of resolving prior inadvertent overborrowing does not apply to the situation described here.

If you discover that a student has been overawarded and your school has already received and disbursed some or all of the Direct Loan funds, you have a number of options:

- ◆ If the package includes an Unsubsidized Direct Loan, a Direct PLUS Loan, or a nonfederal education loan, and the aid package doesn't already apply these loans to finance the EFC, and the school so chooses, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.
- ◆ If you have not yet made the second or subsequent disbursement of a Direct Loan, the second or subsequent disbursement can be reduced or cancelled.
- ◆ If you determine that the loan was made to an ineligible student, the school must return any amount it retained, and for any loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan of funds that are outstanding, so that the Department can issue a 30-day demand letter to the student.

If the overaward situation occurs after Direct Loan funds have been fully disbursed, you do not need to adjust it. However, you might have to adjust the aid package to prevent an overaward of Campus-Based funds or the aid package exceeding the student's need.

Although a school isn't required to return Direct Loan or nonfederal education loan funds that were disbursed to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent your school from returning funds that were applied to the student account if you choose to do so. A borrower who receives a direct payment of loan funds is not required to repay an overawarded amount, unless the overaward was caused by his or her misreporting or withholding information.

### Overaward Tolerance for Direct Loans

In general there is no tolerance when determining an overaward in the Direct Loan Program. However, if a student's financial aid package contains a Direct Loan and an FWS award, a \$300 tolerance can be applied to eliminate the overaward.

If an overpayment occurs for a student who has a Direct Loan and Campus-Based awards, unless the Direct Loan has been fully disbursed, the Direct Loan must be reduced before the Campus-Based awards are adjusted or canceled.

### TIP

If a school wants to replace a Direct Subsidized Loan with a Direct Unsubsidized Loan, (since COD reporting and interface information is so closely tied to the award type as identified in the award ID) a school must cancel the Direct Subsidized Loan and originate a new Direct Unsubsidized Loan.

### Overaward and Unsubsidized Loan Example

Hector's cost of attendance is \$12,000 and EFC is 4,000. He is supposed to receive a subsidized Direct Loan of \$5,000 and an unsubsidized Direct Loan of \$3,000, which completely meet his need. Before he receives his first loan disbursement, Guerrero University also gives him a \$2,000 scholarship. If Hector's entire loan amount of \$8,000 had been subsidized, Guerrero would have to send some of the loan back. But because part of the loan amount is unsubsidized, Guerrero simply considers that \$2,000 of the unsubsidized loan that applied to Hector's financial need is now being used to replace part of his EFC.

A student is considered not to have begun attendance if a school is unable to document his attendance in any class.

## A resolved overaward may become an overpayment

If a school has resolved an overpayment by reducing scheduled future disbursements for a second or subsequent payment period and the student ceases attendance before the end of the current payment period, that portion of the student's award that was an overpayment must be repaid outside of the requirements of 34 CFR 668.22, which generally address the handling of Title IV funds when a student withdraws.

If the school is responsible for repaying the overpayment, the school must repay the overpayment **before** completing any required return calculation as described in *Volume 5*.

If a student is responsible for repaying the overpayment and the student withdrew after the 60% point in the payment period or period of attendance, as applicable, the school should try to collect the overpayment from the student, and if it is unable to do so, should refer the student to the Department's Default Resolution Group.

If the student is responsible for repaying the overpayment, and the student withdrew before the 60% point in the payment period or period of attendance, as applicable, the school should not take any action until it has completed the required return calculation.

However, when performing the return calculation, the school should not include the amount of the overpayment for which the student is responsible as aid that was or could have been disbursed (see *Volume 5*). Then, when the school has completed the return calculation, it should document the amount of the overpayment and, as applicable, reduce any post-withdrawal disbursement or increase any amount the student must return by the amount of the overpayment owed by the student.

## Returning funds for students who do not register or fail to begin attendance

34 CFR 668.21  
34 CFR 674.16(f)  
34 CFR 676.16(d)  
34 CFR 685.303(b)(4)  
DCL GEN-13-02

## Time frame for returning funds for students who fail to begin attendance

34 CFR 668.21(b)

<sup>1</sup> A school may satisfy this requirement either by redepositing the funds in its federal funds account and disbursing them within three days to another eligible student in the same program and award year or by returning them to the appropriate FSA program using the refund function in G5.

## WHEN A STUDENT FAILS TO BEGIN ATTENDANCE

If your school disburses Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan, or FSEOG funds, but the student never begins attending classes, you must return the disbursed funds to their programs even if they were disbursed directly to the student.<sup>1</sup> If the student begins attending some but not all of her classes, you will have to recalculate the student's Pell or Iraq and Afghanistan Service Grant award based on the student's actual enrollment status (see *Volume 3*).

If a school disburses Direct Loan funds but the student does not begin attendance in any courses during the payment period, the school must return all Direct Loan funds that were credited to the student's account at the school for the payment period or period of enrollment. In addition, a school must return the amount of any payments made directly by or on behalf of the student to the school for the payment period or period of enrollment, up to the total amount of the loan funds disbursed.

In addition, a school must return any Direct Loan funds that it disbursed directly to a student if the school knew prior to disbursing the funds directly to the student that the student would not begin attendance (for example, if a student notified the school that he or she would not be attending or if the school expelled the student prior to directly disbursing the funds).

**A school may not ignore information available to any office at the school indicating that a student failed to begin attendance.**

For any remaining loan funds disbursed directly to a student—and if the school does not choose to repay those funds on her behalf—the school must notify the appropriate loan servicer of the loan funds that are outstanding so the Department can issue a 30-day demand letter to the student. To identify the current servicer of an FSA loan, use the National Student Loan Data System (NSLDS) and select “Aid.” Identify the student and select “Loan History”; the current loan will be listed at the top. Use the “Servicer” field to identify the organization to which you will be returning funds. Click on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on the Information for Financial Aid Professionals (IFAP) website under the Help menu (Contact Information > Service Centers for Schools > Loan Servicing Centers for Schools).

Schools must return funds disbursed to a student who failed to begin attendance as soon as possible but no later than 30 days after the date they become aware that the student will not or has not begun attendance.

At a school that is not required to take attendance but that has a census date on which it reports its enrollment levels to a state, local jurisdiction, or outside agency, it is reasonable to expect the school to return funds as soon as possible, but no later than 30 days after the census date.

A school that draws down FSA grant or Direct Loan funds under the advanced payment method must disburse those funds no later than three business days following the date the school receives them. If, after a school draws down FSA grant or Direct Loan funds, but before the school disburses them, the school discovers that it cannot disburse all the funds because one of the students for whom the funds were intended has not begun classes, the school must return those funds within the three-day period unless it can disburse them to another eligible borrower or as described under *Excess Cash* in *Chapter 1*.

**After the start of classes, schools should not disburse FSA funds without confirming that recipients have begun attendance.**

**When a Student Withdraws after Starting Classes But Before a School's Census Date**

A student begins earning FSA funds on her first day of attendance. Therefore, even if she withdraws before a school's census date, the school must perform a return calculation (see *Volume 5*).

**Recalculating Pell eligibility when a student's enrollment status changes before beginning attendance in all classes**

34 CFR 690.80(b)(2)(ii)

**Reporting enrollment changes in NSLDS**

If a student who received a Direct Loan disbursement either fails to begin attendance or begins attendance on a less than half-time basis, the school must report the change in the student's enrollment status to the Department using the NSLDS enrollment reporting process.

Upon receiving the revised enrollment status from NSLDS, the student's federal loan servicer will change the student's loan status as follows:

- In-school status will change to grace period status.
- In-school deferment status will change to repayment status.

34 CFR 685.309(b)  
DCL GEN-13-02



### When a Student's SAR/ISIR Contains a Disqualifying Comment Code

If a student's SAR/ISIR contains a Comment Code that requires resolution (e.g., 100–Perkins Overpayment, 132–Default), the underlying issue must be resolved before any funds may be disbursed to the student.

In addition, if a school disburses Title IV funds to a student with a SAR Comment Code that requires resolution and the student withdraws before the school has resolved the underlying issue, any funds disbursed must be returned to ED. See *Volume 5* for more information about a student who withdraws.

### *When a student begins attendance on a less than half-time basis*

If a student who received a Direct Loan disbursement begins attendance for the loan period but does so on a less than half-time basis despite having originally enrolled (registered for classes) on at least a half-time basis, neither the school nor the student is required to return any loan proceeds. However, the school must not make any subsequent disbursements of the loan unless the student resumes enrollment on at least a half-time basis.

### *When funds are considered to have been returned for a student who fails to begin attendance*

The Department considers a school to have returned FSA funds timely if the school does the following:

1. deposits or transfers the funds into its federal funds account no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance; or
2. initiates an electronic funds transfer (EFT) no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance.

## TREATMENT OF OVERPAYMENTS

### **Pell Grant overpayments, COD, NSLDS, and G5**

The Department found that some schools were misreporting Pell overpayments, so we issued an electronic announcement to clarify the actions schools should take when there is a Pell overpayment. How that should be reported depends on whether the school or student is responsible for the overpayment and on how much of it the school is collecting. [Read the announcement](#), and see the linked table that summarizes the reporting requirements vis-a-vis NSLDS, COD, and G5.

### *Overpayments for which the school is responsible*

Your school is liable for any amount of a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan or FSEOG overpayment (including amounts under \$25) that occurred because your school failed to follow the requirements in 34 CFR parts 668, 673, 674, 676, 690, or 691, as applicable. If your school makes a Perkins Loan or FSEOG overpayment in any amount for which it is liable, you must immediately restore (to your Perkins loan fund or FSEOG account, as applicable) an amount equal to the overpayment plus any administrative cost allowance claimed on the overpayment. When returning Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant overpayments, you must make a downward adjustment to the student's award in COD, and either return the funds through G5 or disburse them to another eligible student. For a description of overpayments for which students are responsible, see the discussion later in this chapter.

A school may attempt to collect from a student funds it has returned. However, this is not an FSA debt because an overpayment for which a school is responsible can never become an FSA debt for a student. Therefore an overpayment for which a school is responsible can never result in a student's losing FSA eligibility and should never be reported to NSLDS or referred to the Department for collection.

If an overpayment is the result of an interim disbursement of Pell, Perkins Loan, or FSEOG funds (see the *Application and Verification Guide*) to the extent that the overpayment is not recovered by reducing subsequent disbursements to the student for the award year or by a payment made by the student, the school must eliminate the overpayment by reimbursing the appropriate account by either requiring the student to return the overpayment, or making restitution from its own funds by the earlier of 60 days after the applicant's last day of attendance, or the last day of the award year.

If an overpayment is the result of an interim disbursement of FWS Program funds, the school must eliminate the FWS overpayment by adjusting the applicant's other financial aid or reimbursing the FWS Program account from its own funds. If the school cannot correct the overpayment by adjusting the student's other financial assistance, the student must still be paid for all work performed.

**Because the interim disbursement was made at the school's discretion, the school is ultimately responsible for repaying it.** Moreover, because the student does not owe an FSA overpayment, the student should not be reported to NSLDS or referred to the Department for collection.

### ***Prohibition on receiving funds for enrollment at more than one school and Potential Overawards (POP)***

Students may not receive more than 100%\* of their scheduled award for a Pell Grant during an award year. Moreover, they may not receive a Pell Grant for concurrent attendance at two or more schools.

If a student has identified himself or herself as a transfer student, or if a school has any information that indicates the student might have previously attended another postsecondary school, the school should request transfer monitoring of the student on NSLDS. A school's coordinating official (see *Volume 2*) is responsible for ensuring that a school does not ignore information the school has about a student's prior or concurrent enrollment.

If a student has not self-identified, information on the student's SAR/ISIR can sometimes alert a school to the fact that a student has already received a Pell Grant during the current award year. Schools should examine the Pell payment data on the SAR/ISIR generated from the student's most recent transaction to see if the percentage of the scheduled award used for the award year (% Sch Used) is greater than 0, and examine the "As Of" date (MM/DD/CCYY) to see if the information is current. If the SAR/ISIR is the most recent and the percentage of the scheduled award used for the award year is greater than zero, the school should request transfer monitoring of that student and wait until it has received the results of that process before creating a Pell award for that student in COD.

#### **Examples of Overpayments Due to School Error**

Allen received a Pell grant at Sarven Technical Institute, which had the correct EFC on Allen's ISIR but looked at the wrong chart and used a different EFC in the Pell calculation, causing Allen to receive too much money. Because Sarven erred, it is liable for the overpayment.

Owen received an outside scholarship to attend Guerrero University. The bursar's office was notified of the scholarship so that it would apply the payments properly but didn't notify the financial aid office, which awarded Owen a Perkins Loan without taking the scholarship into account. When the aid office finds out about the scholarship, it discovers that Owen has a \$600 Perkins overpayment. Because the school had information about the scholarship—even though the financial aid office didn't—the overpayment is due to school error.

#### **Recovery of funds from interim disbursements**

34 CFR 668.61

\* If students qualify for additional Pell money in an award year ("year-round Pell"), they can receive up to 150% of a scheduled award. See *Volume 3, Chapter 3*.

#### **Pell Grant payment from more than one school**

34 CFR 690.11

**Calculating remaining eligibility**

34 CFR 690.65

In their award of Pell funds to a student, schools are required to ensure that they do not originate awards that would result in a student receiving more than 100% of the student’s scheduled award for the year.

**Concurrent Enrollment**

When multiple schools report disbursements for a student and the enrollment dates reported are within 30 calendar days of each other, the COD System identifies a potential concurrent enrollment and sends a warning message to all schools involved.

COD sends the school that submitted the second or subsequent disbursement information a response document that contains warning edit 69. COD also sends all the schools with accepted disbursement information in COD for the student and that award year, a multiple reporting record (MRR) alerting the schools to a possible overlap in enrollment.

The Department expects all schools involved to cooperate in resolving the concurrent enrollment issue. To help facilitate resolution, the MRR contains the Pell contact information, as reported by the schools to COD, for the schools involved.

**Pell Potential Overaward Process**

A student may receive disbursements from more than one school during an award year. When more than one school reports disbursements for a student, COD checks to make sure he has not received more than 100% of his eligibility for a Pell Grant.

If COD receives disbursement information that will cause a student to receive more than 100% of his “total eligibility used” or TEU, the student has entered a potential overaward (POP) situation. COD will accept the disbursement and notify the schools involved in the POP in the following three ways:

1. COD sends the school that submitted the disbursement that caused the student to exceed the 100% TEU for the year warning edit 68 in the response document.
2. Weekly, COD sends all schools that have accepted and posted disbursements for students in a POP status a Pell POP report that will identify the student and schools involved.
3. COD sends all schools that have accepted and posted disbursements for the student in the award year an MRR containing the Pell contact information for the schools involved.

During the 30-day period, the Department expects each school involved in the potential overaward to review the student’s award and disbursements and perform the proper eligibility calculations. If the schools (working with COD School Relations) do not resolve the POP situation during the 30-day period, COD will reduce all schools’ authori-

**Warning Edit 69**

The edit informs schools that submit second or subsequent disbursement information that Pell disbursements for a student have been received from two or more schools, and the enrollment dates for the student are within 30 days of one another.

**Warning Edit 68**

The edit informs the school that submitted the disbursement that caused the student to exceed the 100% TEU for the year that

1. Pell disbursements for a student have been received from two or more schools.
2. The student’s TEU is greater than 100.000%.
3. The POP situation must be resolved within 30 calendar days.

zation for the student to zero, and the issue will have to be addressed with the Department's involvement.



**Schools must work together and with the student involved to resolve the POP before contacting COD School Relations for help.**

Schools should document any phone calls, emails, and letters that were part of their attempts to resolve the POP with the student, and the other schools involved, and be prepared to provide that documentation to COD School Relations if requested.

During the 30-day period, COD will accept and post disbursements that decrease or increase the amount of the student's year-to-date disbursement. Students will be removed from POP status within 30 days of the date the student was initially placed in the POP if the student's TEU becomes 100% or below based on downward disbursement adjustments submitted by the schools.

If after 30 calendar days the situation has not been resolved, COD generates a negative disbursement that reduces all accepted and posted disbursements to \$0 for the student in the award year in question at all schools involved.

A school that has attempted to resolve an overaward situation with the other schools that have submitted disbursement records for the student and has been unable to arrive at a satisfactory solution should call the COD School Relations Center to request *escalated mediation*.

A school that calls the COD School Relations Center to request escalated mediation should be prepared to provide the name and social security number of the student involved.

The COD School Relations Center will review the POP situation and, if necessary, refer the case to the Department for additional action.

Schools should remember that failure to

- ◆ take action when they receive warning notices from COD;
- ◆ correct overaward situations;
- ◆ ensure that students do not receive Pell awards for concurrent enrollment at two or more schools; and
- ◆ prevent repeated POP situations from occurring;

may call into question a school's administrative capability and fiscal responsibility, and might eventually result in ED's taking action to limit, suspend, or terminate a school's participation in the Federal Student Aid programs.

**COD Processing and POPs**

1. The COD System accepts Disbursement Information from a maximum of three schools for a student in a POP situation.
2. COD does not prevent the same schools from creating another POP situation for the same student.
3. Schools do not need to request post-deadline processing (Extended Processing) to submit upward adjustment records after the end of the processing year in order to correct a POP situation.
4. The COD System accepts downward adjustments to disbursement or award information at any time.
5. Disbursement information can be submitted via the COD website for those schools that do not wish, or are not able, to reopen any software they may have used to process the affected award year.

### Examples of Overpayments Due to Student Error

When Chavo filled out his FAFSA, he had not filed a tax return because he didn't think he had to. After he received his aid from Sarven Technical Institute in June, he told the aid office that he had to file a return after all. When Chavo submitted the corrections, his EFC increased, and Sarven determined that he'd received a Pell overpayment. Sarven canceled his second Pell disbursement, but he still owed \$100. Sarven allowed Chavo to agree to repay \$25 a month for four months so that he'd still be eligible for other aid for the rest of the year.

Meurig has to report financial information about his father on the application although he's living with his stepfather. On his 2018–2019 application, Meurig didn't report any assets for his father, and Brust Conservatory used the information from that application to award aid. However, his 2018–2019 application is selected for verification, which reveals that Meurig's father has a share in a business that should have been reported as an asset. Brust then determines that Meurig should also have reported the business asset on the 2017–2018 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2017–2018 award year. Because he's received all his aid for that year, he has to either pay the overpayment or negotiate a satisfactory repayment agreement.

## Overpayments for which the student is responsible

In some instances a student, rather than the school, is responsible for repaying the overpayment.

If a student has received more Pell or Iraq and Afghanistan Service Grant funds than the student was eligible to receive because the student's eligibility for a Pell or Iraq and Afghanistan Service Grant decreased, you can try to eliminate the Pell or Iraq and Afghanistan Service Grant overpayment by adjusting later disbursements for the award year. **You may not reduce a student's correctly awarded and disbursed Pell or Iraq and Afghanistan Service Grant to address overpayments in other programs.**

For TEACH Grant, FSEOG, and Perkins Loan overpayments, you can adjust subsequent disbursements.

If that is not possible, you must promptly attempt to recover the overpayment by notifying the student (by paper or electronically) and requesting full payment. The notice must state that if the student fails to repay the overpayment or to make satisfactory arrangements for repayment, he or she will be ineligible for FSA funds until the overpayment is resolved.

If the student claims that your school made a mistake in determining the overpayment, you must consider any information he or she provides and judge whether the objection is warranted.

If, after notification to the student and consideration of possible objections, an overpayment remains and the student has not repaid or made satisfactory arrangements to repay the overpayment, you must take further action.

For TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant, and Pell Grant funds, you must refer the overpayment to the Department with the required information (see *Referring overpayments to Default Resolution Group* later in this chapter), and you must report to NSLDS the unresolved overpayment. After that, you are not required to make any further attempt to collect the TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant, or Pell Grant overpayment.

For Perkins Loans, you are not required to refer overpayments to Default Resolution Group, but you must report them to NSLDS because the student is required to repay the overpayment to your school's revolving loan fund.

A student is not liable for an overpayment when the original amount of the overpayment is less than \$25. A student is liable for an overpayment of less than \$25 when that \$25 is a remaining balance. That is, when the overpayment amount was originally \$25 or more but is now less than \$25 because the student has made payments.

A student is also liable for overpayments of less than \$25 when that amount is the result of applying the \$300 Campus-Based overaward threshold/tolerance. For example, if a school discovers that after a student's Campus-Based aid was disbursed, the student received additional aid that resulted in the aid the student received exceeding his or her need by \$314, the \$314 is an overaward. When the school applies the \$300 overaward tolerance, the student only has a Campus-Based overpayment of \$14. The student is responsible for repaying the \$14 because the initial amount of the overpayment (before the \$300 tolerance was applied) was \$314 (which is in excess of the less than \$25 *de minimis* amount).

Your school may decide to pay a student's obligation by returning to the appropriate FSA program account the amount overpaid to the student. Once your school makes the appropriate return, the student will no longer owe an FSA debt, but rather a debt to your school that you can collect according to your procedures. The student's eligibility for FSA funds is restored as long as the student meets other FSA eligibility criteria.

A student who receives an overpayment of an FSA program loan, or an FSA program grant, may re-establish eligibility for FSA program assistance by repaying the excess amount or by making arrangements satisfactory to the holder of the overpayment debt to pay the excess amount.

### Exceptions to student liability

There are some exceptions to holding a student liable for a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan, or FSEOG overpayment.

Generally, a student is liable for any Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or Perkins Loan overpayment he or she receives unless the school is liable for it. However, as noted previously, the student is not liable for the overpayment if it is less than \$25 and is not a remaining balance or, in the case of a Perkins Loan or FSEOG, is the result of the application of the \$300 overaward threshold.

Such overpayments do not affect the student's FSA eligibility. Therefore, your school need not

- ◆ attempt recovery of such overpayments,
- ◆ report such overpayments to NSLDS, or
- ◆ refer such overpayments to the Department for collection.

### Overpayments created by inadvertent overborrowing

Another kind of overpayment occurs when a student inadvertently has received FSA loan funds in excess of annual **or** aggregate loan limits and is no longer eligible for FSA funds.

#### When a School Acts to Restore a Student's Eligibility

**TIP**

If a student (through the school) or a school (with its own funds) satisfies the student's overpayment, the school must update the student's overpayment information in NSLDS as discussed later in this chapter under *Reporting Overpayments to NSLDS*.

Though the *de minimis* threshold for overpayments due to withdrawal is \$50, it is less than \$25 for all other overpayments.

A school must determine that a borrower's receipt of loan funds in excess of an annual or aggregate loan limit was inadvertent before the borrower may regain Title IV eligibility.

Examples of circumstances that may have resulted in a student inadvertently exceeding an annual or aggregate loan limit include, but are not limited to: school processing errors, missing or incorrect National Student Loan Data System (NSLDS) information (e.g., capitalized interest incorrectly included in a borrower's aggregate outstanding loan balance), or unintentional student error or omission.

Borrowing in excess of annual or aggregate loan limits is not considered to have been inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the school that determined the borrower's eligibility for the loan or on the part of the borrower who received the loan. If the school determines that the overborrowing was the result of deliberate action on the part of another school or the borrower, it must notify its school participation division and provide the necessary evidence. If the school suspects fraud involving federal student aid, it should call the inspector general hotline at 1-800-MIS-USED (1-800-647-8733).

### Regaining Title IV eligibility after exceeding loan limits

DCL: GEN-13-02

A student who received subsidized loan funds in excess of the applicable subsidized annual or aggregate loan limit can no longer regain Title IV eligibility by having the excess subsidized loan amount changed to an unsubsidized loan.

See the subsection on Direct Loans under *Overawards* earlier in this chapter for the treatment on correcting an overaward of Direct Subsidized Loan funds in the current award year.

**If a student has consolidated the loan(s) that exceeded the annual or aggregate loan limit, he is considered to have made satisfactory arrangements to repay the debt and no additional action on his part is required.** This is true regardless of the type of loan—Federal Family Education Loan (FFEL) or Direct Loan—consolidated and the type of consolidated loan.

A student who is not in default on an FSA loan but who has inadvertently received FSA loan funds that exceed the annual or aggregate loan limits is ineligible for any further FSA funds until she (1) repays in full the excess loan amount or (2) makes arrangements, satisfactory to the holder of the loan, to repay that excess loan amount. Note that such a borrower advancing an undergraduate grade level or becoming a graduate student and thus gaining higher annual or aggregate loan limits does not allow her to receive additional loans; the inadvertent undergraduate overborrowing must first be resolved before she can receive any Title IV aid.

If a student who has inadvertently received loan funds in excess of an annual or aggregate loan limit wishes to receive additional Title IV aid, the school where she wishes to receive the aid must identify the loan(s) that resulted in the overborrowing, discuss the overborrowing with the student, and resolve any discrepancies in the information that is obtained.

If the loan that caused the inadvertent overborrowing is a Direct Loan or a FFEL Program loan that is held by the Department, the student must contact the federal loan servicer that services the loan to resolve the inadvertent overborrowing. If the loan that caused the inadvertent overborrowing is a FFEL Program loan held by a loan holder other than the Department (a "commercially held" FFEL Program loan), the student

must contact the FFEL loan holder or the servicer for the loan to resolve the inadvertent overborrowing.

### Repayment of the excess loan amount

If a student who has inadvertently overborrowed wishes to regain Title IV eligibility by repaying the excess loan amount, the student must contact the applicable servicer and comply with the servicer's repayment instructions. The school may assist the student in identifying and contacting the servicer, but the student, not the school, must make the payment of the excess loan funds in accordance with the servicer's instructions. Once the student has repaid the excess loan amount in full, the servicer will send the student confirmation that the excess loan amount has been repaid. The student or servicer must provide a copy of the repayment confirmation to the school. The inadvertent overborrowing is considered to have been resolved as of the date the servicer received the borrower's full payment of the excess loan amount.

### Satisfactory repayment arrangements

A student who has inadvertently overborrowed may regain Title IV eligibility by making satisfactory repayment arrangements acceptable to the servicer of the loan. The satisfactory repayment arrangement requirement can be met if the student agrees, in writing, to repay the excess amount according to the terms and conditions of the promissory note that supported the loan. This is called "reaffirmation." The reaffirmation process includes the following five steps:

1. Either the school or the student contacts the servicer and explains that the student has inadvertently overborrowed and wishes to reaffirm the debt.
2. The servicer sends the student a reaffirmation agreement.
3. The student reads, signs, and returns to the servicer the reaffirmation agreement.
4. The servicer sends the student confirmation that the reaffirmation agreement has been accepted. The student or servicer must provide a copy of the reaffirmation confirmation to the school.
5. The inadvertent overborrowing is considered to have been resolved as of the date the servicer receives the student's signed reaffirmation agreement.

Once you have documented that the inadvertent overborrowing has been resolved (through repayment in full, making satisfactory arrangements to repay the debt, or consolidation of the excess loan amount), you may award additional FSA funds to the student. Keep in mind, however, that the student may have no remaining loan eligibility or may be eligible only for unsubsidized loans.

#### Satisfactory Repayment Arrangements

We require a borrower who does not repay the excess loan amount in full to make satisfactory repayment arrangements in order to ensure that the borrower acknowledges a debt in excess of the regulatory maximum.

For defaulted loans, the law and regulations specify what constitutes a satisfactory repayment agreement. For students who have exceeded loan limits or owe an overpayment of an FSA grant, the law and regulations do not specify what makes a repayment agreement satisfactory. The loan holder determines whether the repayment arrangement is satisfactory.

**Reaffirmation process and form**

DCL GEN-15-20 describes the reaffirmation process and includes as an attachment the reaffirmation form.

Because you're responsible for knowing about the student's prior FSA loans before disbursing additional loan funds to the student, inadvertent overborrowing shouldn't occur often. Excess borrowing might occur if a school is unaware of loans a student received at another school. This might happen if the student received the loans under a different name or Social Security number (SSN). (See *Volume 1* for a description of how the NSLDS postscreening and transfer monitoring processes can help prevent these kinds of overpayments.)

A student who inadvertently overborrowed and who has regained Title IV eligibility by either repaying the excess loan amount or by signing a "reaffirmation agreement" may receive additional Direct Loan funds.

A student who regains Title IV eligibility after having exceeded an annual loan limit for an academic year is not eligible to receive additional Direct Loan funds for that same academic year, but could receive other types of Title IV aid for the year. If the student exceeded only the annual subsidized limit and has regained eligibility, the student might be eligible to receive Direct Unsubsidized Loans up to the appropriate annual maximum.

A student who had inadvertently exceeded the combined subsidized/unsubsidized aggregate loan limit may not receive any additional Direct Subsidized Loans or Direct Unsubsidized Loans (though a dependent student's parent or a graduate or professional student could receive Direct PLUS Loans). A student who has regained eligibility might be eligible to receive Direct Loan funds for subsequent academic years if the student has remaining eligibility under the subsidized or unsubsidized aggregate loan limits as long as the new loan does not result in the student's exceeding the combined aggregate limit.

**Effective Date for Regaining Title IV Eligibility**

When an otherwise eligible student resolves an inadvertent overborrowing issue by one of the methods discussed above, the student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq and Afghanistan Service Grant programs beginning with the payment period in which the issue was resolved and regains Direct Loan Program eligibility retroactive to the beginning of the academic year in which the issue was resolved.

**What a School Must Do When It Has Disbursed a Title IV Loan to an Ineligible Student**

If a school has disbursed a Direct Loan to an ineligible student, it must return any part of the loan it retained, and for any part of the loan it disbursed directly to the student, it must notify the appropriate loan servicer of the loan funds that are outstanding so that the servicer on behalf of the Department can issue a 30-day demand letter to the student. To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to find whom you will be returning funds to. Click on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on IFAP under the Help menu (Contact Information > Service Centers for Schools > Loan Servicing Centers for Schools).

### **What a School Must Do When It Has Disbursed a Title IV Grant to an Ineligible Student**

If a school discovers that because of an error made by a student, the school has disbursed a Federal Pell Grant or FSEOG to an ineligible student (e.g., because the student provided false information on a FAFSA), the school must take the following action.

Immediately after discovering that it has paid an ineligible student a Title IV grant, the school must report the overpayment to NSLDS on the NSLDS Professional Access website under the AID tab, “Overpayment List” menu option entering “School” in the source field, and “Overpayment” in the indicator field.

After making the appropriate change in NSLDS, the school must notify the student of the following:

1. He owes an overpayment of Title IV grant funds.
2. His eligibility for additional Title IV funds has been suspended.
3. If he fails to repay the debt in full within 30 days, he will be referred to the Department’s Default Resolution Group for collection and to the Department’s Office of the Inspector General for possible legal action.

Remember that referring overpayments for collection is a separate process from reporting overpayments to NSLDS. Reporting is the process of creating within NSLDS a record of a student’s overpayment. Referring is the process of turning over a student’s debt to the Default Resolution Group.

If the student fails to repay the grant overpayment in full within 30 days, the school must refer the grant overpayment to the Default Resolution Group by following the instructions later in the chapter under Referring overpayments to the Default Resolution Group.

In addition, if the student fails to repay the grant overpayment in full within 30 days, the school must update the student’s record in NSLDS by entering “TRF-Transfer” in the source field and “Overpayment” as the overpayment status in the indicator field.

If the student repays the debt in full within 30 days, the school must update the student’s record in NSLDS by changing the overpayment status to “Repaid” in the indicator field.

**Clarification****Updating Direct Loan Disbursement Data in COD**

If a school has confirmed closeout but then needs to submit additional student level data to COD (and the data submission deadline has not yet passed), the school contacts COD customer support and asks that the year be reopened.

If the data submission deadline has passed, the school uses the request post deadline/extended processing screen in COD to request an extension. If the request is granted, the school may submit data to COD until the end of the extension period.

If a Direct Loan award year has been archived (all Direct Loan award years prior to 2011–2012 have been archived) and a school needs to report a decrease to a student-level disbursement record, the school sends an email to [schoolreconciliation@ed.gov](mailto:schoolreconciliation@ed.gov).

In the email the school must provide its full name as it appears in COD, its DL ID number, the award year, and the number of records it needs to process. The school will receive an email telling them how to submit the necessary data and how that data should be processed.

If a school needs to report a decrease to a FFEL/FFEL purchased loan, the procedure for returning funds to FFEL servicers is on the IFAP website.

**Recording student payments and reductions in the Direct Loan Program**

If, through its return calculation, a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD website at <https://cod.ed.gov>.

**Returning Direct Loan funds**

If a school is required to return DL funds to comply with a regulatory or statutory requirement—even if more than 120 days have elapsed since the disbursement date—the school must return DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

Direct Loan processing for an award year generally remains open in COD for 13 months following the end of the award year (until July 31 of the next year). A school should be able to submit data via batch or web processing through that time unless it has already confirmed closeout for the impacted award year. If the year is closed in COD before the 13-month period is over, the school should contact COD school relations for help in reopening the award year. Once the 13-month period is over and COD has closed the year, a school may request extended processing through the COD website at <https://cod.ed.gov>.

Toward the end of each award year, the Department publishes an electronic announcement containing information on the closeout deadline and instructions on how schools can request extended processing for Direct Loans after the closeout deadline.

For more information on returning FSA funds, see *Chapter 4*.

**Recording student payments and reductions in the Pell, TEACH, and Iraq and Afghanistan Service Grant programs**

For reductions to awards and payments, schools should record reductions and payments by entering a replacement value in the COD system. **The replacement value will be the original value less only the amount the school has returned** (the sum of: that amount the school is responsible for returning + any portion of the grant overpayment that would be the responsibility of the student but which the school has chosen to return for him + any portion of the grant overpayment the school has collected from the student). **Do not reduce the award/disbursement by the amount the student must return (unless the student has made a payment to the school).**

If a school receives a payment for a current-year overpayment that has not been referred to the Default Resolution Group, the school should NOT send the payment to the Default Resolution Group. Instead, after you have reduced the student's disbursement in COD, return the un-earned funds as follows:

- ◆ If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell, Iraq and Afghanistan Service Grant, or TEACH Grant account and make the appropriate entry in the COD system.
- ◆ If a student makes a payment on any previous year's Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds or returns.

If, through its return of Title IV funds calculation for a student who has withdrawn (*see Volume 5*), a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its **federal funds account** and award the funds to other needy students.

If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the electronic refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

## REPORTING OVERPAYMENTS TO NSLDS

You must report overpayments or changes to previously submitted information to NSLDS within 30 days of the date you learn of the overpayment or change.

If a grant overpayment is the result of the student's withdrawal and a return of Title IV funds calculation, you must contact the student within 30 days of determining that the student withdrew (*see Volume 5*).

You only report unresolved overpayments if they're due to student error. Don't report those that are a result of school error; instead, as explained previously, you must repay the overpayment with school funds.

### Importance of Making Timely Adjustments

Since each disbursement transaction (positive or negative) of a student's Pell Grant in COD affects his lifetime eligibility for Pell funds, schools should ensure that adjustments are made in a timely manner. See *Volume 3* for a discussion of the Pell lifetime eligibility.

### Removal of Pell Grant Data from COD

The absolute deadline for updating Pell Grant student data in COD is the last business day of the fiscal year five years after the award year in question, for example, September 28, 2018, for the 2012–2013 award year. If that deadline has passed, but you have an adjustment to submit that affects a student's Pell Grant Lifetime Eligibility Used (LEU), contact COD support for instructions on updating his LEU information. If your school has funds it needs to return to the Pell Grant program, contact the G5 Hotline for help.

**TIP**

### Reporting Overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins, Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which an NSLDS data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available [on IFAP in our library](#).

If you report a Pell Grant overpayment in NSLDS, do not reduce the award/disbursement in the COD system by the amount the student must return (unless the student has made a payment to the school). For additional information, please see the discussion earlier in this chapter under *Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant programs* and later in this chapter under *School responsibility after referral and accepting payments on referred overpayments*.

You must use the NSLDS Professional Access website to report overpayments. To do so, your school must have Internet access, and your primary destination point administrator (PDPA) must have signed up at least one user for overpayment updates for NSLDS online services at <https://fsawebenroll.ed.gov>.

Once the overpayment is reported to NSLDS, the student's future output documents will show that he or she has an overpayment (see "NSLDS Match"). The financial aid history section of the SAR and ISIR will have information on the overpayment, including whether the student has made satisfactory repayment arrangements.

## REFERRING OVERPAYMENTS

### *Referring overpayments to the Default Resolution Group*

If you have tried but not succeeded in collecting a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA's Default Resolution Group. To be referred, the **initial amount** of the overpayment must be at least \$25.

**Note:** For an FSEOG overpayment, when a school uses the individual recipient or aggregate matching methods, the overpayment includes only the federal share. When the school uses the fund-specific method of matching, the overpayment includes both the federal and nonfederal shares. See *Volume 6* for more information.

You would still refer a student debt of less than \$25 to the Default Resolution Group when the amount due is a remaining balance or when the amount is the result of the application of the Campus-Based overaward threshold/tolerance. You must make this referral in addition to reporting the overpayment to NSLDS. If your school elects not to refer an overpayment to the Default Resolution Group, your school is liable for and must repay the overpayment from its own funds.

To refer student overpayments for collection, schools should use a format similar to the one found at the end of this chapter and send the data to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.

### Schools Must Resolve Student Concerns

If a student claims that a school's overpayment determination is wrong, the school must consider any information the student provides and determine whether the objection is warranted before referring the case for collection.

In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form: Dates of Disbursement with the exact same dates the school used when it created the NSLDS record. In addition, a school must ensure that it enters the year the disbursement was made in the award year field.

In addition, when referring the overpayment, you should update the overpayment information previously reported to NSLDS by changing the “Source” field from SCH-SCHOOL to TRF-TRANSFER. Once the Default Resolution Group has accepted a referred student overpayment, it will transmit the information to NSLDS and “ED Region” will replace “School” as the appropriate contact source for information about the overpayment.

On its overpayment referral, a school must provide its Pell identification number. It should NOT enter its routing identifier.

### ***School responsibility after referral and accepting payments on referred overpayments***

A school may continue to accept payments on FSA grant overpayments after those overpayments have been referred to the Department. A school that accepts a check on an overpayment that has been referred to the Default Resolution Group must

- ◆ note the student’s name and SSN on the check;
- ◆ indicate that the payment is for an overpayment of an FSA grant; and
- ◆ forward the payment to the Default Resolution Group at

National Payment Center  
P.O. Box 105028  
Atlanta, Georgia 30348-5028

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to the Default Resolution Group, the school should write its own check to the Department and attach a letter indicating that the check is for an FSA grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student’s name, Social Security number, and amount paid.

If you want a payment to be applied to a specific overpayment (by program and award year), you must include a memorandum on school letterhead. The memorandum must include the award year and program award number of the award you want credited, and your DUNS number.

If a school receives a payment for an overpayment previously referred to the Default Resolution Group and if

- ◆ the overpayment was made in the current award year, and
  - ◆ the payment will retire the student’s debt in full,
- the school must

- ◆ deposit the payment in its appropriate institutionally maintained federal funds account;
- ◆ for Federal Pell Grant overpayments, make the appropriate entry in the student’s record on the COD system (either on COD or via Common Record); and
- ◆ send a letter or fax to the Default Resolution Group identifying the student and indicating that the student’s overpayment has been completely repaid. This will allow the Department to properly update its records in both the Default Resolution Group system and NSLDS.

The fax number for this purpose and **school use only** is

903-454-2243

**Note:** This process cannot be performed via email.

In the fax or letter, a school must include the

- ◆ award year of the overpayment (current award year only);
- ◆ student’s Social Security number;
- ◆ student’s last name, first name, and middle initial;
- ◆ student’s date of birth;
- ◆ type of overpayment—Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or TEACH Grant; and
- ◆ the disbursement date the institution used to create the overpayment record in NSLDS.

If a student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, she should call the Default Resolution Group at 1-800-621-3115. She can send an email by going to <https://myeddebt.ed.gov> and selecting the borrower tab > “Contact Us” (at the bottom of the page) > “Click here” under “Send email.”

### ***Responsibilities of the Default Resolution Group***

Upon receipt of an overpayment referral, the Department will determine if enough information has been provided to start collection activity; any referral lacking information will be returned to your school to be completed.

The Default Resolution Group will then try via letters and telephone to establish a repayment schedule or to secure payment in full. It will also update the NSLDS information that you've already reported to show that the Department now holds the overpayment. Any future SARs or ISIRs for the student will show that he or she owes an overpayment and will direct the student to contact the Default Resolution Group instead of the school. Finally, the Default Resolution Group also communicates Pell Grant overpayment referrals to the COD system. COD will then alert a school of a student's Pell Grant overpayment status if the student submits a FAFSA in the future. A student's Iraq and Afghanistan Service Grant overpayment status will be tracked and reported manually.

**Payment in Full**

Anytime a school receives funds (including the application of an FSA credit balance) that will satisfy an overpayment in full, the school must also update its original submission to NSLDS by changing the entry for the indicator field on the "Overpayment Update Screen" to "Repaid."

# Information Required When Referring Student Overpayments to the Default Resolution Group

## Student Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_  
 Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

If the overpayment includes a TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.

TEACH Award ID: \_\_\_\_\_

## Parent/Spouse Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_

## School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: \_\_\_\_\_ Attending School's Pell ID Number: \_\_\_\_\_

**If your school does not have a Pell ID, Enter your OPE ID:** \_\_\_\_\_

Name of Contact: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

## Disbursements and Repayments

	Pell Grant	FSEOG <sup>1</sup>	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____
Total grant disbursed:	_____	_____	_____
Dates of disbursement: <b>(Must match NSLDS overpayment record)</b>	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____
<b>Total being referred for collection:</b>	_____	_____	<sup>1</sup> _____

<sup>1</sup> If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

\* If the overpayment is the result of a withdrawal, provide the date of the withdrawal / /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

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SEND INFORMATION TO ➡ Student Loan Processing Center-Overpayments  
 P.O. Box 4157  
 Greenville, Texas 75403

903-454-2243    ⬅ FAX

# Returning FSA Funds



*Here we provide instructions for returning FSA funds for reasons other than the return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment. For information about those returns, see Volume 5.*

## RETURNING FUNDS

There are a number of reasons why a school may have to return funds to the Department, including

- ◆ the return of FSA funds required when a school must correct an overaward or an overpayment, and the return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment (see *Volume 5* for the latter type of returns);
- ◆ having FSA funds with no expectation they can be disbursed to other eligible students within three days (excess cash);
- ◆ owing the Department for expenditures disallowed during a program review or audit; and
- ◆ having earned interest in excess of \$500 (see the margin) on its federal funds (other than in its Perkins account).

Schools can return money to the Department as an electronic refund in G5. If a school is required to refund cash as part of a liability assessed in an audit or program review, it must follow the instructions provided by the issuing office. For questions or more information on returning funds through G5, please contact the G5 help desk (see the margin note).

### ***Returning funds by depositing them in a school account***

Returning funds in a timely manner is one of the factors examined by the Department in evaluating a school's financial responsibility. In addition to the general requirement for schools to return funds, the Department sets specific time frames for students who do not begin attendance and those who begin attendance but cease attendance before completing the period for which they have received Title IV funds. One way for schools to satisfy the requirement is to deposit the funds in the account in which the school keeps its federal funds.

#### **Returning Excess Interest**

As noted in *Chapter 1*, schools must remit any interest over \$500 according to the guidance of the electronic announcement cited in the margin of page 15.

#### **G5 Help**

Hours: Monday through Friday, 8:00 a.m. to 6:00 p.m., EST  
**Phone:** 888-336-8930  
**TTY:** 855-333-2807  
**Local:** 202-245-6002  
**Email:** edcaps.user@ed.gov

### Use G5 to Return Funds

The Department discontinued paper check processing of Direct Loan refunds of cash on January 1, 2015, so schools must return funds electronically using G5 except in unusual circumstances or when returning funds from an audit or program review.

For more on returning funds via G5, go to <https://www.g5.gov> or call the G5 hotline at 888-336-8930 or 202-401-6238.

### Returning FADL and FPRD Funds by Check

If a final audit determination letter (FADL) or final program review determination (FPRD) letter requires that you return FSA funds by check, you must

1. make the check payable to the U.S. Department of Education and
2. include the following with your payment:
  - the amount of the liability,
  - the school's DUNS number,
  - its 9-digit tax ID number, and
  - the program review or audit control number.

### Returning funds by depositing them in a federal funds account

For funds obtained from the Department, a school meets the return of Title IV funds requirement for a student who has withdrawn if it deposits or transfers the funds into its federal account no later than 45 days after the school determined the student withdrew or received an overpayment the school was responsible for returning. (See *Volume 5*.)

If a school has not drawn down federal funds or has made disbursements that exceed the amount the school has drawn, the school does not need to deposit funds in its federal account. Of course, the school's accounting records must show that school funds were used to credit the student's account.

### Return of Title IV funds when a school does not maintain a separate federal bank account

The Department considers a school that maintains FSA funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if

- ♦ the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and the subsidiary ledgers are reconciled to its general ledger,
- ♦ the subsidiary ledger for each FSA program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of FSA program funds received and disbursed by the school, and
- ♦ the school updates the relevant subsidiary ledger accounts in its general ledger no later than 45 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to an FSA program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

### WHEN FUNDS ARE CONSIDERED TO HAVE BEEN RETURNED

The Department considers a school to have returned FSA funds when the school has

- ♦ deposited or transferred the funds into its federal funds account or
- ♦ initiated an electronic funds transfer (EFT) to the Department.

## RETURNING FUNDS FROM AN AUDIT OR PROGRAM REVIEW

If, as a result of a program review or audit, a school is required to repay FSA funds, a copy of its FADL or FPRD letter is sent to the Bank Change and Receivables Group where an account receivable is established for the school. The Department will then, through its billing agent, bill the school for the disallowed expenditures, accrued interest, and penalties, if any. Payment instructions will be included with the bill.

- ◆ If the total liabilities owed to the Department are less than \$1,000, the school is instructed to make any required adjustments in COD and return funds through G5.
- ◆ If the total liabilities owed to the Department are \$1,000 or more but less than \$100,000, the school returns the funds by check to a lock box in St. Louis, Missouri.

### Clarification



**Payment and/or adjustments made via G5 will not be accepted as payment of this liability.** Before sending its payment, the school must make any required adjustments in COD as required by the applicable finding(s). Upon receipt of the school's payment, the Department will apply the funds to the appropriate G5 award (if necessary).

- ◆ If the total liabilities owed to the Department are \$100,000 or more, the school returns the funds through its financial institution via electronic transfer (Fedwire).

A school may not reduce amounts reported as net drawdowns on its G5 activity reports to account for expenditures disallowed as a result of an audit or program review. Any FSA funds returned for this purpose will not be credited to a school's G5 account.

Unless otherwise directed by the FADL or FPRD letter, a school may not adjust its prior-year FISAPs or Federal Pell Grant/Iraq and Afghanistan Service Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review.

**Unless specifically instructed by the Department, a school should always repay funds using the appropriate function in G5.**

## DOWNWARD ADJUSTMENT OF FSA GRANT AND DIRECT LOAN DISBURSEMENT RECORDS REQUIRED

Returns of FSA grant funds (except FSEOG and Iraq and Afghanistan Service Grants), other than funds that are being returned to stay in compliance with the excess cash requirements, must be offset by downward reductions in students' records in COD. Likewise, all returns of Direct Loan funds must be offset by downward reductions in students' records in COD.

### When Funds Are Considered to Have Been Returned for a Student Who Fails to Begin Attendance

For a student who does not begin attendance, the deposit or transfer of funds, the EFT, or the issuance of the check must occur no later than 30 days after the date that the school became aware that a student will not begin or has not begun attendance.

The Department considers a school to have returned FSA funds timely if, no later than 30 days after the date that it became aware that a student will not begin or has not begun attendance, it

- deposits or transfers the funds into its federal funds account,
- initiates an electronic funds transfer, or
- issues a check.

A school does not satisfy this requirement if

- its records show the check was issued more than 30 days after the date it became aware the student would not begin or had not begun attendance or
- the date on the cancelled check shows that the bank used by the Department endorsed the check more than 45 days after the date the school became aware the student would not begin or had not begun attendance.

### Returning DL Funds That Can't Be Disbursed Within Three Days

A school that has drawn down more funds than it can disburse due to changes in a student's status between the drawdown and disbursement date would need to return the funds if it can't disburse them within the allowed time. However, if the school expects the student will reestablish eligibility within the allowed time, such returns would not need to be offset by reductions in the student's record in COD. The school would only need to modify the expected disbursement date.

In addition, when all or a portion of a Direct Loan (DL) is cancelled (either because the borrower requested the cancellation within the regulatory time frames or to comply with statutory or regulatory requirements), the school must make the appropriate adjustment to the student records in COD.

**All returns of FSA grants and Direct Loan funds previously disbursed (unclaimed credit balances) should be made through G5.**

## RETURNING DIRECT LOAN FUNDS

If a school has to return Direct Loan funds to comply with a regulatory or statutory requirement—even if more than 120 days have elapsed since the disbursement date—the school must return the funds to the Department through G5 following the same procedures used when making other G5 refunds/returns.

All Direct Loan funds that are not disbursed to student or parent borrowers within three business days from the date that the drawdown is received (or within seven calendar days in certain circumstances) must be returned to the Department in accordance with the cash management regulations of 34 CFR 668.166.

However, Direct Loan funds are not student-specific but are school-, program-, and award year-specific. This means a school can disburse the funds to other eligible students who will be receiving Direct Loans for the same award year if it can disburse the funds within the three-day limit—if the school can't do that, the funds must be returned.

**Schools should not use drawdown adjustments in G5 to make a refund of cash.** Also, refunds of cash are school-, program-, and award-year-specific and should not be netted with a drawdown from another school, program, or award year.

If a school is required to refund cash as part of a liability assessed in an audit or program review, it must follow the instructions provided by the issuing office.

If a school is returning cash as a result of refunds made to a borrower's account, a corresponding downward disbursement adjustment must also be reported to the COD system. For more information about making disbursement adjustments, see the November 21, 2011, electronic announcement on the IFAP website.

Direct Loan disbursements, disbursement adjustments, and refunds of cash should be reported or submitted in whole dollar amounts only. Using pennies in Direct Loan processing may affect a school's ability to successfully complete monthly reconciliation because net drawdowns may not match net disbursements reported to the COD system.

## RETURNING FUNDS AFTER 240 DAYS

**In all cases a school will have to request permission to make a change to the FISAP after December 15 following the close of the award year.**

If FSA grant funds (other than FSEOG and Iraq and Afghanistan Service Grants) must be returned after 240 days, a school must

- ◆ enter the student’s revised Pell Grant award in COD;
- ◆ return the funds to the Department through G5, if applicable; and
- ◆ make the appropriate change to the FISAP.

Note that for Pell funds from a prior award year, a school may not use the funds for an eligible student in the current year.

If FSEOG funds must be returned after 240 days, a school must

- ◆ enter the student’s revised FSEOG award both in the individual student’s account and the school’s FSEOG ledger;
- ◆ either return the funds to the Department through G5 OR carry them forward to the next award year; and
- ◆ make the appropriate change to the FISAP.

If Perkins Loan funds from a prior award year must be returned after 240 days, a school must

- ◆ reimburse its Perkins Loan fund;
- ◆ report those funds as income in Part III, Section A of the FISAP; and
- ◆ reduce the student’s Perkins Loan balance and make an accounting entry to tie that reduction to the journal entry for the aforementioned reimbursement of its Perkins Loan fund.

The school should not make any changes to the student’s Perkins promissory note.

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school’s FWS account. If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

### COD School Relations Center

For questions about adjusting student loan amounts, call the COD School Relations Center at 1-800-848-0978 or email [CODSupport@ed.gov](mailto:CODSupport@ed.gov).

### TIP

#### When a School Is Holding a Credit Balance and 240 Days Have Elapsed

See *Chapter 2* for instructions on how a school should proceed when it is holding a Title IV credit balance and has been unable to find the student in the 240 days allowed.

### ***Amending a FISAP after the close of an award year or after the December 15 correction deadline***

**Reminder:** December 15 of the year in which a school submits its FISAP is the deadline for submitting data corrections. The time between the October 1 submission deadline and the December 15 correction deadline provides schools an opportunity to review and correct their submitted FISAP data.

If a school needs to amend a prior-year's FISAP or its current FISAP after the correction deadline, it must use the Change Request Process. The Change Request Process may not be used to request an

- ◆ increase in Campus-Based funding or
- ◆ increase in a school's administrative cost allowance.

To submit a change request, a school logs in to COD and selects the appropriate FISAP from the FISAP Dashboard page. After the school has made the appropriate changes and saved the data, the school selects "Submit."

The system will prompt the school to explain what changes the school is making and why. The school then must provide

- ◆ the FISAP part, section number, and line number(s) on which the changes were made;
- ◆ the amount of the change; and
- ◆ a description of the conditions that require the revision (e.g., to comply with the requirements of 34 CFR 668.22).

After providing all of the required information, the school clicks the "Submit Button" and then affirms that it wants to "Continue to Submit."

The Campus-Based staff will evaluate the school's submission. If a school's request is denied, the Campus-Based staff will inform the school why its request was denied. If the school's request is approved, the Campus-Based staff will notify the school by sending an email to the individual on record as the school's financial aid director (in field 19) that the school's FISAP has been unlocked and that the school has five days to submit the revised working copy as the final copy.

For assistance with amending a previous year's FISAP, schools should call the COD School Relations Center at **1-800-848-0978**.

## RETURNING FUNDS THROUGH G5 FOR BOTH OPEN AND CLOSED AWARDS

From time to time, a school will have to return funds from a previous award year. A school that needs to return funds from a previous award year logs into G5 as it would when requesting funds or returning funds from the current award year and selects “Payments” from the command bar near the top of the screen.

On the next page (the payments screen), under “Refunds” select “Refunds Creation.” On the “Create Refunds” screen, you will see two main sections: “Your Open Awards” and “Miscellaneous Awards.”

There are four award periods:

1. Performance period (59 months)
2. Liquidation period (1 month)
3. Suspension period (1 month)
4. Closeout period

Awards that are in the performance, liquidation, and suspension periods will appear under “Your Open Awards.” When you are returning funds for an award that is open, always return the funds to the program from which the funds were drawn. For the award in question, in the column “Refund Amount,” enter the amount you want to return. In the next column (Bank Account) select from the drop down menu the bank account from which you want the funds drawn.

When you have entered an amount for all the programs to which you wish to return funds, select “Continue” to navigate to the summary screen. If you believe the information on the summary screen is correct, select the “Submit Refund Request(s)” button to process the refund (return). If you’ve completed the process correctly, you’ll find yourself on the confirmation screen. From the confirmation screen, copy and save your tracking number. (If a refund has not been properly processed, an error message will be displayed at the top of the summary screen and you can select the “Previous” button at the bottom of the screen to go back and correct your data.)

Once an award year has closed (is no longer in the performance, liquidation, or suspension periods), a school will not be able to return funds to a specific program. However, a school can return funds even when a year is closed. To return funds from an award year that is closed a school uses the “Miscellaneous Awards” section at the bottom of the “Create Refunds” screen. (Note that because refunds made in the “Miscellaneous Awards” section are not program specific, if you have to return funds from multiple closed awards you can lump them together in one refund.)

### Note on Terminology

Federal Student Aid uses the term “return” to describe the process of sending money back to the program from which the funds were drawn. G5 uses the term “refund” to describe that process.

### Information required when returning loan funds to a servicer by check

If a school cannot use the electronic process preferred by the loan's servicer and must return the funds with a paper check, together with the check for the funds the school is returning, the school must include, **on school letterhead**, the following information:

1. The borrower's name
2. The borrower's Social Security number
3. The loan's unique CommonLine ID
4. The type of loan (subsidized unsubsidized, PLUS, etc.)
5. The period for which the loan was certified
6. The scheduled and actual date of the disbursement
7. The amount of the disbursement
8. The amount being returned
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class)
10. The school OPE ID
11. The name and phone number of the school official returning the funds

To return funds that originated in what is now a closed award, on the "Create Refunds" screen, scroll down to the section headed "Miscellaneous Awards." In the column "Refund Amount," enter the amount you want to return. In the next column ("Bank Account") select from the drop down menu the account from which you want the funds drawn. In the column "Refund Type," select from the drop down menu the type of refund you wish to make. For example, if you are returning a Title IV credit balance that you have discovered was never delivered to the appropriate student, you would select "Closed Awards." Once you have completed your entries, select "Continue" to navigate to the summary screen. If you believe information on the summary screen is correct, select the "Submit Refund Request(s)" button to process the refund (return). If you've completed the process correctly, you'll find yourself on the confirmation screen. From the confirmation screen, copy and save your tracking number. (If a refund has not been properly processed, an error message will be displayed at the top of the summary screen and you can select the "previous" button at the bottom of the screen to go back and correct your data.)

### RETURNING FUNDS FROM FFEL LOANS PURCHASED/SERVICED BY THE DEPARTMENT

The Department has purchased many Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with several organizations to provide loan services on these purchased FFEL loans.

If a school is required to return any portion of a FFEL Program loan that has been purchased by the Department, the money would be returned to the appropriate federal servicer for that loan.

To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under "Loan History," the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. Click on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on IFAP under the "Help" menu (Contact Information > Service Centers for Schools > [Loan Servicing Centers for Schools](#)—the "MORE" button).

## RETURNING FEDERAL PERKINS LOAN PROGRAM FUNDS TO THE DEPARTMENT

The preferred method for returning Perkins funds is to use the G5 website, which allows you to electronically refund the money directly to the Department using the “Miscellaneous Refunds” option. Using G5 reduces chances for human error and processing delays.

When returning excess liquid capital, schools must use the miscellaneous refunds option and select the appropriate refund type to ensure that returned funds are properly identified and applied.

The process for returning Perkins Loan funds to the Department is:

1. Log in to G5: <https://www.g5.gov>.
2. Click on Payments.
3. Click on Create Refunds.
4. Under Refunds Creation, click on the Miscellaneous Refunds tab and select Continue.
5. On the Create Miscellaneous Refunds tab, enter the required details below and continue to submit
  - a) Refund amount
  - b) Bank account information to be debited
  - c) Select appropriate refund type
    - Perkins Excess Cash—Use this type when returning the federal share of the excess liquid capital (ELC)
    - Perkins Liquidation—Use this type when closing out your Perkins Loan fund and returning the federal share at the end of the school’s liquidation process

**Only in exceptional circumstances should schools return Perkins funds by check.**

If your school has no recourse other than to pay by check, you must do the following:

1. Make the check payable to the “U.S. Department of Education.”
2. Include with the remittance the correct school name and or OPEID number, and DUNS numbers.
3. Include the reason for the remittance on any accompanying paperwork included with the check:
  - Perkins Excess Cash—when returning the federal share of the excess liquid capital;

- Perkins Liquidation—when closing out your Perkins Loan fund and returning the federal share at the end of the school’s liquidation process.
4. Mail the check and remittance information to the following address:  
  
**U.S. Department of Education**  
**P.O. Box 979053**  
**St. Louis, MO 63197-9000**
  5. Notify the Campus-Based Division that a check was sent by sending an email to [perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov).

If you have questions or need help, contact the G5 Help Desk by email at [edcaps.user@ed.gov](mailto:edcaps.user@ed.gov) or by phone at 1-888-336-8930.

# Reconciliation in the Pell Grant and Campus-Based Programs



## THE IMPORTANCE OF TITLE IV RECONCILIATION

### *Reconciliation and fiduciary responsibility*

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development (JLD) Program, funds received by a school under the Federal Student Aid (FSA) programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school must have procedures in place that ensure FSA funds are used as intended.

The cash management regulations establish rules and procedures that a school must follow in requesting and managing FSA program funds. Under the cash management regulations, a school has a fiduciary responsibility to have a system in place to

- ◆ safeguard FSA funds,
- ◆ ensure FSA funds are used only for the purposes intended,
- ◆ act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student, and
- ◆ return to the Department any FSA funds that cannot be used as intended.

**Failure to have such a system in place calls into question a school's administrative capability, its fiscal responsibility, and its system of internal controls. In short, it calls into question a school's qualifications to participate in the FSA programs.**



A key component of the system described is the process of reconciliation. **Reconciliation** is a process in which financial records are compared and discrepancies resolved. Conducting reconciliation frequently can help ensure that your school is properly exercising its fiduciary responsibilities to safeguard federal funds and ensure that they are used as intended.

### **Cash management regulations**

34 CFR Part 668 Subpart K  
668.162 Requesting funds

### **Financial responsibility regulations**

34 CFR Part 668 Subpart L

### Internal Controls in Automated Systems

Since no one person may have the ability to change data that affect both authorization and disbursement (see *Volume 2, System of checks and balances*), if award entries made by the financial aid office automatically roll over and populate award fields in the business office, then the separation of functions must take place elsewhere.

For example, if your system automatically awards funds based on a student's budget, then your system must ensure that only employees with a special security standing can change those budgets or otherwise modify a student's award. In addition, your system must be able to identify any employee who makes a change to a data element that can affect the level of a student's award (anyone who initiates a budget or award override).

Your school is required to have documented reconciliation procedures that describe who, how, and when your school will reconcile. You should review these procedures regularly to identify issues and make any necessary improvements. Your school must meet all cash management and disbursement reporting requirements. Regular reconciliation can help identify and resolve discrepancies so your school can stay in compliance.

Title IV reconciliation is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department's systems (COD, G5) with the information in the school's internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation and retain the documentation for audits.

If completed on a regular basis, reconciliation can assist schools in determining whether the disbursement reporting and excess cash deadlines are being met and also whether any additional data needs to be submitted to ensure all school data is reflected correctly in the Department's records.

A school performs **internal reconciliation** when it compares business office records of funds requested, received, disbursed, and returned to financial aid office records of funds awarded to students. When the school compares its reconciled internal records to the Department's records of funds received and returned, and of grants or loans originated and disbursed to students at the school, it is performing **external reconciliation**. A school ensures that the Department's records reconcile with the school's records, both at the cumulative and individual student levels, when it performs external reconciliation.

**At a minimum, your school should reconcile its FSA financial records monthly.** However, the more often you perform reconciliation, the more likely you will be able to identify and resolve issues before they become a bigger problem. Frequent reconciliation is an important internal control that can increase the overall integrity of the FSA programs at your school. Also, schools that have a system of identifying discrepancies between their internal records and data from Department reports will find that monthly reconciliation is easier and the year-end closeout less time consuming.

Speak with your school's administrative software systems specialists about creating a program that compares COD student level data to:

- ◆ student Title IV award information maintained separately by the financial aid office;
- ◆ Title IV funds posted to each student's account; and
- ◆ report exceptions found during the comparison process.

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### Excess cash

34 CFR 668.166

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### Annual financial aid and business office reminder

See the [electronic announcement of November 22, 2017](#), for a summary and reminder of the general requirements regarding disbursement reporting, excess cash, and reconciliation.

The following are conditions that might cause the type of discrepancies you can identify by using COD reports in your school's reconciliation process:

- ◆ A recipient's disbursement data appears on the school's records for an award amount less than the amount shown in the COD system.
- ◆ A recipient's data appears on the school's records for an award amount greater than the amount shown in the COD system.
- ◆ A recipient's disbursement data appears on the school's records but does not appear in the COD system.

**Note:** The Department has reviewed the operation of schools where the schools' administrative systems generate reports whenever data in the schools' business and financial aid offices do not agree (sometimes as often as daily). The schools' directors of financial aid and business officers meet whenever the reports are generated to resolve discrepancies. We found that at these schools the annual internal closeout takes hours rather than days and that time required for reconciliation with the Department's data is equally reduced.

### ***Who is responsible for reconciliation?***

Each office has access to and expertise with data needed to facilitate the process. Cooperation between the business and financial aid offices is essential if reconciliation of FSA funds is to be successful. For example, the financial aid office will likely be the source of information sent to, and recipient of reports from, the COD system, while the business office is generally responsible for G5 and student accounts.

Though it is possible and even advisable for financial aid and business office staff to be able to view information in each other's systems, there is no substitute for the direct involvement of professionals in each office in the reconciliation process.

### ***Reconciliation and a school's coordinating official***

Department regulations require that every participating school designate a capable individual to coordinate aid from the FSA programs with all other aid received by students attending the school. The coordinating official is responsible for ensuring that the school has a system for identifying and resolving discrepancies in FSA-related information no matter where it occurs at the school. Note that resolution includes determining what information is correct **and** correcting the inaccurate data. Since the resolution of discrepancies in data is the essence of reconciliation, your school's coordinating official should be part of the reconciliation process. (See *Volume 2* for more information about the requirement for schools to have coordinating officials.)

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#### **Coordinating official**

34 CFR 668.16(b)(1)



## Important

Reconciliation is a procedure that schools must follow in managing the FSA programs, but it is also a tool they should use to ensure they are managing those programs well. Also important is that reconciliation is a shared responsibility: the business office and the financial aid office are equally responsible for reconciliation. This responsibility involves much more than the mere sharing of reports; it requires joint action by the financial aid and business office to identify and correct discrepancies in a timely way.

The Department does not specify the office in which your school's coordinating official must work. Neither do we specify the type of system your school must have to reconcile its data internally and externally. The Department does require that your school have a coordinating official and that your school performs reconciliation. (See *Volume 2* for more information on the requirement to have a coordinating official and other key requirements of administrative capability.)

### *Recommended general reconciliation practices*

A key factor in facilitating reconciliation is staying on top of the process. The Department encourages schools to

- ◆ define responsibilities of key individuals and offices;
- ◆ document your reconciliation procedures;
- ◆ build in regular communication between your business office, financial aid office, and school's technical staff;
- ◆ compare internal student accounts and business office/bursar records with financial aid office records and resolve any discrepancies;
- ◆ balance all subsidiary accounts to the general ledger;
- ◆ ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year;
- ◆ ensure that all batches have been sent to and accepted by the COD system, all disbursements and adjustments are accurately reflected on the COD system, and all responses are imported into the school's system;
- ◆ ensure that all unbooked loans are booked or inactivated (reduced to \$0) for Direct Loans and TEACH;
- ◆ resolve all outstanding rejected records;
- ◆ return all refunds of cash via G5; and
- ◆ request any remaining funds owed to the school based on actual disbursements accepted by the COD System (Pell, DL, TEACH) or reported as expenditures on your FISAP (Campus-Based Programs).

### Contact Information

For disbursement reporting, excess cash, or reconciliation questions, call the COD School Relations Center at 1-800-848-0978. You may also email [CODSupport@ed.gov](mailto:CODSupport@ed.gov).

Each school is assigned a COD reconciliation coordinator who can be reached at the number above and can help answer reconciliation questions. If reconciliation issues arise that require your immediate attention, your coordinator may contact you.

### **Internal reconciliation**

Discrepancies that occur between the financial aid and business offices are usually caused by a lapse in communication. Note that these discrepancies often do not show up in a comparison of the financial aid office's records to COD, or in the comparison of drawdowns/returns between the business office and G5 payment system. For instance

- ◆ the financial aid office notifies the business office that the student is eligible for payment on a certain date, but the disbursement record is rejected by COD. If the financial aid office doesn't tell the business office to cancel the disbursement, the business office draws down funds and makes a disbursement to the student that is not supported in COD or in the financial aid office's records.
- ◆ the business office cancels a disbursement and/or makes a refund of cash to the G5 system without informing the aid office. Thus, the original amount will still be included as a disbursement but will not be reflected in the net Cash Receipts.

The first step in the reconciliation process should be to confirm that business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student award and scheduled disbursement amounts. Both offices should also agree on the amount of funds that should have been drawn down from G5 to cover the funds disbursed to students.

Discrepancies can be avoided by establishing daily or weekly communication touchpoints between the two offices or by scheduling a data comparison between the two office's systems. Resolving differences in internal reconciliation will lead to a smoother external reconciliation with the Department's official data.

Internal reconciliation should also include steps to reconcile cash transactions such as drawdowns and refunds of cash. Your school should ensure that bank statements correctly reflect all funds drawn or returned and that this information matches the school's ledgers and other internal records. Your school should confirm that any returns of Title IV aid calculated by the financial aid office are reflected correctly in the business office student account records and that any funds not necessary for immediate use have been returned to the Department.

So, you could begin the internal reconciliation process by comparing a monthly financial aid office roster of scheduled disbursements to a monthly business office cash detail report that reflects funds drawn down and funds disbursed for the month. If you discover discrepancies, you must resolve them.

#### **TIP**

#### **Reconciliation and Third-Party Servicers**

Your school is ultimately responsible—including when it uses a third-party servicer—for meeting all regulatory requirements and seeing that reconciliation occurs on a regular basis. You should request and retain documentation of your reconciliation efforts. Also, reconciliation should include ensuring that your school's internal records match what is at the servicer as well as what is in the COD System.

In addition, you should also compare business office and financial aid office records of adjustments (refunds of cash) made during the month. Often, returns of cash due to withdrawals performed by the financial aid office aren't applied by the business office. Just as often, adjustments made by the business office aren't noted in the financial aid office. Either of these omissions can cause an internal discrepancy that will affect a school's ending cash balance and should be resolved before a school begins its external reconciliation process.

### ***External reconciliation***

During internal reconciliation, the school will have resolved any differences between records in the financial aid office and those in the business office. In external reconciliation, a school will reconcile its records to the Department's records.

Schools may perform internal and external reconciliation in any order. However, if internal reconciliation is completed first, there will be fewer discrepancies to resolve during external reconciliation. The Department offers various tools to assist you with external reconciliation, as explained in the rest of this chapter and the next one.

## **RECONCILIATION IN THE PELL GRANT PROGRAM**

Although there is no regulatory requirement for reconciling your school's Pell Grant Program operations on a monthly basis, it is almost impossible to satisfy other program requirements without performing monthly reconciliation of your school's Pell Grant Program participation.

For example, a school must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records no later than the deadline dates as published in the Federal Register notice (see the margin note on page 108) after making a Pell Grant or Iraq and Afghanistan Service Grant disbursement or becoming aware of the need to adjust a student's previously reported disbursement for those programs. A school's failure to submit disbursement records within the required time frame may result in an audit or program review finding.

To be proactive, on a monthly basis, your school should compare

- ◆ the records of Pell Grant awards and scheduled disbursements to students made in the financial aid office to awards on individual student accounts in the business office;
- ◆ the record of disbursements in the school's Pell Grant Program ledger to the record of Pell Grants disbursed to students in the business office;
- ◆ the individual and program records of all adjustments (positive and negative) made during the period; and

- ◆ on an individual and program basis, the record of Pell Grants disbursed to students in COD to the records of Pell Grant disbursements in the business office.

Monthly reconciliation for the Pell Grant Program should include verifying that individually and cumulatively

- ◆ records of student awards and pending disbursements calculated and maintained by the financial aid office match the records of pending disbursement data received or maintained by the business office;
- ◆ business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student eligibility and applicable award and disbursement amounts;
- ◆ records of disbursements in the general ledger match those in subsidiary ledgers (e.g. student ledgers and accounts);
- ◆ the actual disbursements posted to students' accounts internally match the actual disbursements accepted in the COD system (including any adjustments to actual disbursements);
- ◆ cumulative school and COD records of Pell Grant disbursements match net draws (drawdowns minus refunds of cash) in G5 for the award year in the Pell Grant Program;
- ◆ any remaining excess cash balances have been returned to the Department per cash management regulations; and
- ◆ all reconciliation efforts have been documented for future reference, and all identified balance issues have been resolved in a timely manner.

### ***Reconciling school-level data***

Whether you maintain your records electronically or on paper, comparing the records of Pell Grant awards made to students by the financial aid office to the records of Pell Grant disbursements recorded in individual student accounts is not a complex task. If awards recorded by the financial aid office automatically populate the business office records, the data should always agree.

If your school's processes are automated, your systems staff can create a program that compares the relevant data elements and generates an exception report that identifies discrepancies between business office and financial aid office data. Reconciliation of school level data functions is an internal control check mechanism. By reviewing the exception report on a daily basis, the bursar ensures that the school's internal records agree and he or she also confirms that the school's system for communicating data between offices is functioning correctly.

### **Pell Grant Reconciliation Defined**

Pell Grant reconciliation is when a school reviews and compares Pell Grant data in its internal records with information in the Department's systems. This should occur regularly and is recommended at least monthly.

#### **Internal Reconciliation**

This is the reconciliation of disbursement transactions (actual disbursements and adjustments) and related cash transactions (drawdowns, drawdown adjustments, refunds of cash, and returns) between business office records and the financial aid system. The school should document any discrepancies and resolve them in a timely manner.

#### **External Reconciliation**

This is the reconciliation of internal disbursement and cash balances from the business office and financial aid office with disbursement and cash balances from the COD system. At a minimum this reconciliation should be completed monthly to ensure that data is correct in all systems and that cash management and disbursement reporting timelines are being met. If the school completes internal reconciliation first, there will be fewer discrepancies to resolve in external reconciliation. The Department offers various tools to assist schools with external reconciliation.

**TIP****Resources**

The COD School Relations staff at 1-800-848-0978 and [CODSupport@ed.gov](mailto:CODSupport@ed.gov) is available to help users within COD reports in the reconciliation process.

**Reconciling school-level data with COD Pell Grant data**

Your school should reconcile all cash (drawdowns and refunds of cash) and disbursement records (actual disbursements and adjustments) with information in COD on an ongoing basis (external reconciliation). This will greatly minimize the number of post deadline adjustments and help identify and resolve issues as they arise. There are many tools specific to the Pell Grant program to help you with reconciliation.

In reconciling school-level Pell Grant records of individual student awards with individual student records in COD, you can use the following tools:

- ◆ Pell Grant school account statement (SAS) and SAS disbursement detail on demand

The COD system produces monthly the Pell Grant SAS, which is similar to a bank statement and summarizes processing activity (both cash and disbursement data) for that month and/or year-to-date (YTD). It can be used as a reconciliation tool to compare to financial aid and business office records.

Schools may also request Pell Grant SAS disbursement detail on demand files through the new report requests page on the COD website. This report contains disbursement level detail for schools to use for interim reconciliation as needed.

- ◆ Pell Grant reconciliation report

The Pell Grant reconciliation report is a one-record student summary of processed records and can be helpful to your school as it completes both the year-end and ongoing reconciliation processes. This report can be downloaded, printed, or imported into a spreadsheet for comparison with your school's data. This report provides the total YTD disbursement amount per student as it is in COD.

- ◆ Pell Grant electronic statement of account (ESOA)

The ESOA summarizes the status of a school's current funding level (CFL) versus the net drawdown for that award year. In addition, the ESOA provides (for the current processing day only) the YTD unduplicated recipient count, the YTD total accepted and posted disbursements, the YTD total ACA paid to schools, and the net drawdown payments in G5 up to the current processing day. That is, it provides the sum of school initiated drawdowns, direct payments for obligate/pay accounts, adjustments (+/-) less refunds, and returns.

**COD reports**

The COD Technical Reference, Volume VI, Section 8—Reports can be found at <https://ifap.ed.gov/ifap/publications.jsp>. Click on *COD Technical Reference* and choose the appropriate award year.

**Sample ESOA**

For a sample ESOA, go to the [2018–2019 COD Technical Reference](#) and click on Volume VI, Section 7, and go to pages 22 and 23.

- ◆ Pending disbursement list report

The pending disbursement list report contains disbursements not yet funded in COD. This “list by student” reports anticipated disbursements received and accepted, but not yet made, in a school’s Pell Grant Program.

- ◆ Pell Grant YTD record

A Pell Grant YTD record can be requested for an individual student or for all Pell Grant recipients at your school. A YTD record contains more detailed award and disbursement data than the Pell Grant Reconciliation Report. It contains information at the individual transaction level and can be used to replace a corrupt database or to reconcile records with accepted data on COD.

The YTD record shows the award information that COD is using for each student. You can view each disbursement as well as the total disbursed to a student for the year. The YTD summary shows the total number of recipients at your school, the number of awards, and the disbursements accepted, rejected, or corrected. The details in a YTD record can help you resolve discrepancies between school and COD data.

You can also use the following COD website screens:

- ◆ Funding Information screen and school funding history report

The Funding Information screen shows totals such as current funding level, available balance, net drawdowns, net accepted and posted disbursements and cash > net accepted and posted disbursements. These totals can be used to compare against your internal totals from both your business office and financial aid office. If discrepancies are found, the detail should be compared and any discrepancies resolved.

Schools can access the school funding history report through a link at the bottom of the funding information screen. This report displays year-to-date funding authorization (current funding level or CFL) information for the selected school, program type, and award year. This report also contains a history of cash activity transactions for the school.

- ◆ Cash Activity screen

The cash activity screen shows all individual drawdown, refund of cash, and drawdown adjustment transactions received in COD from G5. This information can be used to reconcile to internal bank statements and cash transactions.

### Completing Final Reconciliation

If a school is meeting all disbursement/adjustment reporting, excess cash, and reconciliation requirements, final reconciliation should begin no later than the last award or payment period end date for a given program and year. A school should be able to reconcile to a zero ending cash balance soon after its final disbursements and should not carry an ending cash balance (positive or negative) for an extended period. Schools can close out via the COD School Balance Confirmation page when they have a zero ending cash balance or are within the established tolerance and have \$0 in total net unbooked disbursements.

### Additional Information

For more information on Pell Grant reconciliation, call the COD School Relations Center at 1-800-848-0978 or email [CODSupport@ed.gov](mailto:CODSupport@ed.gov).

### Deadline Dates

The data submission and funding cancellation deadline dates appear in the same Federal Register notice mentioned earlier in the chapter. For 2017–2018 that was Federal Register Volume 82, Number 122, June 27, 2017.

#### ♦ Anticipated Disbursement Queue

This page allows schools to search—by award year, program, disbursement date range, and SSN—and view anticipated disbursements currently on file in the COD system. They can select up to 100 records at a time and submit them as actual disbursements and can also export the anticipated disbursement list. Schools will no longer use the action queue to release pending disbursements, but it will still be on the COD website.

### *Final reconciliation of a Pell Grant award year*

In addition to regular monthly reconciliation of Pell Grant data, a final reconciliation should be performed as soon as possible after final scheduled disbursements have been made for the award year. This final reconciliation should ensure that all data are correct and that total net drawdowns equal net accepted and posted disbursements (NAPD) in the COD System (cash > NAPD balances should equal \$0). This process must be performed within the applicable data submission deadline defined below, as well as immediately following processing of any additional data by the school (for example, returns of unclaimed credit balance checks, eligible late disbursements, or disbursement adjustments made within regulatory time frames but which occur after the data submission deadline). There are two deadlines which impact this process.

#### Data submission deadline

Schools must finalize reconciliation of cash and reporting of Pell Grant and Iraq and Afghanistan Service Grant disbursements and disbursement adjustments by the data submission deadline, which is published annually in the *Federal Register* and is the last business day of September following the official end of the award year (e.g., for 2018–2019, the deadline will be September 30, 2019). After this date the COD system will not accept upward awards or disbursement adjustments without approval for extended processing (downward adjustments will continue to be accepted). Your school can request an extension to the data submission deadline via the COD website on the Request Reopen/Extended Processing page.

#### Funding cancellation deadline

Pell Grants and Iraq and Afghanistan Service Grants are completely closed and funding is cancelled (no longer available) five years after the award year on the last business day of September (e.g., for 2018–2019, funding will be cancelled on September 30, 2024). After that time, schools will be unable to draw down or adjust funds via G5 (although refunds of cash will still be accepted), and the COD System will be completely closed to any further award or disbursement processing for that award year. Schools must complete all final reconciliation activities well before this final deadline, in accord with disbursement reporting timelines and the data submission deadline. After the five-year period, funds must be returned directly to the Treasury. If you need help returning funds after the five-year closing date, call G5 customer service at 1-888-336-8930.

## RECONCILIATION, RECORDS, AND INTERNAL CONTROLS IN THE CAMPUS-BASED PROGRAMS

A school is required to reconcile its Campus-Based program and financial records at least monthly. In addition, you perform annual reconciliation of your school's annual participation in the Campus-Based programs when you complete the *Fiscal Operations Report* (FISOP). The FISOP is parts III, IV, V, and VI of the *Fiscal Operations Report and Application to Participate* (FISAP).

**Note:** If you participated in any Campus-Based programs in an award year, you must report on your activities for those programs by completing the appropriate portions of the FISAP by the following October.

Your school must reconcile, at least monthly, your Campus-Based draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers and account for any discrepancies.

In addition, your school must have a system that, on at least a monthly basis, reconciles your drawdowns for the award year in the individual Campus-Based Programs plus any funds provided by your school or received from other sources to the amounts expended in the three programs.

### **Reconciliation and the Federal Perkins Loan Program**

Your school must have a system that, on at least a monthly basis, reconciles and accounts for any discrepancies in

- ◆ cash on hand in your Perkins fund at the start of the period;
- ◆ federal funds received and deposited in your Perkins fund during the period (in years when there was a Federal Capital Contribution);
- ◆ school funds deposited in the Perkins fund during the period;
- ◆ payments of principal, interest, late charges, and collection charges received during the period;
- ◆ other additions to the Perkins fund during the period, to loans made to students during the period;
- ◆ expenses paid from the fund during the period (permissible collection costs not paid by the borrower);
- ◆ accounts on which incorrect information is recorded in NSLDS; and
- ◆ cash on hand in the fund at the end of the period.

### Monthly Reconciliation Required

A school is required to reconcile its Campus-Based records no less frequently than once a month.

Schools may be required to provide records of their monthly reconciliations during the required annual audit or during a program review.

Perkins 34 CFR 674.19(d)(1)  
FWS 34 CFR 675.19(b)(2)(iv)  
FSEOG 34 CFR 676.19(b)(2)

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### FISAP

Campus-Based Programs 34 CFR 673.3  
Perkins Loan Program 34 CFR 674.19(d)(2)  
FWS 34 CFR 675.19(b)(3)  
FSEOG 34 CFR 676.19(b)(3)

### ***Reconciliation and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program***

Your school must have a system that at least monthly reconciles and accounts for any discrepancies between FSEOG awards made to students during the period plus the administrative cost allowance (ACA) and any

1. federal funds drawn down during the period for FSEOG awards, plus
2. funds transferred (or carried in) from the other Campus-Based Programs during the period, plus
3. any nonfederal funds (both institutional and noninstitutional) made available for grants to students during the period, plus
4. any other resources designated as FSEOG awards to students.

### ***Reconciliation and the Federal Work-Study (FWS) Program***

Your school should reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to the Department, and explain all discrepancies.

Your school must have a system that, on at least a monthly basis, reconciles the federal funds drawn down during the period for FWS awards, plus funds transferred (or carried) in from the other Campus-Based programs during the period, plus any nonfederal (both institutional and noninstitutional) funds made available for FWS payments to students during the period to FWS funds paid to students during the period, plus ACA, plus job location and development expenditures, and accounts for any discrepancies.

In addition, you should examine your FWS program and fiscal records at the start of the award year and monthly thereafter. The following questions might help you develop procedures that will enhance the effectiveness of reconciliation and your FWS program generally:

- ◆ Do you have a method for verifying that a student's rate of pay in your payroll system matches the rate of pay on which the award was calculated, and if the rate assigned to the position and the experience level of the student matches the levels required by the school's policies and procedures?
- ◆ Do you have a system that records the maximum a student may earn in FWS wages and alerts you if a student approaches that amount?
- ◆ Do you periodically evaluate your rate of expenditures to determine if you are spending funds at the same rate, if you are spending less, or if you are spending more than the amount you budgeted for FWS expenditures?

- ◆ Are your matching funds consistently deposited at the same time you received your federal share?
- ◆ In the FWS Program, your requests for funds should always be for a payroll for which data has been entered. The only time your need for funds should be greater or less than your draw is when anticipated payments from an off-campus employer are early or late. Excepting those occasions, do you often find yourself requesting additional funds or returning unused funds?
- ◆ Do you have a process in place to ensure that students are actually working the hours reported—that timesheets are accurate?
- ◆ Do you frequently audit payrolls to test whether hours recorded in the payroll system match the hours reported on student timesheets?
- ◆ Do you reconcile the expenditure of funds in the community service part or your FWS program to the reports submitted by employers?

## CONTACT INFORMATION FOR RECONCILIATION

For disbursement reporting, excess cash, or reconciliation questions about the Pell Grant, TEACH Grant, FWS, FSEOG, Perkins Loan, or Direct Loan programs, call the COD School Relations Center at 1-800-848-0978 or e-mail [CODSupport@ed.gov](mailto:CODSupport@ed.gov).



# Reconciliation in the Direct Loan Program



## CHAPTER 6

### OVERVIEW OF DIRECT LOAN RECONCILIATION

A school that participates in the Direct Loan Program is required monthly to reconcile cash (funds it received from the G5 system to pay its students) with disbursements (actual disbursement records) it submitted to the Common Origination and Disbursement (COD) system.

Direct Loan schools are also required to complete a year-end closeout or final reconciliation of their Direct Loan (DL) accounts. This should be done as soon as possible after the end of the schools' latest award period (loan period) end date but no later than the program year closeout date.

**Note:** Exceptions to the last processing day of the program year may be made on a case-by-case basis if a school's processing period extends past the closeout deadline. Schools in this category should contact the COD School Relations Center for further help. Once the closeout deadline has passed, requests may be made directly via the COD website.

As a reminder, all cash management, disbursement reporting, and monthly reconciliation regulatory requirements supersede the closeout deadline so a school should be able to reconcile to a zero ending cash balance and close out soon after its final disbursements. Your school should not wait until the closeout deadline. The Direct Loan Program year closeout date is the last processing day of July in the year following the award year, which for 2018–2019 will be Friday, July 31, 2020.

The starting point for reconciliation is the ending cash balance (ECB) on the School Account Statement (SAS) that COD sends to the school each month. The SAS is the Department's official record of your school's cash and disbursement transactions. The ECB is simply the difference between the net drawdowns/payments your school has received from the G5 payment system and the actual disbursement information you've reported to COD (and COD has accepted) for individual students and parents (known as total net booked disbursements).

Ideally, the net drawdown/payments your school has received in the past month will be fully substantiated by the total net disbursements your

### Regulations

34 CFR 685.300(b)(5) Direct Loan monthly reconciliation required  
 34 CFR 668.162 Requesting funds  
 34 CFR 668.166 Excess cash

**Ending cash balance** = beginning cash balance + net drawdowns/payments – total net booked disbursements

**Net drawdowns/payments** = cash receipts (drawdowns + drawdown adjustments + returns) – refunds of cash (refunds)

**Total net booked disbursements** = booked disbursements + booked adjustments (upward or downward)

### Booked vs. Unbooked Disbursements

For a disbursement to be considered booked, it must consist of the following three components.

1. It must be a part of an accepted loan origination record (as submitted to COD by the school);
2. It must have an accepted master promissory note associated with it (linked MPN); and
3. It must be reflected as an actual disbursement in COD (the disbursement release indicator = “True” and the date of disbursement must have occurred).

Once these three things occur, the loan is booked and sent to the loan servicer assigned to the borrower, and the student is liable in accordance with the terms and conditions stated in the master promissory note.

Unbooked disbursements include any future-dated transactions with disbursement dates falling after the end of the report.

school has reported (including any subsequent adjustments). Therefore, your school’s monthly ECB should be as close to zero as possible keeping timing variances in mind.

When the ECB for a month is greater or less than zero, you must be able to account for any differences between the net totals for booked disbursements and drawdowns/payments. The SAS provides you with the information that the Department has recorded for your actual disbursements to students and cash transactions (payments/drawdowns). You can use this information as a starting point in identifying the underlying reasons for the ECB.

Sometimes the difference between total net booked disbursements and net drawdowns/payments is just a matter of end-of-month timing—funds were delivered to the school’s account at the end of one month and the disbursements were reported to COD at the beginning of the next month (or vice versa). If there are legitimate reasons for a positive or negative ECB from month to month, you may not need to correct or update any of the information your school has provided to the COD or G5 systems. Just document the reasons for the differences and you are done reconciling for that month.

During your review, you may also find omissions or errors in your school’s transactions with COD and G5. For instance, you may find that some disbursement data for your students was submitted to, but not accepted by, COD or that G5 transactions were entered for the wrong award year. In these cases, you will need to resubmit corrected disbursement records to COD or correct earlier transactions on the G5 system. Ensuring that your school records match exactly to the data in COD is an example of external reconciliation.

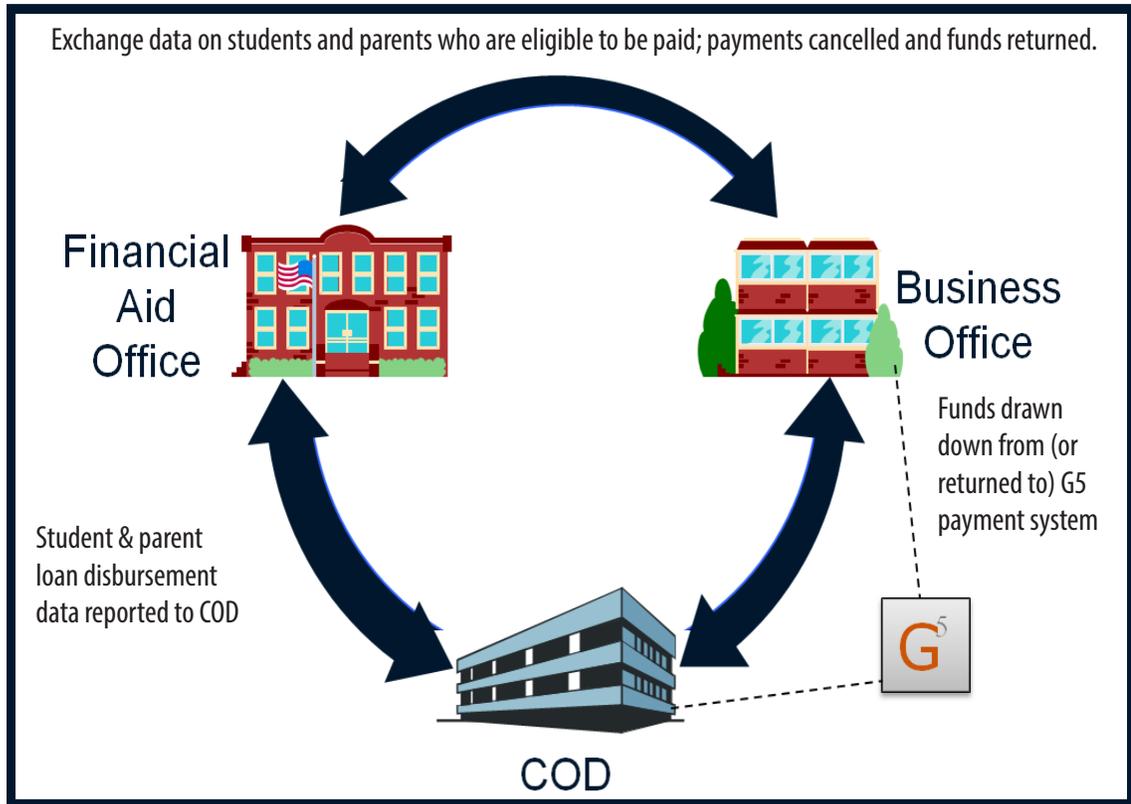
It is also possible that the discrepancy results from inconsistencies between the information in the school’s financial aid system and the information kept by its business office—these will need to be resolved by comparing and correcting your school’s records. This is an example of internal reconciliation. To have a common set of figures to reconcile against COD, schools should complete an internal reconciliation before beginning the required external monthly reconciliation.

### ***Who is responsible for Direct Loan reconciliation?***

As noted in Chapter 5, reconciliation is a team effort by the business and financial aid offices. Since both have information that is needed to reconcile, cooperation between them is essential for successful reconciliation of DL funds. For example, the financial aid office will likely have the information sent to and reports received from COD, while the business office is generally responsible for G5 and student accounts. It is possible and even advisable for financial aid and business office staff to be able to view information in each other’s systems, but there is no substitute for the direct involvement of each office in reconciliation.

## Reconciling ED and School Records

The SAS (sent by COD) includes both disbursement data and cash transactions from COD. This ED system data must be reconciled with data in the school's financial aid and business offices.



### Sources of Discrepancies

- Timing issues—funds are drawn down and disbursed in a different month from the month student/parent records are sent to COD.
- Drawdowns, drawdown adjustments, or refunds of cash made in the wrong award year.
- Disbursement batches not yet sent to COD (or sent to COD but not acknowledged).
- Rejected disbursements/adjustment to disbursement records that have not been resolved.
- Disbursements reported to COD but unbooked because of future disbursement date.
- Downward disbursement adjustments made and accepted in COD but funds are not returned or used for other eligible borrowers within regulatory time frames or vice versa.
- Disbursements reported to COD by the aid office but not reported by the aid office to the business office for payment.
- Disbursements made by the business office but not supported by disbursement records in the financial aid office system and COD (*would show up in internal reconciliation*).

### Possible Sources of Discrepancies Between Financial Aid and Business Office Records

- The aid office calculates a return of Title IV aid (R2T4) but doesn't notify the business office.
- The aid office schedules a disbursement with the business office but does not create an "actual disbursement" record to send to COD. (Or the "actual disbursement" record sent by the aid office is rejected by COD.)
- The business office cancels a disbursement but does not inform the financial aid office.
- The business office makes a refund of cash to the G5 system but does not inform the aid office.

## TYPES OF DIRECT LOAN RECONCILIATION

As explained in Chapter 5, there are two types of reconciliation, which can be performed separately or simultaneously during the month.

### *Internal reconciliation for Direct Loans*

Internal reconciliation is the process where the business and financial aid offices compare their Direct Loan records to ensure that they match, both in disbursement date and disbursement amount. The frequency and methods used for internal reconciliation are based on school decision and need but should occur at least monthly and for Direct Loans before the required monthly reconciliation to the Direct Loan SAS.

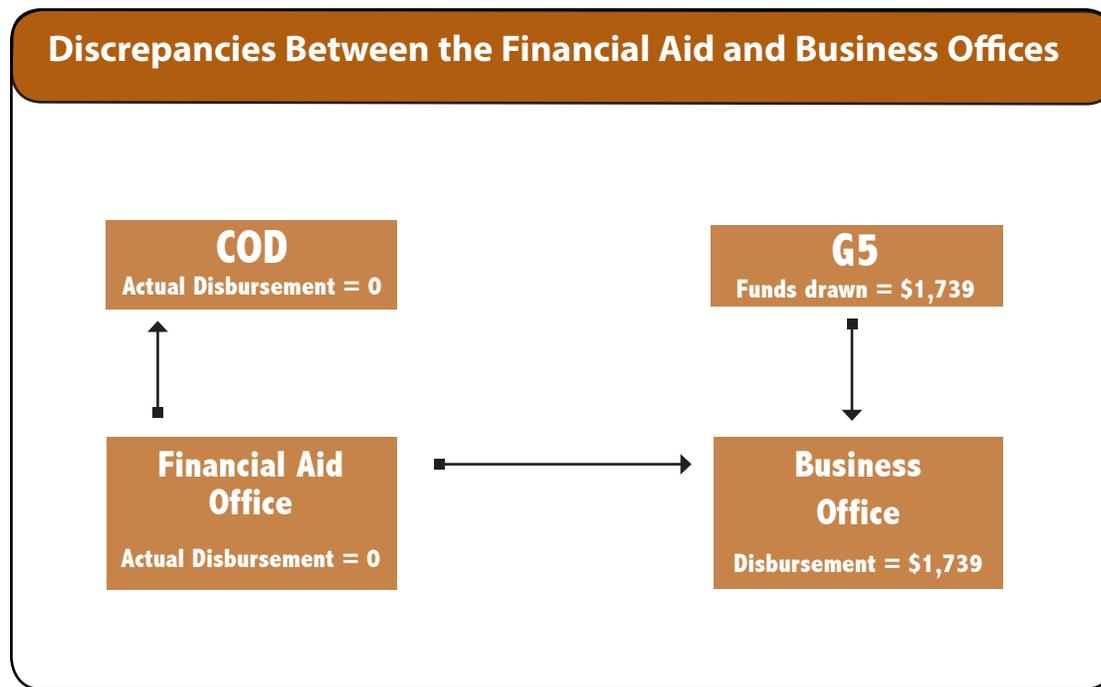
The business office should review its Direct Loan account bank statement to ensure that funds drawn and returned are in the appropriate year. In addition the business office will need to regularly monitor the account to comply with cash management regulations, i.e., making sure that funds are drawn for immediate need and any funds that cannot be used within cash management guidelines are returned.

To be in compliance with reporting disbursements and disbursement adjustments within 15 days, the business and financial aid offices will need to communicate frequently, making sure that their systems are in sync. It is very important that the date funds are credited to a student's account in the institution's general ledger or any subledger of the general ledger, or paid to a student directly is the disbursement date the financial aid office reports to COD. This date is reported to the Direct Loan servicers and is the time when interest begins to accrue on the loan funds.

Discrepancies that occur between the financial aid and business offices are usually caused by a lapse in communication, and they often do not show up in a comparison of the financial aid office's records with COD or in a comparison of drawdowns/returns between the business office and the G5 payment system. For example:

- ◆ The financial aid office notifies the business office that the student is eligible for payment on a certain date, but the disbursement record is rejected by COD. If the financial aid office doesn't tell the business office to cancel the disbursement, the business office draws down funds and makes a disbursement to the student that is not supported in COD or in the financial aid office's records.
- ◆ The business office cancels a disbursement and/or makes a refund of cash to the G5 system without informing the aid office. Thus, the original amount will still be included in the net booked disbursements on the SAS but will not be reflected in the net cash receipts.

Discrepancies can be avoided by a daily or weekly communication between the two offices or by scheduling a data comparison between the



two office systems. Resolving differences in internal reconciliation will lead to a smoother external reconciliation with the Department's official data as reflected in the SAS.

### ***External reconciliation***

During internal reconciliation the school resolves any differences between records in the financial aid office and those in the business office. In external reconciliation a school reconciles its records to the Department's: the school compares its reconciled internal records to the Department's records of funds received and returned and loans originated and disbursed to students at the school. At a minimum, this reconciliation must be completed at least monthly to ensure that data is correct in all systems and that cash management and disbursement reporting timelines are being met. Schools may perform internal and external reconciliation in any order, but when internal reconciliation is completed first, there will be fewer discrepancies to resolve during external reconciliation. The Department offers various tools to help with external reconciliation that will be reviewed later in this chapter.

### ***Documenting monthly reconciliation***

A school has completed its monthly reconciliation when all differences between the Direct Loan SAS and the school's internal records (Direct Loan system, financial aid office, and business office system) have been resolved or documented and the school's ending cash balance is zero. Schools should clearly outline their method of documentation in both business office and financial aid office procedures.

The Department does not mandate or prescribe any particular method of documentation, which allows your school to determine the type and method that best suits your internal processes. Your school must maintain documented results of its monthly reconciliation to provide to auditors and reviewers at their request but does not need to send any proof of this reconciliation to the Department.

### Key Components of Monthly Reconciliation

- All discrepancies have been identified, resolved, and documented.
- Timing issues are tracked for reconciliation in next month's SAS.
- Historical records of issues are kept for later review or to update new or returning staff members.

Each month you should

- ◆ Identify any discrepancies due to timing and track them to make sure that the missing transactions appear in the next month's SAS.
- ◆ Identify any discrepancies due to misreporting or internal miscommunication and take necessary corrective actions to ensure they will not recur in the following month.
- ◆ Document all reconciliation efforts, including any reasons for an ending cash balance, for future reference.

## TOOLS AND REPORTS FOR DIRECT LOAN RECONCILIATION

The Department provides several tools to assist your school in completing its Direct Loan reconciliation responsibilities. Among them are COD reports, report readers, COD webpages, and Direct Loan tools.

### *COD reports and webpages*

COD provides a variety of reports and webpages (available at <https://cod.ed.gov/>) to help you in your Direct Loan reconciliation. Detailed information including message classes, record layouts, and delivery methods for all Direct Loan reports can be found in the COD Technical Reference, Volume VI, Section 8.

### **COD reports**

Highlighted here are a few reports and COD web screens useful to reconciliation:

- ◆ **School account statement (SAS)**—The Department issues an award-year specific school account statement (SAS), similar to a bank statement, on a monthly basis to schools participating in the Direct Loan Program. The SAS contains the Department's official ending cash balance for the school and award year, as well as a record of all detailed transactions (cash and actual disbursement data) processed in the COD System during the reported period. Your school can use the summary and detail-level information contained in the SAS to reconcile to its internal records. More information on the SAS can be found later in this chapter and in the *COD Technical Reference*.

### Monthly Reconciliation Process

- ▶ Compare financial aid office records with business office disbursements. Look for:
  - Refunds of cash made by the business office to G5 but not recorded in the financial aid office system
  - Disbursements made by the business office but not recorded in the financial aid office system or not sent to COD and accepted
  - Instances when the financial aid office calculated a return of aid and reported a downward adjustment to COD, but the information was not recorded in the business office system and the funds were not returned to G5
  
- ▶ Reconcile with SAS data from ED
 

Upon receiving the monthly SAS, first compare the cash summary information to your internal records. If the subtotals and ECB match or any discrepancies can be explained and documented, you are done. If not, then proceed to the next step of comparing SAS cash detail with student account records in the business office (or elsewhere). Look for

  - End-of-month submissions that were processed by COD in the next month
  - Cash transactions attributed to wrong award year
  - Funds drawn down from one award year but “recycled” to make disbursements for loans in a different award year
  
- ▶ Compare SAS loan/disbursement detail with financial aid office records. (The “Loan Compare” function in DL Tools can be used to import school data and compare it to the SAS loan disbursement detail.) Look for
  - Disbursement batches not yet sent to COD (or sent to COD but not acknowledged)
  - Rejected disbursements that have not been resolved
  - Disbursements reported to COD but unbooked because of future disbursement date

Remember, you must document reasons for any discrepancies in your ECB.

- SAS disbursement detail on demand—ad-hoc report that allows schools to get SAS disbursement detail data independent of the school’s monthly SAS file. This report can be requested via the new report request page on the COD website.
- SAS disbursement detail on demand report reader and instructions—formats the fixed length SAS disbursement detail on demand report into an Excel spreadsheet. Found under the COD resources link at the bottom of any COD website page.
- ◆ *Pending Disbursement Listing*—This report provides a list of all pending disbursements reported by your school and can help you to identify future funding needs, identify pending

**TIP**

For more information on COD reports, refer to the latest *COD Technical Reference*, Volume VI, Section 8, available at <https://fsadownload.ed.gov>.

For more information on COD web screens, refer to the COD website help text or download the free COD computer-based training from [ifap.ed.gov](http://ifap.ed.gov) under "Tools for Schools."

**COD Report Readers**

The Department provides three report readers that offer a simplified way of importing the COD report files into an Excel spreadsheet. A school that does not already have a process for using these reports to regularly reconcile its Pell Grant and Direct Loan data should consider downloading the readers for this purpose. Note that to use the readers, a school must receive the fixed-length format of the reports.

There are readers for the following reports:

- Pell Grant reconciliation file
- Pell Grant YTD file
- SAS disbursement detail on demand file

The readers, with instructions on how to use them, are on the COD website at <https://cod.ed.gov/cod/LoginPage> under the COD Resources link.

If you have questions about the readers or need help using them, call the COD School Relations Center at 1-800-848-0978 or email [CODSupport@ed.gov](mailto:CODSupport@ed.gov).

disbursements that should be reported as actual, and identify awards or disbursements that need to be made deactivated (reduced to zero).

- ◆ **Direct Loan Actual Disbursement List**—This weekly report displays actual disbursements from the previous Saturday (seven days before the report generation date) through the following Friday (one day before the report generation date). Actual disbursements appear on the report based on their post date, indicating when each actual disbursement or adjustment is posted on the COD System. The report includes booked, unbooked, and future dated actual disbursements and adjustments, provided they are created within the reporting period.

**COD webpages**

- ◆ **School Summary Information**—Provides an overview of your school's current funding level (CFL) as well as cash greater than accepted and posted disbursements over 30 days. It is a great tool to use every time you log into COD to confirm that your school is reporting disbursements in a timely manner to substantiate the funds drawn.
- ◆ **School Funding Information and School Funding History Report**—Lists your school's current available balance, net draw-downs, net accepted and posted disbursements, and cash > net accepted and posted disbursement balances as well as last CFL changes. We recommend that schools make reviewing the balances for each program and award year on this page a regular part of their processes.

Schools can access the school funding history report through a link at the bottom of the school funding information screen. This report displays year-to-date funding authorization (current funding level or CFL) information for the selected school, program type, and award year. This report also contains a history of cash activity transactions for the school.

- ◆ **School Summary Financial Information**—Provides close to real time balance information for your school, formatted similarly to the year-to-date cash summary section of the SAS.
- ◆ **Cash Activity**—Provides up-to-date drawdown and refund of cash detail activity for your school as well as days remaining for on-time reporting. This information is sent to the COD System from G5, and can be used to reconcile to internal bank statements and cash transactions.
- ◆ **Anticipated Disbursement Queue**—As mentioned in the last chapter, the anticipated disbursement queue page on the COD website allows schools to view anticipated disbursements currently on file in COD and to search by award year, program, disbursement date range, and SSN. They can select up to 100 records at a time and submit them as actual disbursements

and can also export the anticipated disbursement list. The action queue is no longer used to release pending disbursements though it can still be viewed on the COD website.

### Direct Loan Tools

The Direct Loan Tools software application is designed to work with your own mainframe or middle-range application, or hand-in-hand with EDEExpress, to ensure that your Direct Loan records reconcile with the COD system. With a few simple keystrokes you can compare the SAS file you receive monthly from the COD System with your own database to identify discrepancies that need to be addressed.

Direct Loan (DL) Tools for Windows is a supplemental software product for Direct Loan participants. You can download software and related user documentation from the U.S. Department of Education's Federal Student Aid Download (FSAdownload) website located at <https://fsadownload.ed.gov>.

You can use DL Tools during your reconciliation process to

- ◆ print the SAS in a readable format;
- ◆ track cash receipts (drawdowns) and refunds of cash; and
- ◆ compare the SAS to loans and actual disbursements recorded in either EDEExpress or an external file (your school's system), and/or compare the SAS to the DL Tools Cash database (records of receipts and refunds of cash).

Reports available to schools using DL Tools include

- ◆ SAS cash summary
- ◆ SAS cash detail
- ◆ SAS loan and disbursement detail
- ◆ Internal ending cash balance report
- ◆ Cash detail comparison
- ◆ Loan detail comparison
- ◆ Disbursement detail comparison
- ◆ Disbursement measurement tool

### Using DL Tools for Reconciliation

Many schools have found that DL Tools software helps them in the reconciliation process, even if they are not using EDEExpress.

DL Tools can be used to import and format information from the SAS and can produce formatted reports for

- Cash summary
- SAS cash detail
- SAS loan and disbursement detail

In addition, DL Tools can be used to compare the information from the SAS to the school's data. We'll talk more about these features under cash detail and loan disbursement detail.

DL Tools runs on Windows-based PCs and can be downloaded free at <https://fsadownload.ed.gov>.

**NOTE:** Comparison reports are designed to be run using the SAS reports with YTD detail, not monthly detail. You can change your report options (YTD detail, for example) by accessing the COD website at <https://cod.ed.gov> (see the section in this document titled, "School Account Statement Options"). Note that fixed-length formatting is required in "Compare." We find that schools that have changed their preference to, for instance, comma-delimited, don't realize that formats other than fixed length won't work for compare reports.

For more information on the DL Tools software, refer to the *COD Technical Reference, Volume IV*.

There is also training available on IFAP: click on Tools for Schools > COD Computer-Based Training and EDEExpress Online Training.

## THE SCHOOL ACCOUNT STATEMENT

### Using DL Tools to Evaluate Your Average Processing Time

If your school uses EDEExpress, you can use the disbursement measurement tool in DL Tools to calculate

- the average time from actual disbursement date to sending the actual disbursements in a batch to COD and
- the average time from actual disbursement date to booking the loan.

These average times can be compared to the recommended tolerances you have established as your quality control standard.

### DL Tools for Cash Management

You can use the “Cash Management” feature in DL Tools to keep a record of cash receipts (drawdowns) and refunds of cash for Direct Loans.

However, if you use this feature, you must take care to ensure that EVERY transaction is recorded in the cash management tool. Thus, if your business office tracks transactions in other software, you may want to rely on that software to record cash transactions, rather than making duplicate entries.

If you are using the cash management feature of DL Tools, you can also run the following reports for all program years:

- Internal ending cash balance report
- Cash detail comparison.

The school account statement (SAS) is similar to a bank statement and gives the Department’s official cash balance as of the end date of the reported period, based on data submitted by the school. It also gives detailed cash and loan or disbursement transactions for that reported period.

The SAS is the primary tool for reconciliation and program year closeout. Your school is required monthly to reconcile the information on the SAS to its internal records. If more frequent reconciliation is needed, you can also request a SAS disbursement detail on demand report on an as-needed basis. More information on the content and formats available for the SAS is in the *COD Technical Reference, Volume VI, Section 8*.

Each month COD sends the SAS to your SAIG Mailbox. This report is generated by COD during the first full weekend (Saturday and Sunday) of the month with data through the end of the previous month (for example, the first weekend in September, COD generates a report for August and sends it to your school). The SAS reflects all cash transactions performed in G5 as reported to COD and all loan and disbursement detail reported by your school and accepted in COD.

Note that your school will receive a separate SAS for each award year that it participates in Direct Loans until that award year is closed out as directed by ED and you have completed processing. Since schools often have multiple award years open at the same time, they may receive more than one SAS for a month.

To successfully close out your Direct Loan account at the end of an award year, you must have an ECB of zero and total net unbooked disbursements of zero, as reflected on the SAS.

The SAS is broken down into the following four sections:

- ◆ Cash summary
- ◆ Disbursement summary (by loan type)
- ◆ Cash detail report
- ◆ Loan or disbursement detail report

### Cash summary

This section of the SAS provides the Department’s official ECB for the school for the reported period. The ECB is the difference between net drawdown of cash and net booked disbursements. The cash summary contains both a monthly and a year-to-date summary of cash and loan data processed at COD for that program year. This section can be compared to summary information on the school’s internal systems. The comparison may then identify areas where further research is needed.

Ultimately, if a school's net drawdowns/payments are equal to its total net booked disbursements, its ECB will equal zero.

### ***Disbursement summary by loan type***

The disbursement summary by loan type section of the SAS provides monthly and YTD summary information by loan type for the reported period. It can be used to monitor loan volume at the summary level.

### ***Cash detail***

The cash detail section of the SAS provides detail on cash transactions processed in COD during the reported period. This includes drawdowns, drawdown adjustments, or refunds of cash. If the monthly option is chosen, this section will only include cash transactions processed in COD during that month. If the YTD option is chosen, the section will include cash transactions processed at COD from the start of the program year through the end date of the report. If you choose the monthly option, this section will not include any cash transactions requested or sent during the month, but not processed on COD until after the last day of that month.

### ***Loan Detail/Loan Disbursement Activity Level***

The “Loan Detail/Loan Disbursement Activity Level” section of the SAS contains loan detail transactions at either the loan level or the individual disbursement transaction level, depending on school options. If loan detail is requested at the loan level, the SAS will contain one record per loan, with YTD disbursement information. If loan detail is requested at the disbursement activity level, the SAS will contain all actual disbursement and disbursement adjustment activity that occurred during the preceding month or year-to-date (depending on the options selected by the school) as reported by the school and accepted by COD.

This portion of the report is helpful because it allows schools to match individual (student by student) COD accepted disbursements and adjustments against the individual disbursements and adjustments reflected in the school's financial aid system. By identifying discrepancies between disbursements in COD and your financial aid system, you will be able to resolve the differences.

In the following sections, we'll explain how to compare the summary and detail reports to your school data to identify any underlying discrepancies that may be affecting the ECB.

## **TIP**

### **Using the SAS**

Three sections of the school account statement (SAS) are particularly useful for purposes of reconciliation:

- cash summary→  
compare to summary school data in both business office and financial aid system
- cash detail→  
compare to business office records
- loan disbursement detail→  
compare to financial aid system

### **Setting Options for the Format and Content of the SAS**

Schools can set their SAS format and content options on the COD website by selecting School > Report Selection > Modify SAS Options.

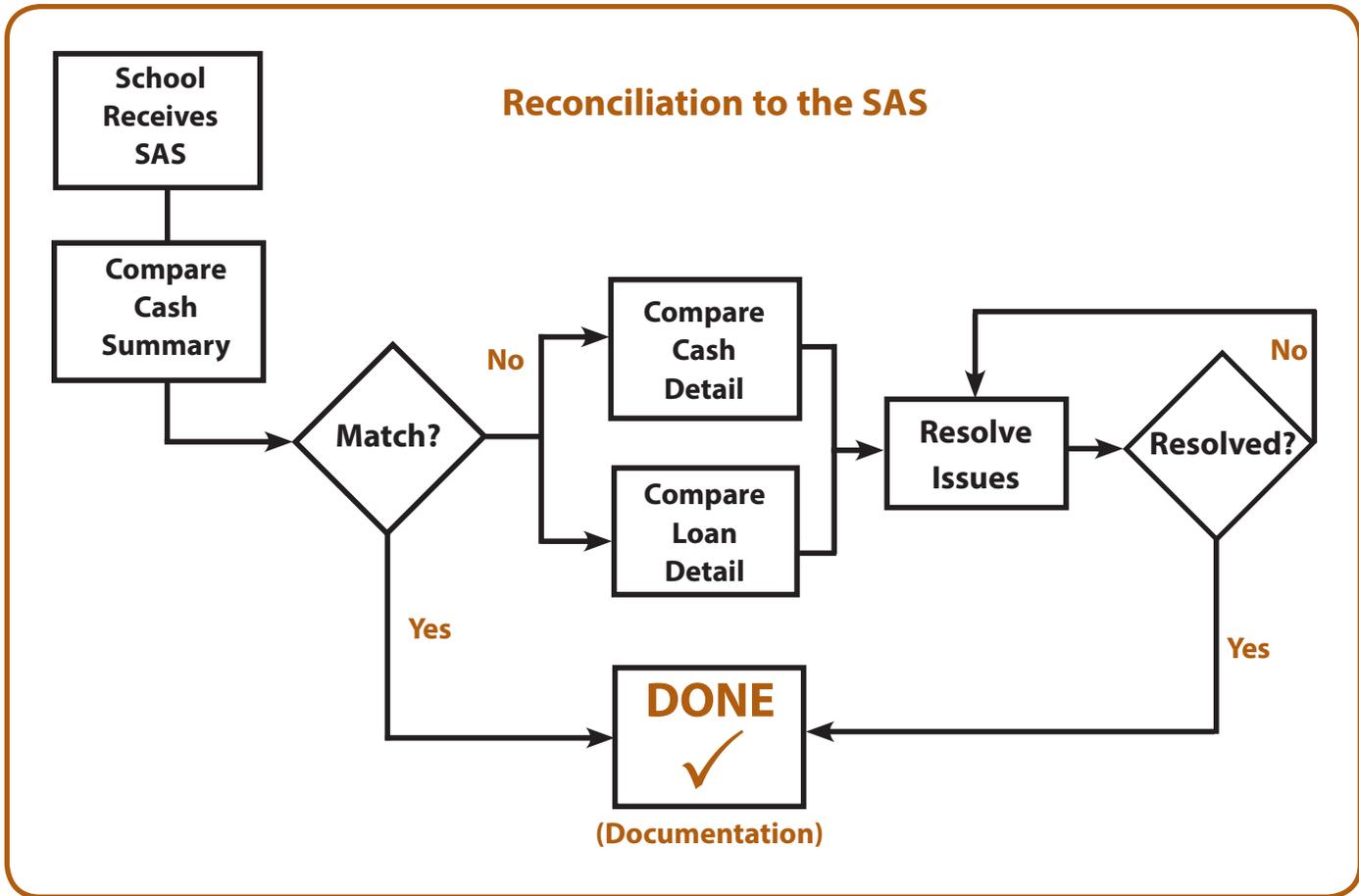
SAS format choices are fixed-length (the default), comma-delimited without headers, comma-delimited with headers, or pipe-delimited. If you plan to use DL Tools to format your report and/or run a comparison to school records, you must select fixed-length format. If you plan to open your SAS in Excel, you should select comma-delimited **without** headers for a data-only report, or comma-delimited **with** headers for a more formatted report. Note that the YTD report is needed to run the comparison.

SAS content options include:

- names of borrowers
- monthly or YTD or both for cash and loan detail (if you choose both, you will receive two separate reports but both have the same message class)
- disbursement summary by loan type
- disbursement detail or loan-level detail (YTD) or both.

You will always receive both YTD and monthly data on your cash summary regardless of which options you choose.

Go to <https://fsadownload.ed.gov> and see the *COD Technical Reference, Volume VI, Section 8* for more information on available SAS options.



## WORKING WITH THE SAS

Once your school receives the SAS, the first step in monthly reconciliation is to compare the cash summary data to the corresponding totals in your school's financial aid and business office systems. Ideally your ECB will be zero, suggesting that there are no discrepancies to be explained. But there could be rare instances where positive and negative discrepancies are canceling each other out, so you need to look at the rest of the cash summary to make sure that it matches your school's data.

In addition to the ECB, the cash summary shows

- ◆ net drawdowns/payments, which reflect cash receipts (funds drawn through G5) minus refunds of cash (funds returned through G5 or to COD by check), and
- ◆ total net booked disbursements, which reflect booked disbursements plus or minus booked adjustments.

Many differences between your drawdowns from G5 and the disbursements reported to COD can be explained by timing issues. For instance, if your school draws down \$25,000 to pay students at the end of September but does not send in actual disbursement records for those students until the beginning of October (within the 15-day reporting requirement), the SAS for the month of September will include \$25,000 in cash receipts from the G5 system that are not matched by booked disbursements in COD.

Keep in mind that loan disbursement records sent to COD near the end of the month may not be processed and acknowledged until the beginning of the next month.

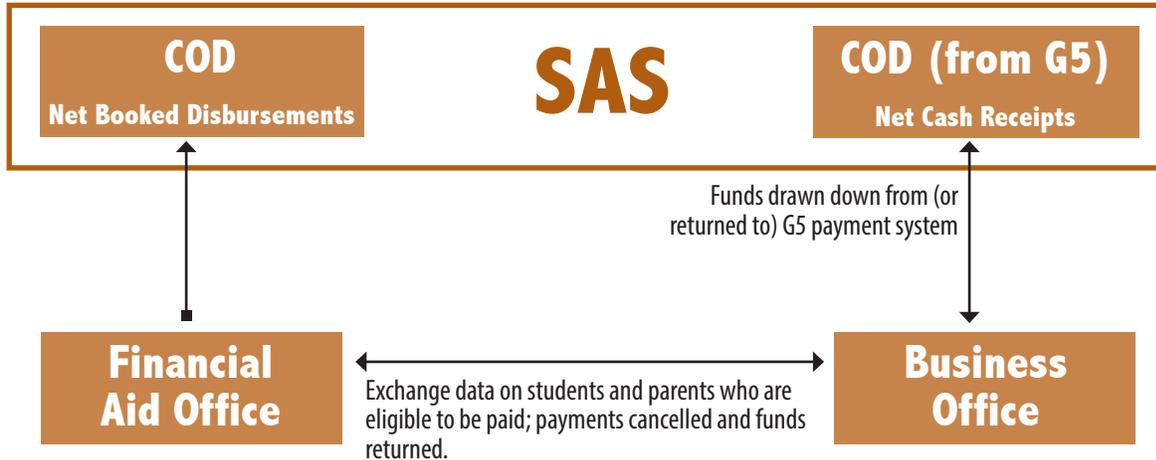
If you can identify such discrepancies and account for any remaining cash balance (positive or negative) at the cash summary level, then you've successfully completed reconciliation for the month. Remember that a school must document its reconciliation process and the results of each monthly reconciliation.

However, in many cases, you may need to compare the SAS and school data at a more detailed level, using two other sections of the SAS

- ◆ the SAS cash detail for cash receipts and refunds of cash; and
- ◆ the SAS loan or disbursement detail for actual disbursement and adjustment data accepted in COD.

### Reconciling Department and School Records

The SAS (sent by COD) includes both disbursement data and cash transactions at COD (but received from G5). This data in ED systems must be reconciled with data in your school’s financial aid office and business office.



Discrepancies can occur for a variety of reasons, such as

- Timing issues—funds are drawn down and disbursed in a different month from the month student/parent records are sent to COD.
- Misreporting of drawdowns or returns of aid—for instance, drawdowns or returns attributed to the wrong award year.
- Actual disbursements or adjustments that have not been processed in COD—including records batched but not sent by the financial aid office, and unresolved rejects.
- Actual disbursements reported to COD by the aid office but not to the business office for payment.
- Payments made or not made by the business office that are not reported to the financial aid office.



### Example of SAS Cash Summary

The information in the cash summary is fairly general—you will usually need to examine the detail information in the SAS and in your school's records to be able to identify the source of any discrepancies shown in the summary. The example shown below is a monthly cash summary.

End Date: 09/30/2018

School Code: G09009

<b>1</b>	Beginning Balance		\$0
	Cash Receipts	\$33,074	
	Refunds of Cash	-\$1,350	
<b>2</b>	Net Drawdowns/Payments		\$31,724
	Booked Disbursements	\$25,721	
	Booked Adjustments	-\$1,250	
<b>3</b>	Total Net Booked Disbursements		\$24,471
<b>ECB</b>	Ending Cash Balance		\$7,253
<b>4</b>	Unbooked Disbursements Actual:	\$1,264	
	Unbooked Adjustments:	-\$0	
	Total Net Unbooked Disbursements		\$1,264
<b>5</b>	Cash > Accepted and Posted Disbursements:		\$5,989

### Analysis of Sample SAS Cash Summary

- The beginning cash balance is zero at the start of the award year. Otherwise it is equal to the previous month's ending cash balance.
- The SAS shows that the school drew down \$33,074 from the G5 payment system and returned \$1,350 in cash during September. If these amounts differ from the school's summary data, the SAS cash detail should be compared to the business office's records of cash transactions.
- The SAS shows \$25,721 in booked disbursements reported to COD and a net of \$1,250 in adjustments that reduces the total disbursements.
- ECB** Because the school drew down more money from G5 in September than the amount of loan disbursements it reported to COD, the ending cash balance has grown to \$7,253.
- In this sample, one or more unbooked disbursements—possibly the result of future-dated disbursement records—are contributing to the positive ending cash balance. If the \$1,264 in disbursements is booked in October, they will reduce the ending cash balance. Comparing the loan disbursement detail on the SAS with the financial aid office's records may show unbooked disbursements that were not reported to COD (and thus don't appear on the SAS).
- The remainder (cash > accepted and posted disbursements) is the difference between net drawdowns/payments and all actual disbursements accepted at COD, both booked and unbooked. It may be explained by timing issues between school actions and the date transactions are recorded in COD, differences between financial aid office and business office records, or rejected disbursement records at COD that have yet to be resolved.



### Example of SAS Cash Detail

The cash detail shows each exchange of funds with the G5 (formerly known as GAPS) system as reported to COD. (Either cash received by the school or a refund of cash to G5.) The amounts listed in the cash detail often represent amounts for multiple loans that have been reported separately to the COD system.

Trans Type	Trans Date	Trans Amount	COD Process Date	G5 Control/Check Number
Receipt	09/06/2017	\$12,800	09/06/2017	2005091212345 <sup>1</sup>
Receipt	09/12/2017	\$12,024	09/12/2017	2005091267890
Refund	09/15/2017	\$725 <sup>2</sup>	09/22/2017	10000001011001
Receipt	09/26/2017	\$8,250	09/25/2017	2005091234567
<sup>3</sup> Total Cash Receipt Records			3	
Total Refunds of Cash Records			1	
Total SAS Cash Detail Records			4	
<sup>4</sup> Total Cash Receipt Amount			\$33,074	
Total Refunds of Cash Amount			\$725	

### Analysis of Sample SAS Cash Detail:

- <sup>1</sup> The transactions listed in the Cash Detail include **G5 control numbers** for drawdowns and refunds. It will also show the check number if the school made a refund (return of cash) directly to COD (not recommended).
- <sup>2</sup> From the Cash Detail, we see that the \$725 total **Refund of Cash** was made in a single transaction. Given the amount, it is possible that it represents the cancellation of a single loan disbursement, but one would have to examine the business office records to confirm this. (If the loan had already been reported to COD when it was cancelled, the Loan Disbursement Detail on the SAS should also show a subsequent adjustment to reduce the loan amount.)
- <sup>3</sup> These three lines show the total number of drawdowns (cash receipts) by the school for the month vs. the total number of refunds sent back by the school during the same time frame.
- <sup>4</sup> These two lines show the total amount drawn down for the month (cash receipts) and the total amount returned.

A comparison with the school's business office records may identify missing transactions. For instance, if the school intended to make a refund of cash for this award year but attributed it to the wrong award year, the amount of that transaction would not be reflected on the SAS for this award year, and the total refunds amount on the statement would be too low. (Conversely, the total refunds amount on the SAS for the other award year would be too high.)

## LOAN DISBURSEMENT DETAIL

In contrast to the bank transactions shown on the cash detail, the loan disbursement detail is meant to be compared with the individual loan records in your financial aid office system. This detailed report includes all actual disbursement information and adjustments that have been accepted by COD during that month based on the date the individual transaction books at COD (disbursement booked date).

The default option for the SAS is the monthly disbursement detail. If you plan to use DL Tools to compare the SAS data with your school records, you should request this information in the form of the year-to-date disbursement detail (note that this will significantly increase the size of the report as the award year progresses). SAS options can be changed on the COD website.

### *Timing issues and the school account statement*

As noted earlier, timing issues could be a recurring source of discrepancies. Disbursement and adjustment transactions appear on the SAS for the month in which the COD system receives or acknowledges the transaction. An actual disbursement that is transmitted to COD in late September may not be acknowledged by the COD system until October and therefore will appear on the October SAS, which will arrive at the school in early November.

The same kind of discrepancy can occur when the business office draws down and disburses loan funds to the student in late September, but the financial aid office doesn't send the actual disbursement records for those loans until the beginning of October. If such discrepancies are common at your school, you may want to look at ways to make sure that actual disbursement records are sent to COD sooner.

In either case, the disbursement amount may show up on the September SAS as part of a drawdown from G5 but not on the loan detail for September. You will need to check to make sure that the disbursement was accepted by COD, and document the discrepancy. You should also check to make sure that the disbursement is included when you receive the SAS loan detail for October.

### **DL Tools and the Loan Compare Report**

You can use DL Tools to compare the SAS loan and disbursement detail recorded in your financial aid office's system. For more information on DL Tools and the comparison reports available see the *COD Technical Reference, Volume IV* or view the DL Tools web-based training available on IFAP/Tools for Schools/EExpress Online Training and in the COD Computer-Based Training (CBT) modules under "Tools for Schools/COD CBT."

### Example of SAS Loan Detail (Disbursement Detail)

Report Date: 09/01/2018 U.S. DEPARTMENT OF EDUCATION  
 Report Time: 12:01:01 DIRECT LOAN TOOLS—2018–2019

PAGE: 1

#### SAS Loan Detail

Sort by: Loan ID

THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT

\*\*\*\*\*

Date Range: 08/01/2018 to 08/31/2018

School Code: G99999

Booked Status: Booked and Unbooked

End Date: 08/31/2018

Loan Type: All

Student's Name

PLUS Borrower's Name

Record

Gross

Fee

Int. Rebate

Net

Loan ID

Type

Amount

Amount

Amount

Amount

Servicer Name

Student's Name	Disb #	Seq #	Type	Disb Date	Gross Amt	Net Amt
BLUE, BILL G						
999990002S13G99999001		1	Booked		\$750	\$743
DEPT OF ED PHEAA						
	2	1	D	08/15/2018	\$750	\$743
ILLINOIS, ILENE						
999990065U13G99999001		3	Booked		\$500	\$495
DEPT OF ED MOHELA						
	1	1	D	08/15/2018	\$600	\$595
	4	2	A	08/15/2018	\$500	\$495
OHIO, OLIVIA M						
999990070S13G99999001			Unbooked		\$1,250	\$1,238
DEPT OF ED NAVIENT						
	1	1	D	08/15/2018	\$1,250	\$1,238

See the page that follows for an explanation of this SAS Loan Detail.

## Analysis of Sample Loan Disbursement Detail

The SAS Loan Disbursement Detail shows the *actual* disbursements that have been accepted by the COD system. This example shows first disbursements of Direct Subsidized loans to Bill Blue and Olivia Ohio, and the first disbursement (with an adjustment) of a Direct Unsubsidized loan to Ilene Illinois.

- 1 The first line of the loan listing shows if the loan is booked or unbooked, the gross amount, fee, interest rebate (interest rebates do not appear for loans first disbursed after July 1, 2012), and the net amount of the loan.
- 2 The second line shows the date of the disbursement or adjustment and the gross and net amounts of the disbursement.
- 3 The letter S, U, or P in the ninth position of the Loan ID indicates whether it is a Subsidized, Unsubsidized, or PLUS Loan.
- 4 For Ilene Illinois' Direct Unsubsidized Loan, we see that the disbursed amount has been adjusted (disbursement 1, sequence 2). Note that the adjusted amount is the amount of the disbursement *after* the change has been recorded. The adjustment itself is a reduction of \$100.

### Next Steps...

What's NOT on the SAS Loan Disbursement Detail is as important as the loans that are listed. Note that rejected disbursements will not appear on the SAS.

#### ✓ Compare the loan disbursements on this Detail to the data in your financial aid office system.

If you are using DL Tools software, the Loan Detail Compare report will identify loans that appear in your school's database but not on the SAS, and vice versa. In addition, most software packages can generate reports showing the current status of all award records, MPNs, and actual disbursements in your database.

- Look for actual disbursements that are in your school's database but have not been transmitted to COD (or were rejected by COD).
- Look for any actual disbursements that were entered directly on the COD website, but not in the financial aid office software database.

#### ✓ Check for unbooked loans

If you are not using DL Tools software, you can identify many unbooked loans by reviewing the 30-Day Warning Report sent by COD. Look for any loans that are missing a necessary component (loan origination record, MPN, or first disbursement) to book the loan.

#### ✓ Check the disbursement information in your school's business office records.

Via internal reconciliation, compare the disbursement records in the business office (credits and payments to students) to the *actual disbursements* listed in the financial aid office system.

- Look for any disbursements made by the business office that are not substantiated by an actual disbursement record submitted to COD (and accepted) in the same month.
- Look for any actual disbursements reported to COD but not made by the business office within the same month.

## BEST PRACTICES FOR RECONCILIATION

### *Establishing preventive procedures*

#### **Back Up Your Data!**

Before you begin reconciliation, be sure to back up all Direct Loan and other data files that may be affected by reconciliation.

Month end reconciliation can be a simple process for schools that maintain good daily processing practices and cash management procedures. During the month, your school's financial aid and business offices should ensure:

- ◆ all funds received have been substantiated with actual accepted disbursements in COD by regularly checking your financial aid database for any unsent or rejected batches and disbursements;
- ◆ any downward adjustments have been accompanied by either a refund of cash or a disbursement of funds to another eligible student in the same award year (within cash management regulations);
- ◆ any excess funds have been returned to the Department as a refund of cash;
- ◆ all funds requested are for disbursements to be made within the period of immediate need (three business days) and that funds are disbursed within that period or returned to the Department; and
- ◆ all awards and disbursements are reported within the 15-day reporting period allowed by regulation.

### *Preparing for monthly reconciliation*

You can minimize discrepancies by making sure that all COD transactions have been completed and your internal records are up-to-date prior to the end of each month.

- ◆ Export all batches that are ready to be processed by COD at least two business days before the end of the month.
- ◆ Import the acknowledgements. Alternatively, you could run a query or report to identify unsent batches and rejects and use that to see what needs to be cleaned up.
- ◆ Run reports within your financial aid software to identify and resolve records (MPN, origination, and disbursement) that are not in an accepted (A) status.
- ◆ Review the batch activity list for any unconfirmed batches, and import any missing acknowledgments.

Reconcile internally with the business office or bursar's office so that you have the same cash balance to compare to the balance shown on the SAS. For its part, the business office can

- ◆ Review drawdown and refund activity in your school's federal bank account and reconcile any discrepancies. Make sure that draws and refunds are posted to the correct award year.

- ◆ Communicate with the financial aid office when it has drawn cash or returned funds within the last three business days of the month. (These transactions may not be recorded on the most recent SAS, creating a timing issue and discrepancy in the net drawdown/payments.)
- ◆ Return any refunds or excess cash using the electronic process through G5.



### Sample Internal Report Comparing Financial Aid and Business Office Data for Loan Disbursements

Loan ID	Trans Code	Description	Disb Num	Trans Date	Bus Office Net Disb Amt	FA Office Net Disb Amt	Difference	Recon Flag	Explanation
444556666P13G09009001	DB	PLUS Loan Disb	1	9/05/2016	\$2,407.00	\$2,407.00	0.00	R	
222334444U13G09009001	DB	Staff UnSub Disb	1	9/12/2016	\$1,739.00		\$1,739.00	R	Still "anticipated" in FA Ofc Sys <b>I</b>
222335555U13G09009001	DB	Staff UnSub Disb	1	9/19/2016	\$1,413.00		\$1,413.00	R	Still "anticipated" in FA Ofc Sys
222334444S13G09009001	DB	Staff Sub Disb	1	9/21/2016	\$950.00		\$950.00	R	Change made on COD; Not on FA Ofc Sys

- I** These two disbursements were made by the business office but were not substantiated in COD because the financial aid office has not submitted an actual disbursement record to COD. As shown on the previous page, this discrepancy will not show up in a comparison of school data with the SAS's loan disbursement detail or cash detail. The discrepancy can only be identified by a comparison of loan-level data between the financial aid office's system and the business office. On the next page, we show how these two transactions would appear as \$3,152 in excess cash on the reconciliation worksheet.

### Direct Loan year-end closeout

Direct Loan schools must complete a final reconciliation and program year closeout. Program year closeout should occur within a month or two of your final disbursements but no later than the program year closeout deadline, which is the last processing day in July of the year following the end of the award year. If schools are fulfilling their monthly reconciliation requirements, year-end closeout is really only one more month of reconciliation.

**Note:** Exceptions to the last processing day of the program year may be made on a case-by-case basis if the school's processing period extends beyond the closeout deadline. Schools falling within this category must request extended processing online, or by contacting the COD School Relations Center.



## Sample Report Comparing SAS and School Totals and Documenting Differences

*This spreadsheet is one way to compare the totals from your school's system to the information on the school account statement, and document the reasons for any differences. A version of this form is available at the end of Appendix B.*

### Reconciliation Worksheet

School Systems to COD School Account Statement  
As of Date: 9/30/10

*Note: Enter numeric data into shaded cells*

	COLUMN 1 SCHOOL'S FINAID & BUSINESS SYSTEMS	COLUMN 2 SCHOOL ACCOUNT STATEMENT (SAS)	COLUMN 3 DIFFERENCE:	REASONS - DIFFERENCE IN ECB
Beginning Balance	\$0	\$0	\$0	
Cash Receipts	\$33,074	\$33,074	\$0	
Refunds of Cash	-\$2,075	-\$1,350	\$725	\$725 refund entered on G5 on Sept 29; not included on Sept. SAS.
<b>Net Drawdowns/Payments</b>	<b>\$30,999</b>	<b>\$31,724</b>	<b>4 -\$725</b>	
Booked Disbursements	\$25,721	\$25,721	\$0	
Booked Adjustments	\$0	-\$1,250	-\$1,250	\$1,250 (net) in adjustments done via COD Web site; not entered in Fin Aid Ofc system at school.
<b>Total Net Booked Disbs</b>	<b>\$25,721</b>	<b>\$24,471</b>	<b>5 \$1,250</b>	
<b>Ending Cash Balance</b>	<b>1 \$5,278</b>	<b>\$7,253</b>	<b>-\$1,975</b>	Difference in ECB is explained by discrepancies noted above
Unbooked Disbursements	\$2,126	\$1,264	\$862	
Unbooked Adjustments	\$0	\$0	\$0	
<b>Total Net Unbooked Disbs</b>	<b>2 \$2,126</b>	<b>\$1,264</b>	<b>6 \$862</b>	\$862 disbursement not yet sent to COD (unbooked).
<b>Excess Cash</b> (Cash > Net Accepted & Posted Disbursements)	<b>3 \$3,152</b>	<b>7 \$5,989</b>	<b>-\$2,837</b>	<b>REASONS - EXCESS CASH</b> Col 1: Total comprises 2 disbursements by the BusOfc not recorded as Act. Disb. in FinAid system or reported to COD. Col 3: Explained by \$1,975 and \$862 discrepancies noted above.

**Column 1** shows the data that the school has in its records.

**1** According to the school's records, its Net Drawdowns/Payments are \$5,278 more than it has substantiated in Net Booked Disbursements.

**2** The school's Ending Cash Balance includes \$2,126 in Total Net Unbooked Disbursements.

**3** The remainder (school's ECB – Net Unbooked Disbursements) is \$3,152. **Internal reconciliation** may help explain the \$3,152 of excess cash attributable to the month of September. Once you have determined the cause, you must either report actual disbursements, or return undisbursed cash.

**Column 2** is the official ED data (from COD and G5) shown on the SAS.

**7** Excess Cash

**Column 3** shows the difference between the school's data (Col. 1) and the SAS (Col. 2).

**4** A comparison of the **Cash Detail** on the SAS with the business office's records identifies a refund to G5 that was initiated at the end of September but not recorded by G5 until October.

**5** **6** A comparison of the **Loan Disbursement Detail** on the SAS with the school's financial aid system shows an online award adjustments not recorded in the financial aid system and an unbooked disbursement that has not yet been reported to COD.

**Conclusions** In this example, the school has been able to document all of the discrepancies that are shown on the worksheet. The ECB on the SAS is explained by:

5,989 excess cash (7)	
– 725 refunds processed after 9/30	
– 1250 adjustments made on Web only	
– 862 unreported disbursements	
\$3,152	Cash to be returned or disbursements to be posted and reported

As a reminder, all cash management, disbursement reporting, and monthly reconciliation regulatory requirements supersede the closeout deadline. If a school is meeting these regulatory requirements, the final closeout stage should begin no later than the last award end date at the school for a given program and year. In other words, a school should be able to reconcile to a zero ending cash balance and close out soon after its final disbursements and should not wait until the closeout deadline.

To be considered successfully closed out, a school must

- ◆ have an ECB of \$0 and total net unbooked disbursements of \$0 internally and as reflected on the SAS, and
- ◆ complete the balance confirmation form on the COD website.

For each loan schools should zero out all pending disbursements they will not be making. They should reduce loan amounts to the sum of the actual disbursements they made. Loan periods must be updated to remove any terms/payment periods for which an actual disbursement was not made and retained.

You will be notified of the closeout requirements through electronic announcements and COD system-generated closeout correspondence. As part of the closeout process, COD will send ongoing notices via zero balance confirmation or remaining balance confirmation emails. In addition, COD will distribute a notification/warning letter via email to schools in May. This letter will go to the financial aid administrator and president at each school that has not confirmed closeout on the COD website (including any schools with a zero balance). It will serve as a reminder to finish processing and confirm closeout before the final deadline. After the closeout deadline, schools with remaining positive balances will be billed.

Once you have successfully confirmed closeout via the balance confirmation page in COD, the financial aid administrator and president of the school will receive a program year closeout letter to keep for your records.

Schools must be aware of their closeout status even if a third-party servicer handles their Direct Loan processing. It is schools' responsibility for processing to be completed and closeout confirmed on time, so we encourage them to communicate regularly with their third-party servicer to ensure that happens.

## SUMMARY

A key factor to an easy Direct Loan reconciliation and closeout is staying on top of the process.

### Completing Year-End Closeout

We encourage you to complete the following simple steps while reviewing your school's internal records and the SAS:

- Ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year;
- Ensure that all disbursements and adjustments are accurate and have been reported to and accepted by the COD system;
- Ensure that all batches have been sent to and accepted by the COD system;
- Ensure that all unbooked loans are resolved;
- Resolve all outstanding rejected records; and
- Return all refunds of cash to the G5 payment system.

1. Complete monthly reconciliation. This should include
  - Internal reconciliation—compare internal student accounts and business office/bursar records with financial aid office records.
  - External reconciliation—compare internal records to your Direct Loan school account statement sent via your SAIG mailbox.
  - Resolution of any discrepancies and documentation of any outstanding timing issues.
2. Ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program and award year.
3. Ensure that all batches have been sent to and accepted by the COD system, all disbursements and adjustments are accurately reflected on the COD system, and all responses are imported into the school's system.
4. Ensure that all unbooked loans are booked or inactivated (reduced to \$0).
5. Resolve all outstanding rejected records.
6. Return all refunds of cash. Effective January 1, 2015, all refunds for Direct Loans must be returned via G5.
7. Request any remaining funds owed to the school based on actual disbursements accepted by the COD System.

There are numerous tools available to assist schools in reconciliation and closeout efforts. These tools are as follows:

- ◆ School account statement (SAS)
- ◆ SAS disbursement detail on demand (requested via the batch/report requests/new report requests links on the COD website)
- ◆ School monitoring report
- ◆ Direct Loan booking warning report
- ◆ Pending disbursement listing
- ◆ Actual disbursement list
- ◆ G5 website and reports
- ◆ COD website (particularly the school summary financial information, funding information, cash activity, refunds of cash, and action queue screens)
- ◆ DL Tools software/SAS compare program
- ◆ Customer service representative/reconciliation specialist assistance

### **Additional Information About Direct Loan Reconciliation and Closeout**

Each year the Department publishes electronic announcements to assist schools with Direct Loan Reconciliation and Direct Loan Closeout. The most recent announcements for reconciliation were published on the IFAP website on November 22 ([general reconciliation](#)) and December 21 ([Direct Loan reconciliation](#)), 2017. The latter of these includes a four-page attachment of Q's and A's. The most recent announcement for [closeout](#) was on May 16, 2018, for the 2016–2017 program year.

### **Additional Resources for Reconciliation**

Additional resources for reconciliation include

- 2017–2018 COD Technical Reference, Volume IV: Direct Loan Tools—  
<https://ifap.ed.gov/codtechref/attachments/1718CODTechRefVol4.pdf>
- 2018–2019 COD Technical Reference, Volume VI: Appendices, Section 8: Reports—  
<https://ifap.ed.gov/codtechref/attachments/1819CODTechRefVol6Sec8Reports.pdf>
- IFAP Announcements—  
<https://ifap.ed.gov>
- COD Reconciliation Coordinators—contact via the main COD customer service number at 1-800-848-0978



*This appendix is a general guide; it is not intended to replace accounting standards established by the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), or the concept of generally accepted accounting principles (GAAP).*

## Requirements for Accounting and Internal Control Systems

**Schools participating in the Title IV HEA programs must account for the receipt and expenditure of such funds in accordance with GAAP. On a current basis they must establish and maintain the following:**

- 1. Financial records that reflect each Title IV program transaction.**
- 2. General ledger control accounts and related subsidiary accounts that identify each Title IV program transaction and separate those transactions from all other institutional financial activity.**
- 3. Accounting and internal control systems that**
  - identifies the cash balance of the funds of each Title IV program that are included in the school's bank account as readily as if those program funds were maintained in a separate account; and**
  - identifies the earnings on Title IV program funds maintained in the school's bank account.**

34 CFR 668.24(b)(2) & 34 CFR 668.163(d)



The Department does not specify the type of system a school must use. However, the accounting and internal control system must be able to provide individuals examining the financial records of a school's participation in the federal student aid programs with the type of information described below.

A school's chart of accounts must identify all general ledger and subsidiary ledger accounts relevant to the Federal Student Aid (FSA) Programs. In addition, a school's accounts, journals, and records must follow federal cash from the moment the funds are drawn through G5 to when funds are disbursed to students, including when cash is

- ◆ deposited into institutional bank accounts;
- ◆ transferred between bank accounts;
- ◆ posted to general and subsidiary ledgers;
- ◆ posted to the individual student account ledgers; and
- ◆ if applicable, disbursed directly to students.

**Note:** An institution is not required to have a specific or minimum number of bank accounts. However, an institution's general and subsidiary ledgers must clearly identify the amount of Title IV, HEA funds, by program, in each account, including interest payments attributable to certain programs, such that a clear audit trail exists.

## ACCOUNTING RECORDS

An effective institutional financial aid program requires a cooperative effort among all school offices involved in delivering financial aid to students. Separate reporting and recordkeeping responsibilities required of each office, as well as shared responsibilities, are detailed in the *Federal Student Aid Handbook, Volume 2*.

The business office is responsible for most financial accounting and recordkeeping (except for the detailed records and files on individual financial aid recipients that must be kept in the financial aid office). The remainder of this chapter is designed to help the business office satisfy its accounting responsibilities efficiently and with a minimum of effort.

### ***Bookkeeping and recordkeeping***

Bookkeeping and recordkeeping systems should be designed to:

- ◆ enable timely internal and external financial reporting;
- ◆ meet documentation requirements;
- ◆ ensure proper filing of applications; and
- ◆ create accurate reports.

## FUND ACCOUNTING SYSTEMS AND THE FSA PROGRAMS

A fund accounting system is required whenever an entity is responsible to a third party for ensuring that funds are used as intended by the third party. Such funds must be restricted for use in accordance with the third-party's requirements and separate fund accounts must be established for each third-party program from which the entity is receiving funds. Fund accounting is the method of segregating assets into categories according to the individual program requirements placed on their use by the third party.

Fund accounting contrasts with the more widely known system used in corporate accounting in one fundamental way—entities receiving third-party funds may not exceed their budgets. Additionally, the concepts of encumbrance and budgeting obligations found in fund accounting are not found in corporate accounting.

Fund accounting is characterized by the following:

- ◆ A fund is a separate accounting entity with a self-balancing set of accounts consisting of assets, liabilities, and fund balances.
- ◆ Separate accounts are maintained for each fund to ensure observance of limitations and restrictions placed on the use of the resources of each fund.
- ◆ For reporting purposes, funds with similar characteristics are combined into fund groups.
- ◆ Expenditures are recorded in each fund and measured against budgets, thereby providing finite limits within which funded entities within the school must operate in carrying out their mission.

When designing an accounting system, the chart of accounts, books of original entry, billing and reporting requirements, and other FSA requirements must all be considered.

For example, the numerous ledger accounts suggested in the chart of accounts that appears later in this chapter for the Perkins Loan Program were created to assist schools in preparing year-end reports that must be filed with the Department. The school can simply copy the information from its ledgers to the electronic FISAP format supplied by the Department.

When designing a chart of accounts, institutions also need to consider their fund-accounting needs, particularly with respect to restricted funds or funds that are initially restricted. The chart of accounts should accurately reflect the school's current organization and programs, and it should have the flexibility to accommodate any future changes in the organization.

## Audit trails

Your accounting records and systems for FSA funds must provide a *clear audit trail* that makes it possible to trace all federal cash from drawdown to its final destination.

An audit trail, whether in a manual system, an automated system, or a combination of systems, includes the accounting record of a transaction and all the documentation that supports each transaction.

In accounting records, when data is recorded, a reference should also be recorded to identify the source of the data. The reference can be in the form of a date, a name, an address, or a number such as a journal page number, ledger account number, or check number. These references, used throughout the accounting cycle, form an *audit trail* that makes it possible to trace the details of a transaction from the source document to the financial statements and accounting records.

A vital part of an audit trail is *cross-referencing*. Cross-referencing is the recording of identifying numbers pointing both ways in offsetting or supporting accounting entries. For example, in your FSEOG cash account, for a deposit received from G5, you would record an entry that pointed to the journal page on which you recorded the names of students for whom this particular cash draw was intended to provide the federal share. Likewise, on the aforementioned journal page, you would record an identifier that pointed to the appropriate draw in your FSEOG cash account.

## Chart of Accounts

As an aid in discussing records and accounting techniques for financial aid programs, the Summary Chart of Accounts later in this appendix lists accounts considered necessary for institutions to account properly for FSA program funds. These accounts may be set up in either a manual or automated accounting system. Either system will need the basic suggested ledger accounts to meet the Department's minimum program and fiscal requirements, as well as the institution's external reporting requirements, such as basic financial statements and fund statements. Such a system will serve to meet the accounting needs of the school, the Department, and other federal agencies. Additional accounts may be added as deemed necessary by the school. These accounts should be reviewed at least annually to determine if additions or deletions are necessary to meet changes in federal regulations.

The chart of accounts is a primary internal control mechanism delineating the framework of the accounts. This chart has two components: (1) a fund number and (2) an account number that usually follows a standard account-code structure (a definition, by name, of the account code). A uniform numbering scheme is used here to assist in identifying the parts of the financial statements on which ledger accounts are located. The numbers assigned to these ledger accounts are arbitrarily

### DL Fiscal Requirements Lesson

See the Direct Loans page of the FSA Assessments for a lesson on DL fiscal requirements. Go to <https://ifap.ed.gov/qahome/qassessments/directloans.html> and click on Activity 4.

assigned, but in sequential order, and these specific numbers are not required to put these ledgers in place in institutional accounting systems.

In all cases, the first digit of an account number identifies an element of the financial statements, as follows:

- 1 - Asset Account
- 2 - Asset Reduction Account
- 3 - Liability Account
- 4 - Capital Account (or Program Balance)
- 5 - Capital Reduction Account
- 6 - Income Account (or Revenue Account)
- 7 - Expense Account

The accounting record for each federal student aid program is self-balancing and must be separated completely from the accounting records of all other federal student aid programs and from the accounting record for the general operating fund of the school. Within each program, the sum of ledger accounts with debit balances equals the sum of ledger accounts with credit balances.

In the following Summary Chart of Accounts, award authorizations are not shown. It is recommended that they be booked as a memo journal entry or budget item. Then, as award authorizations are adjusted, appropriate adjustments to budget figures would be entered. This process helps ensure that drawdown amounts do not exceed authorization levels.

**Note:** The G5 account shown in the Summary Chart of Accounts, account # 1 - 2 (Accounts Receivable, G5) is used only if a school does not use the reimbursement payment method for drawing down FSA funds. The accounting for the reimbursement method will not be covered here. However, account # 1 - 2 should be booked as any other account receivable. Each respective subsidiary ledger would also book the receivable.

### Reconciling Subsidiary Records to Account Balances

All accounts should be backed up by subsidiary ledger detail. Although a trial balance can be used to ensure that accounts balance in the aggregate, it does not guarantee that there is sufficient evidence that subsidiary records exist to support the totals in each account.

Errors can occur when corrections or changes are made to control accounts without corresponding adjustments being made to subsidiary records. Reconciliations between accounts and subsidiary record detail should be performed at least monthly and should be conducted on a more frequent basis during periods of high transaction volume. As mentioned earlier, most FSA programs require monthly reconciliations.

### Examples of Information a School's Accounting System Must Be Able to Provide

- Documentation that for any drawdown of federal cash the funds were deposited in an account in which the funds were clearly identified as **federal**
- Documentation, if applicable, that for any drawdown the funds were transferred to the appropriate subsidiary ledgers or, if intended for students, posted to the students' accounts within the three days permitted
- Documentation that if the posting of federal cash to a student account created an FSA credit balance, the funds were made available to the student within the 14 days stipulated by regulation (see *Volume 5* for a discussion of FSA credit balances when a student withdraws)
- If the school holds FSA credit balances for students, documentation that there is a ledger that identifies all such credit balances and that there is sufficient cash in the school's bank account to cover all such credit balances
- Documentation that for each Return of Title IV Funds required under 34 CFR 668.22, within the time frame allowed by regulation, cash has been transferred from the student's account to the school's federal funds account and then has either been returned to the Department or reallocated and disbursed to other eligible students
- Through its accounting system a clear audit trail to account for all Title IV, HEA funds throughout the cash management cycle
- For the Campus-Based Programs, documentation that all nonfederal matching funds (when the matches are made with cash) were deposited before or at the same time that federal funds were received
- For the Federal Work-Study Program, for schools without a waiver or exception, documentation that the school expended at least 7% of its FWS allocation in making payments to students employed in community service jobs for the year
- For the Federal Supplemental Opportunity Grant Program, documentation that the awards made to students equal the federal share, plus the institutional share minus any administrative cost allowance (ACA) taken by the school, plus or minus any funds transferred or carried forward/back

### Examples of Information a School's Accounting System Must Be Able to Provide (continued)

- For the Federal Work-Study Program, documentation that the total gross compensation paid to students reported on the school's Fiscal Operations Report is supported by the school's payroll records including accounting records of any amount paid to students in noncash institutional matching
- For a school receiving funds through the heightened cash monitoring 2 (HCM2) or reimbursement payment (Funding Controls) methods, documentation that before submitting a request for federal cash for a student, the school made the disbursement(s) with its own funds to the student's account and identified the disbursement(s) appropriately (e.g., as a Federal Pell Grant)
- For a school receiving funds through the HCM2 or reimbursement payment methods, documentation that if disbursing its own funds (labeled Title IV funds) to a student's account created a Title IV credit balance, the school made that credit balance available to the student within the 14 days required by regulation
- For any student who receives Title IV funds, a student subsidiary account/student ledger that clearly identifies the date and amount of each transaction, and the balance after each
- Subsidiary financial aid ledgers that are year specific (though federal funds from different award years may be maintained in the same bank account)



### Student Subsidiary Accounts/Student Ledgers

The Department considers student subsidiary accounts, also known as student ledgers, part of a school's accounting system. Student ledgers and subsidiary accounts must follow the same rules as other sub accounts.

## **Summary Chart of Accounts**

### **G5 Accounts (FSA Funds Only, Not Including Direct Loans)**

To help in calculating excess cash and interest earnings on FSA funds (Federal Pell Grant, FSEOG, FWS, and Federal Perkins Programs) and, in accordance with cash management regulations issued on December 1, 1994, separate G5 accounts should be established for FSA funds and for non-FSA funds.

#### 1–Asset Accounts

1–1 Cash Control, G5

1–2 Accounts Receivable, G5

3–Liability Accounts—None

4–Capital Accounts—None

6–Income Accounts—None

7–Expense Accounts—None

### **National Finance Center (NFC) Accounts**

NFC accounts are needed to reflect amounts of FSA program funds disallowed after the program authorization account has been closed (removed from G5).

#### 1–Asset Accounts

1–1 Cash Unremitted to NFC

1–2 Due from School

3–Liability Accounts

3–1 Accounts Payable, NFC

4–Capital Accounts—None

6–Income Accounts—None

7–Expense Accounts—None

**Federal Pell Grant Accounts**

## 1–Asset Accounts

1-1 Cash, Federal Pell Grants

## 3–Liability Accounts—None

## 4–Capital Accounts—None

## 6–Revenue Accounts

6-1 Transfer from G5—Federal Pell Grants for Students

6-2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA)

## 7–Expense Accounts

7-1 Student Grants Paid—Federal Pell Grant

7-2 Administrative Cost Allowance (ACA) Paid to Institution

**Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts**

## 1–Asset Accounts

1-1 Cash, FSEOG

## 3–Liability Accounts—None

## 4–Capital Accounts—None

## 6–Income Accounts

6-1 Transfer from G5—FSEOG

6-2 Institution's Cash Contribution

6-3 Institution's Noncash Contribution (Memo Account)

## 7–Expense Accounts

7-1 Student Grants Paid—FSEOG

7-2 Student Grants—FSEOG from Noncash Contribution (Memo Account)

7-3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable)

## Federal Work-Study (FWS) Accounts

### 1–Asset Accounts

- 1–1 Cash, Federal Work-Study
- 1–2 Accounts Receivable, Off-Campus Entities

### 3–Liability Accounts

- 3–1 Federal Income Taxes Withheld
- 3–2 Social Security Taxes Withheld
- 3–3 State Income Taxes Withheld
- 3–4 Other Withholding
- 3–5 Accrued Wages Payable
- 3–6 Employer’s Payroll Taxes Payable

### 4–Capital Accounts—None

### 6–Income Accounts

- 6–1 Transfer from G5—Federal Work-Study
- 6–2 Institution’s Cash Contribution
- 6–3 Institution’s Noncash Contribution (Memo Account)
- 6–4 Off-Campus Employer’s Contribution, Public/Private Nonprofit Entities
- 6–5 Off-Campus Employer’s Contribution, Private For-Profit Entities

### 7–Expense Accounts

- 7–1 Student Wages—On-Campus
- 7–2 Student Wages—On-Campus, Noncash Contribution for Nonfederal Share (Memo Account)
- 7–3 Student Wages—Off-Campus, Public/Private Nonprofit Entities
- 7–4 Student Wages—Off-Campus, Private For-Profit Entities
- 7–5 Regular Job Location and Development (JLD) Expenses Paid to Institution
- 7–6 Administrative Cost Allowance (ACA) Paid to Institution

**Direct Loan Accounts**

## 1–Asset Accounts

1–1 Cash, Direct Loans

1–2 Accounts Receivable, G5

## 3–Liability Accounts—None

## 4–Capital Accounts—None

## 6–Income Accounts

6–1 Income from G5—Direct Loans

## 7–Expense Accounts

7–1 Funds Advanced to Borrowers

**Federal TEACH Grant Accounts**

## 1–Asset Accounts

1–1 Cash, Federal TEACH Grants

## 3–Liability Accounts—None

## 4–Capital Accounts—None

## 6–Revenue Accounts

6–1 Transfer from G5—Federal TEACH Grants for Students

## 7–Expense Accounts

7–1 Student Grants Paid—Federal TEACH Grant

**Iraq and Afghanistan Service Grant Accounts**

## 1–Asset Accounts

1–1 Cash, Iraq and Afghanistan Service Grants

## 3–Liability Accounts—None

## 4–Capital Accounts—None

## 6–Revenue Accounts

6–1 Transfer from G5—Iraq and Afghanistan Service Grants for Students

## 7—Expense Accounts

## 7-1 Student Grants Paid—Iraq and Afghanistan Service Grants

**G5 FSA Accounts**

*1-1 Cash Control, G5:* This account may be a debit or credit balance account depending on the timing of drawdowns and disbursements. It is established to identify the balance of federal cash disbursed to a school through G5. The system described here segregates federal cash by using separate accounts for G5 FSA-funded programs. These separate G5 accounts allow reconciliation of funds sent and/or available through G5. Separate checking accounts need not be maintained for each program as long as school records indicate precisely where cash was used.

Debit this account for:

- All cash received from G5 for all FSA programs, except Pell Grant ACA reimbursement or Perkins Loan cancellation reimbursements (contra account # 1-2).
- All unexpended cash on programs when accountability has been transferred to NFC (contra account # 1-2).

Credit this account with:

- All cash transferred to programs.
- Excess cash billings paid to National Finance Center (NFC) (contra account # 1-2).

*1 - 2 Accounts Receivable, G5:* This account can be a debit or credit balance account depending on the timing of disbursements and drawdowns. It represents all amounts due from all open-status G5-funded programs.\* The debit balance may exist between the time funds are requested from G5 and the time they are received.

Debit this account for:

- Amount of awards disbursed to students and recorded as income transferred from G5 in each respective FSA program account.

Credit this account for:

- Cash received from G5 (contra account # 1 - 1).
- Any unexpended program balances after accountability has been transferred to NFC (contra account # 1 - 1).

\* A different accounting treatment is needed if a school has been placed on the reimbursement payment method for drawing down FSA funds.

## National Finance Center (NFC) Accounts

*1-1 Cash Unremitted to NFC:* This account is used to reflect that a portion of cash is no longer under G5 accountability; the accountability has been transferred to the National Finance Center (NFC).

This cash is segregated if a grant's final closing amount is in dispute. Accounting for the funds here reflects a transfer of accountability from G5. If more than one program is in dispute, separate subsidiary accounts should be set up for each one. Disallowed expenditures on open, current-year G5 accounts are recorded by reclassifying the expenditures from the specific program account to institutional accounts and reinstating the same amount from the FSA program account to the G5 account.

Debit this account for:

- Cash received from the school for disallowed expenditure (contra account # 1-2).
- Interest earnings on FSA funds that exceed the regulatory threshold (contra account # 3-1).

Credit this account with:

- Amounts remitted to NFC (contra account # 3-1).

*1-2 Due from School:* This debit balance account reflects amounts due from the school as a result of disallowed expenditures on closed accounts not under G5 accountability.

Debit this account for:

- Billings from NFC for expenditures disallowed by program review or audit, excess cash, and the like (contra account # 3-1).

Credit this account for:

- Cash received from the school (contra account # 1-1).

*3-1 Accounts Payable, NFC:* This account is normally a credit balance account that reflects any liabilities to NFC as a result of cash accountability separated from G5 as described earlier or disallowed expenditures on programs not under G5 accountability or excess interest earnings returnable to ED through NFC.

Debit this account for:

- Amounts remitted to NFC (contra account # 1-1).

Credit this account with:

- Billings from NFC (contra account # 1-2).
- Interest earnings returnable to NFC (contra account # 1-1).

### Federal Pell Grant Accounts

*1-1 Cash, Federal Pell Grants:* All receipts and disbursements of cash related to the Pell Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from G5 should equal only the amount of grants to be paid immediately to students.

Debit this account for:

- Transfers from G5 account (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

*6-1 Transfer from G5—Federal Pell Grants for Students:* This credit balance account controls the transfer of cash from the G5 account “Cash Control, G5” to the Pell Grant account “Cash, Federal Pell Grants.” Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students.

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from G5 account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from G5 account to meet current disbursement needs (contra account # 1-1).

*6-2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA):* This credit balance account is used to deposit the reimbursements received by electronic funds transfer (EFT) from ED for Pell ACA.

Debit this account for:

- Closing entry at end of accounting fiscal year for the amount of Pell ACA reimbursements (contra account # 7-2).

Credit this account with:

- ACA payments received via EFT from ED (contra account # 1-1).

*7-1 Student Grants Paid—Federal Pell Grant:* This debit balance account is maintained to record payments made to students for Pell Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

Credit this account with:

- Recoveries from recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

7-2 *Administrative Cost Allowance (ACA) Paid to Institution:* This debit balance account is maintained to record payments made to the school for administrative costs. This amount cannot exceed the amount set by regulations.

Debit this account for:

- ACA paid to the school (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period (contra account # 6-2).

## ACCOUNT DETAILS

### ***Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts***

1-1 *Cash, FSEOG:* All receipts and disbursements of cash related to the FSEOG Program are recorded in this account. Typically, this account shows a zero balance after each period's entries are posted, as the transfer of funds from G5 should be only for the amount of grants to be paid to students immediately and for administrative expenses.

Debit this account for:

- Transfers from G5 account (contra account # 6-1).
- Cash contributions of the school (contra account # 6-2).

Credit this account with:

- Payments to students (contra account # 7-1).
- Payments to school for administrative cost allowance (contra account # 7-3).

*6-1 Transfer from G5—FSEOG:* This revenue account is maintained to control the transfer of cash from the G5 account “Cash Control, G5” to the FSEOG account “Cash, FSEOG.” Such transfers of cash should be made only in the precise amounts needed to pay awards and ACA (if applicable) on a current basis.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 7-1, 7-3).

Credit this account with:

- Amounts of cash transferred from the G5 account to meet the federal share of current FSEOG grants (contra account # 1-1).

*6-2 Institution’s Cash Contribution:* This credit balance account is maintained to record cash contributions made by the school to provide (together with any noncash contribution) the nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the school to pay its share of current FSEOG awards (contra account # 1-1).

*6-3 Institution’s Noncash Contribution (Memo Account):* This credit balance account is maintained to record noncash contributions made by the school to provide (together with any cash contribution) the required nonfederal share of FSEOG awards.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts as the nonfederal share of FSEOG awards at end of accounting fiscal year (contra account # 7-2).

Credit this account with:

- Noncash contributions provided from institutional resources to pay the nonfederal share of current FSEOG grants, including payments made directly to students from institutional funds (contra account # 7-2).

*7-1 Student Grants Paid—FSEOG:* This expense account is maintained to help prepare required FSEOG Program reports. If the school transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of FSEOG awards. The debit balance in this account combined with account # 7-2, before closing, should agree with the sum of the individual award amounts shown in student records as FSEOG grants for the current year.

Debit this account for:

- Payments to students for FSEOG awards (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

*7-2 Student Grants—FSEOG From Noncash Contributions (Memo Account):* This expense account is used if the school makes noncash contributions and pays students a portion of their FSEOG awards directly from institutional resources.

Debit this account for:

- Payments to students for FSEOG awards from institutional resources (contra account # 6-3).

Credit this account for:

- Closing entry at end of accounting fiscal year (contra account # 6-3).

*7-3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable):* This expense account is used to record ACA as it is paid to the school. Such payments are limited by regulations and may not be made from FSEOG funds unless students received FSEOG funds during the period.

Debit this account for:

- Payments to school for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

### ***Federal Work-Study (FWS) Accounts***

*1-1 Cash, Federal Work-Study:* All receipts and disbursements of cash related to the Federal Work-Study (FWS) Program are recorded in this account. Any debit balance remaining after payroll payment should consist solely of institutional and/or off-campus employer funds, as federal funds should be transferred from the G5 Cash Control Account (G5 account # 1-1) only in the precise amount needed for the federal share of current disbursements.

Debit this account for:

- Federal contributions transferred from G5 account (contra account # 6-1).
- Cash contributions of the school (contra account # 6-2).
- Cash payments of off-campus employers (contra account # 1-2).
- Cash paid into fund by the school for later payment of employer's share of payroll taxes (contra account # 3-6).
- Cash contributions paid by the school for off-campus employers that have not paid their nonfederal share (contra account # 1-2).

Credit this account with:

- Federal share of on-campus compensation and federal and nonfederal shares of off-campus compensation to students (contra accounts # 3-5, 7-3, 7-4).
- Administrative expenses paid to the school (contra account # 7-6).
- Refund of contribution to the school (contra account # 6-2).
- Refund of contribution to off-campus employers (contra account # 1-2).
- Payment for compensation withheld (contra accounts # 3-1, 3-2, 3-3, 3-4).
- Payment of employer's payroll taxes (contra account # 3-6).
- Job Location and Development Program expenses paid to the school (contra account # 7-5).

*1-2 Accounts Receivable, Off-Campus Entities:* This account is used to record the amounts due from off-campus employers for the nonfederal share of student wages. Separate subsidiary accounts should be set up for each off-campus entity.

Debit this account for:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra accounts # 6-4, 6-5).

- Refunds to off-campus employers of excess cash contributions (contra account # 1-1).

Credit this account for:

- Cash paid by off-campus employers (contra account # 1-1).
- Cash paid by the school for off-campus employers that have not paid their nonfederal share (contra account # 1-1).

3-1 Federal Income Taxes Withheld

3-2 Social Security Taxes Withheld\*

3-3 State Income Taxes Withheld

3-4 Other Withholding

If withholding is necessary, these accounts are used to record the tax amounts withheld from the pay of students employed under the FWS Program.

\*Students working in FWS jobs do not need to pay FICA if they are employed on campus.

Debit these accounts for:

- Taxes paid to the appropriate agency for federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra account # 1-1).

Credit these accounts with:

- Amounts withheld from students' pay for payment of federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra accounts # 7-1, 7-3, and 7-4).

*3-5 Accrued Wages Payable:* This account is used to accumulate student wages earned but not paid by the end of a report period. This is necessary because the FWS portion of the FISAP report requires compensation earned during the reporting period to be reported, regardless of when it is paid. The drawdown of cash from the G5 Cash Control Account is on a cash basis, and funds are not drawn down until accrued wages have actually been disbursed (paid).

Debit this account for:

- Amounts of gross compensation earned in the previous reporting period and paid during the current period (contra account # 1-1).

Credit this account with:

- Gross compensation earned, but not yet paid at the end of the reporting period (contra accounts # 7-1, 7-2, 7-3, 7-4).

*3-6 Employer’s Payroll Taxes Payable:* This credit balance account is maintained to record the amount of payments due by the school for the employer’s share of payroll taxes on accounts of students employed under the FWS Program. Federal Work-Study funds may not be used to pay any portion of such taxes. At some schools, the employer’s share of payroll taxes is handled directly from the general fund, and off-campus employers’ payments for their share of payroll taxes are reimbursed to the general fund rather than transferring the amount into the FWS fund. In this case, account # 3-6 would not be needed in the FWS set of accounts.

Debit this account for:

- Amounts of payroll taxes paid (contra account # 1-1).

Credit this account with:

- Amounts of payroll taxes payable from cash amounts transferred by the school or off-campus employers to pay their share of payroll taxes (contra account # 1-1).

*6-1 Transfer from G5—Federal Work-Study:* This credit balance account controls the transfer of cash from the G5 account, “Cash Control, G5” to the FWS account, “Cash, Federal Work-Study.” Such transfers of cash should be made only in the precise amounts needed for the federal share of current payroll, plus administrative expenses and Job Location and Development Program expenses. No transfer of cash should occur until the federal share of the currently payable payroll has been calculated.

Debit this account for:

- The federal share of wages earned (contra accounts # 7-1, 7-3, 7-4).
- Administrative expenses paid to the school (contra account # 7-6).
- Job Location and Development Program expenses paid to the school (contra account # 7-5).

Credit this account with:

- Amounts of cash transferred from the G5 account “Cash Control, G5” to meet current disbursement needs (contra account # 1-1).

*6-2 Institution’s Cash Contribution:* This credit balance account is used only if the school transfers cash to provide the required percent of the nonfederal share of student wages on campus, then pays both the federal share and nonfederal shares of campus wages from these accounts.

Debit this account for:

- Refund to the school of excess cash advances (contra account # 1-1).

- Closing entry, the nonfederal share (that is, the share for which FWS funds are not available) of cash wages paid to students employed on campus (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the school to pay its share of on-campus student wages (contra account # 1-1).

*6-3 Institution's Noncash Contribution (Memo Account):* This credit balance account records the amount of wages “paid” to students by the school through tuition rebates and other such noncash means, as well as amounts paid directly to students from institutional funds.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts made by the school during the reporting period as its share of on-campus student wages (contra account # 7-2).

Credit this account with:

- Each pay period, the cash value of all tuition rebates or similar credits to student accounts as its share of on-campus student wages (contra account # 7-2).

*6-4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities*

*6-5 Off-Campus Employer's Contribution, Private For-Profit Entities*

These credit balance accounts are maintained to record contributions due from off-campus employers to provide the required percent (or more) of the nonfederal share of student wages earned off campus.

Debit these accounts for:

- Closing entry, nonfederal share (that is, the share for which Federal Work-Study funds are not available) of wages paid to students employed off campus (contra accounts # 7-3, 7-4).

Credit these accounts with:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra account # 1-2).

*7-1 Student Wages—On-Campus:* This expense account is maintained to record the federal share of FWS wages. If the school transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of wages. This account may be further subdivided into categories such as instruction, research, public service, and so on, to facilitate nonfederal functional reporting.

Debit this account for:

- The federal share of wages earned by students in on-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 1-1, 3-1, 3-2, 3-3, 3-4, 3-5).

Credit this account with:

- Closing entry for the federal share of wages earned on campus (contra account # 6-1).

Note: A student may be exempt from tax withholding while enrolled. However, if the student is employed between terms or in the summer, when the student is not enrolled, withholding must be made.

*7-2 Student Wages—On-Campus, Noncash Contribution for Nonfederal Share (Memo Account):* This expense account is maintained to record the nonfederal share of student wages paid from the institution’s tuition rebates or similar credits.

Debit this account for:

- The nonfederal share of wages “paid” to students through tuition rebates and other noncash means (contra account # 6-3).

Credit this account for:

- Closing entry for, the nonfederal share of wages earned on campus (contra account # 6-3).

*7-3 Student Wages—Off-Campus, Public/Private Nonprofit Entities*

*7-4 Student Wages—Off-Campus, Private For-Profit Entities*

These expense accounts are maintained to help prepare required Federal Work-Study Program reports.

Debit these accounts for:

- Gross amount of wages earned by students in off-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 3-1, 3-2, 3-3, 3-4, and 3-5).

Credit these accounts with:

- Closing entry for the nonfederal share of wages earned off campus (contra accounts # 6-4, 6-5).

*7-5 Regular Job Location and Development (JLD) Expenses Paid to Institution:* This expense account is maintained to record payments made to the school for JLD Program expenses. This amount cannot exceed the lesser of \$75,000 or 10% of the institution's FWS authorization for the award year to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either a for-profit or nonprofit employer. A school is not allowed to use its JLD allocation to locate on-campus service jobs. The federal funds that a school sets aside from its FWS allocation to be used for JLD activities may be used to pay up to 80% of allowable costs. The school must provide the remaining 20% of allowable costs, either in cash or services.

Debit this account for:

- Amounts paid to the school (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the amounts paid to the school during the reporting period (contra account # 6-1).

*7-6 Administrative Cost Allowance (ACA) Paid to Institution:* This expense account is maintained to record payments made to the school in reimbursement for administrative expenses. Such payments to the school have totals limited by regulations, and they may not be made from FWS funds unless students earned FWS wages during the award year.

Debit this account for:

- Payments to school for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the total amount paid to the school during the reporting period (contra account # 6-1).

### **Direct Loan Accounts**

*1-1 Cash, Direct Loans:* All receipts and disbursements of cash related to the Direct Loan Program are recorded in this account.

Debit this account for:

- Transfers from G5 accounts (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account for:

- Payments to students (contra account # 7-1).
- Return of excess cash to G5 via Fedwire or ACH (contra account # 6-1).

*1-2 Accounts Receivable, G5:* This debit balance account controls the transfer of cash directly from the G5 account established for Direct Loans.

Debit this account for:

- Amounts due from G5 for disbursement needs for the period (contra account # 6-1).
- Return of excess cash (contra account # 1-1).

Credit this account with:

- Cash transferred directly from the G5 account (contra account # 1-1).

*6-1 Income from G5—Direct Loans:* This credit balance account reflects the income from the Direct Loan Program. This amount is not a transfer from the G5 account referred to in section 5.3. These separate accounts allow for reconciliation with the institution's records as part of the Direct Loan reconciliation process.

Debit this account for:

- Closing entry at end of accounting fiscal year, the income from G5 to meet disbursement needs for the period (contra accounts # 7-1, 7-2).

Credit this account with:

- Income from G5 recorded to meet current disbursement needs (contra account # 1-2).

*7-1 Funds Advanced to Borrowers:* This debit balance account is maintained to record payments made to students or parents for loans. This account may be further subdivided to separate disbursements for PLUS, subsidized, and unsubsidized loans.

Debit this account for:

- Loan payments made to students or students' parents (contra account # 1-1).

Credit this account with:

- Recoveries from loan recipients (contra account # 1-1).

- Closing entry at end of accounting fiscal year for the total amount of loan disbursements made to students or students' parents for the accounting period (contra account # 6-1).

### **Federal TEACH Grant Accounts**

*1-1 Cash, Federal TEACH Grants:* All receipts and disbursements of cash related to the TEACH Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from G5 should equal only the amount of grants to be paid immediately to students.

Debit this account for:

- Transfers from G5 account (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

*6-1 Transfer from G5—Federal TEACH Grants for Students:* This credit balance account controls the transfer of cash from the G5 account "Cash Control, G5" to the TEACH Grant account "Cash, Federal TEACH Grants." Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students.

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from G5 account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from G5 account to meet current disbursement needs (contra account # 1-1).

*7-1 Student Grants Paid—Federal TEACH Grant:* This debit balance account is maintained to record payments made to students for TEACH Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

Credit this account with:

- Recoveries from recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

### ***Federal Iraq and Afghanistan Service Grant Accounts***

*1-1 Cash, Federal Iraq and Afghanistan Service Grants:* All receipts and disbursements of cash related to the Iraq and Afghanistan Service Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from G5 should equal only the amount of grants to be paid immediately to students.

Debit this account for:

- Transfers from G5 account (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

*6-1 Transfer from G5—Federal Iraq and Afghanistan Service Grants for Students:* This credit balance account controls the transfer of cash from the G5 account “Cash Control, G5” to the Iraq and Afghanistan Service Grant account “Cash, Federal Iraq and Afghanistan Service Grants.” Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students.

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from G5 account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from G5 account to meet current disbursement needs (contra account # 1-1).

*7-1 Student Grants Paid—Federal Iraq and Afghanistan Service Grant:* This debit balance account is maintained to record payments made to students for Iraq and Afghanistan Service Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

Credit this account with:

- Recoveries from recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

# A School's Financial Management Systems



*The accounting procedures and financial management systems used by a school to record and report on the transactions in the Federal Student Aid programs play a major role in the school's management of those programs. In this chapter, we will discuss the minimum criteria for those procedures and systems, identify areas where problems might arise, and point out potential system weaknesses.*

## FINANCIAL MANAGEMENT SYSTEMS

A school's financial management system (including the school's accounting system) must provide effective control over and accountability for all funds received from the U.S. Department of Education's (ED's) Grant Management System (G5). An FSA fiscal management system includes procedures for

- ◆ requesting funds from ED;
- ◆ disbursing funds to eligible students and parents;
- ◆ accounting for funds and financial activities;<sup>1</sup>
- ◆ keeping accurate and auditable records including providing the clear audit trail required by cash management regulations;<sup>1</sup>
- ◆ meeting the documentation requirements of the individual program regulations;
- ◆ managing cash;
- ◆ ensuring proper filing of timely applications; and
- ◆ enabling timely internal and external financial reporting.

At a minimum, a school's financial management system including its accounting system must provide

1. accurate, current, and complete disclosure of the financial condition of each federal aid program or project sponsored by ED;
2. records that adequately identify the source and application of funds for sponsored activities and contain information on institutional awards, authorizations, obligations, unobligated balances, assets, income, liabilities, revenues, expenditures, and cash disbursements;<sup>1</sup>

### Financial management systems

34 CFR 668, Subpart K

#### Accounting System Defined

A school's accounting system includes those procedures that deal with the organization and controls necessary to identify and record transactions in a school's journals and ledgers, while systematically providing for the supporting documentation for all journal entries. The accounting system is a subset of the school's larger system of financial management.

1. Accounting system function

3. effective control over and accountability for all funds, property, and other assets, including adequate safeguarding of all such assets to ensure that they are used solely for authorized purposes;<sup>1</sup>
4. comparison of actual expended amounts with amounts budgeted for each FSA program;<sup>1</sup>
5. procedures to ensure the timely, efficient transfer of funds when they are advanced through electronic methods (these procedures must limit the time between the transfer of funds from the U.S. Treasury and cash disbursement by the school to students so that funds are disbursed no later than three business days following the receipt of funds, and do not result in excess cash.);<sup>1</sup>
6. procedures according to the applicable terms of the FSA program for determining reasonableness, allowability, and allocability of costs;<sup>1</sup>
7. accounting records that are supported by audit trail documentation;<sup>2</sup>
8. monthly reconciliation of individual student FSA awards as recorded in the financial aid, business office, student account, and Department systems (for Pell and Direct Loan);<sup>1</sup> and
9. examinations in the form of external or internal audits, which must be made according to generally accepted auditing standards and government auditing standards.<sup>1</sup>

Schools organize and manage their financial operations differently depending on such factors as the size of the school, administrative structure, staffing, automation, and federal program participation. Although fiscal operations can vary from school to school, successfully managing FSA programs at any school depends on coordinated efforts across institutional offices.

Coordination has become increasingly important as automated systems have replaced paper-based ones. Automated systems bring many benefits, such as enhanced data integrity and speedy data exchange, but they also present challenges. **Perhaps the most critical challenge is that automation can blur responsibility for functions that, by law, must be kept separate, such as awarding and disbursing federal funds.**



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1. Financial management system functions  
2. Accounting function

## THE NETWORK OF RESPONSIBILITIES

Managing FSA assistance is a school-wide responsibility. FSA program funds are provided to the school, and all offices at a school must work together to ensure successful program management. A school's FSA program management generally takes place in three functional areas:

- ◆ the office of the chief executive (CEO, president, chancellor, owner, etc.),
- ◆ the financial aid office, and
- ◆ the business (bursar's) office.

Schools differ in how they divide these functions among administrative offices. However, the president's office, the financial aid office, and the business office always play key roles.

### *The CEO's office*

Ultimate responsibility for a school's FSA programs resides with the school's CEO. Although authority and responsibility are delegated to other offices, the leadership and support of the CEO are crucial to successfully administering FSA programs. By recognizing the importance of federal aid programs, making FSA program administration a high priority, and holding key officials accountable, CEO leadership can foster an environment that promotes an effective and responsive financial aid program that meets institutional goals, students' needs, and federal requirements.

The next page lists the administrative responsibilities of a school's CEO.

### The CEO's/President's Responsibilities

- Meets the financial standards for administering the FSA programs
- Has an individual capable of administering the FSA programs and coordinating federal and nonfederal financial aid
- Has an adequate number of qualified staff to administer FSA programs
- Has a procedure to report changes to ED about the school's current eligibility status (for example, changes in ownership, address, name, officials, third-party servicers, programs, and locations)
- Has a procedure to ensure that FSA funds for new programs and locations are not disbursed until approvals (when required) are received from ED
- Has established clear lines of responsibility among the pertinent school offices
- Has good communication and cooperation among personnel in the pertinent school offices
- Maintains effective recordkeeping systems for both student records and financial records
- Has an adequate system of checks and balances to ensure separation of award functions from disbursement functions
- Has accurate information about student applicants for FSA aid and resolves any discrepancies or inconsistencies
- Provides adequate financial aid and loan debt management counseling to students
- Refers any suspected cases of FSA fraud, abuse, or misrepresentation to ED's Office of Inspector General
- Obtains a letter of credit (if the school has failed to meet the standards of financial responsibility)
- Has an independent auditor perform an annual federal audit of the school's FSA financial operations
- Cooperates fully with any program reviews or audits and makes available all necessary information to the reviewers or auditors
- Has no criminal or fraudulent activities occur as it manages federal funds and administers FSA programs
- Has established reasonable standards of satisfactory academic progress (SAP) for students
- Has established a fair and equitable institutional refund policy (if required by the school's accrediting agency)
- Has an operable and accessible drug abuse prevention program, as required by the Drug-Free Schools and Communities Act
- Has a drug-free workplace, as required by the Drug-Free Workplace Act
- Makes available all published information required by the Student Right-to-Know Act and the Campus Security Act and any other applicable laws and regulations
- Provides the services described in its publications

For complete information about the requirement to obtain a letter of credit when a school fails to meet the standards of financial responsibility and the requirement to obtain an independent audit of a school's participation in the FSA programs please see the *Federal Student Aid Handbook, Volume 2*.

## The financial aid office

While the financial aid office usually has most of the responsibility for administering the FSA programs, its role in the school's fiscal operation is typically limited. In some cases, functions such as loan counseling might be performed by the business office instead of the aid office.

### Responsibilities Commonly Assigned to a School's Financial Aid Office

- Advise and counsel students and parents about financial aid
- Provide students with consumer information, as required by federal regulations
- Develop written policies and procedures about the way the school administers FSA programs
- Determine students' eligibility for financial aid
- Make financial aid awards to students
- Adhere to the principle of separation of functions (no single office or individual may authorize payments and disburse FSA funds to students)
- In administering financial aid programs, coordinate financial aid activities with those of other school offices
- Interact with various outside groups, agencies, associations, and individuals about issues concerning the school's administration of financial aid programs
- Monitor students' satisfactory academic progress (SAP)
- Maintain school records and student records that document the administration of the financial aid office and provide data for reports
- Keep current on changes in laws and regulations to ensure that the school remains in compliance
- Assist in reporting program expenditures
- Manage and report on activities that involve financial aid funds
- Calculate the return of Title IV funds and, if it applies, authorize post-withdrawal disbursements to students
- Assist in reconciling loan records (for schools in the Direct Loan Program)
- Reconcile student financial aid data provided to the business office to ensure all payments have been made, return of FSA funds have been accounted for, and expenditures have been reported
- Have a procedure to report any changes to ED about the school's current eligibility status (for example, change in ownership, address, name, officials, third-party servicers, etc.)
- Perform limited fiscal operations, such as
  - authorizing payment of FSA funds to student accounts or to students directly
  - authorizing return of Title IV funds to program accounts and post-withdrawal disbursements to students
  - notifying a student who owes an overpayment as a result of the student's withdrawal from the school in order for ED or the school to recover the overpayment
  - notifying ED of the overpayment
  - coordinating submission of the Fiscal Operations Report and Application to Participate (FISAP)
  - verifying records that have been updated in COD to ensure subsidized usage limit calculations are accurate for students, per the guidance of DCL GEN-13-13 and the relevant September 25, 2015, electronic announcement.
- Provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the award and delivery process<sup>1</sup>
- Provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the award and delivery process<sup>1</sup>

1. At some schools, the business office performs this function.

### ***The business (bursar's) office***

Most FSA related fiscal operations are handled by a school's business office. This office may also be known as the fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. For the duration of this text, this office will be referred to simply as *the business office*.

The business office provides critical services to the school in managing both federal and nonfederal financial aid programs. Administering the accounting, recordkeeping, and reporting functions related to the school's use of federal and other funds requires many detailed, complex systems. Strong internal controls and sound business and financial management practices are keys to the success of these operations and delivering funds to students.

The next page lists some of the common responsibilities of the business office.

## Responsibilities Commonly Assigned to a School's Business Office

- Coordinate activities and cooperate with the financial aid office in
  - projecting cash needed to cover disbursements
  - processing cancellations and institutional refunds
  - obtaining authorization to pay FSA funds
  - being aware of the changes in FSA laws and regulation
  - submitting accurate and timely reports
  - reconciling records to ensure that financial aid adjustments are properly recorded
- Maintain a system of internal controls that includes adequate checks and balances
- Ensure that the functions of authorizing and disbursing FSA funds remain separate
- Maintain records consistent with Generally Accepted Accounting Principles, and government auditing standards
- Maintain records to ensure a clear audit trail
- Draw down and return FSA funds to program accounts
- Disburse funds to eligible students from FSA program accounts
- Maintain a system of student accounts that records charges, credits, and amounts due
- Collect Federal Perkins Loans<sup>1</sup>
- Calculate the return of Title IV funds, and if it applies, authorize post-withdrawal disbursements to students<sup>2</sup>
- Establish and implement the institution's refund policy (if required by the school's accrediting or state agency)<sup>2</sup>
- Process return of Title IV funds to program accounts and post-withdrawal disbursements to students according to the applicable federal laws and regulations
- Assist in reporting FSA expenditures to the Department in a timely manner
- Reconcile accounts, including
  - reconciling cash between school records and bank statements and reports
  - reconciling federal funds between bank statements and federally reported balances
- Assist in completing applications, fiscal reports for federal funds, and FISAP
- Maintain a cash management system to meet disbursement requirements and federal laws and regulations
- Provide general stewardship for federal funds, including maintaining bank accounts and investments as appropriate
- Prepare for and participate in FSA program reviews and audits
- Before making a first disbursement of Direct Loan funds, confirm that new borrowers have completed entrance counseling<sup>2</sup>
- Ensure that Direct Loan and Perkins Loan borrowers have completed exit counseling within the time permitted by the appropriate regulations and school policies<sup>3</sup>
- Establish and monitor Federal Work-Study (FWS) payroll and time sheets<sup>4</sup>

1. At some schools a separate student loan office collects these loans.
2. At some schools the financial aid office does this.
3. At some schools the financial aid office ensures this. Also, the business office may be responsible for administering other aspects of the Perkins Loan Program. While the financial aid office may be responsible for awarding Perkins Loan funds, the business office may be responsible for collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, cancelling loans, and reporting Perkins Loans to NSLDS.
4. At some schools the personnel office does this.

### ***Synchronizing operations and responsibilities***

Typically, several offices at your school will share responsibility for managing any one FSA program. To illustrate this network of responsibilities, consider the relatively routine activity of managing FWS Program time sheets for student employees. The financial aid office typically authorizes FWS awards and monitors student earnings to ensure students have not exceeded their authorized awards. On the other hand, the business office usually processes payroll and monitors the school's nonfederal share of FWS to ensure the school is adequately matching the federal share. Your school's processes should demonstrate similar interdependence in your management of its FSA programs. To further explore this principle, if your school participates in the FWS programs, please complete the FWS questionnaire on the next page as it applies to your school.

### FWS Questionnaire on Network of Responsibilities

1. The Federal Work-Study (FWS) Program time sheet requires oversight certification. Who is authorized to certify that a student has worked the hours reported and earned the amount paid?  
\_\_\_\_\_
2. Students must remain eligible from one term to the next. Who monitors student eligibility and academic progress?  
\_\_\_\_\_  
\_\_\_\_\_
3. Some eligibility requirements are school policies. Who develops these policies for the school?  
\_\_\_\_\_  
\_\_\_\_\_
4. Students are paid wages on the basis of their time sheets.
  - Who collects the time sheets from students? \_\_\_\_\_
  - Who processes the payroll? \_\_\_\_\_
  - Who reconciles the payroll to the time sheets? \_\_\_\_\_
5. Students may only earn up to the amount of their authorized FWS awards.
  - Who determines the amount of the award? \_\_\_\_\_
  - Who monitors students' earnings to ensure they do not earn more than that amount?  
\_\_\_\_\_
6. Schools must develop and place students in FWS jobs.
  - Who locates and develops these jobs? \_\_\_\_\_
  - Who places students in these jobs? \_\_\_\_\_
7. All schools are required to spend at least 7% of the federal allocation of their FWS funds to employ students in community service positions.
  - Who locates and develops these jobs? \_\_\_\_\_
  - Who monitors the percentage of funds used for these jobs? \_\_\_\_\_  
\_\_\_\_\_
8. Student earnings are part of the institution's overall FWS budget.
  - Who develops the budget? \_\_\_\_\_
  - Who monitors allocations and disbursements? \_\_\_\_\_
  - Who monitors expenditures? \_\_\_\_\_
9. Schools that receive FWS funds are required to apply for those funds and to report to the Department on the use of those funds.
  - Who completes the application? \_\_\_\_\_
  - Who completes the report? \_\_\_\_\_

## INTERNAL CONTROLS—A SYSTEM OF CHECKS AND BALANCES

### Checks and balances

34 CFR 668.16(c)(1)

34 CFR 674.19(a)

34 CFR 675.19(a)

34 CFR 676.19(a)

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal controls or checks and balances.

### *What is internal control?*

Internal control is an integral component of an organization's management. An effective internal control structure includes a school's plan of organization and all the policies, procedures, and actions taken by the school to provide **reasonable assurance** that the school will achieve its objectives in the following areas:

1. Effectiveness and efficiency of operations
2. Accuracy of operating data
3. Reliability of program reporting
4. Protection of funds against fraud and misuse
5. Compliance with organizational policies and applicable FSA laws and regulations

The first category addresses a school's administrative objectives, including performance and financial goals and safeguarding of resources. The second relates to the need to ensure that the decisions made by a school in its day-to-day operations are based on accurate information. The third relates to the preparation of financial statements, audits, and other fiscal and operational reports a school is required to make to the Department. The fourth refers to a school's fiduciary responsibility to safeguard FSA funds and ensure they are used for the purposes and by the recipients intended. The fifth addresses the requirement that a school comply with all applicable federal, and state, laws and regulations, as well as the regulations of its accrediting agency.

### *Components of internal control*

Internal control consists of five interrelated components derived from the way a school is managed. The components are

- ◆ *Control environment*—The control environment sets the tone of an organization and influences the mind-set of its employees. It is the foundation for all other components of internal control, providing its discipline and structure. Control environment factors include the integrity, ethical values, and competence of the school's people; management's philosophy and operating style; and the way a school's administration assigns authority and responsibility and organizes and develops its employees.

Administrators must convey the message that integrity and ethical values cannot be compromised, and employees must receive and understand that message. Adopting codes of conduct and other policies regarding acceptable institutional practices, conflicts of interest, and expected standards of ethical and moral behavior help establish an organizational climate in which the other components of internal control are able to achieve their purposes.

- ◆ *Risk assessment*—Every entity faces a variety of risks from external and internal sources. Risk assessment is the identification and analysis of risks that have the potential to negatively affect a school's satisfactory management of the FSA programs, its financial strength, its public image, and the overall quality of its programs and services.

Many techniques have been developed to identify risks. The majority—particularly those developed by internal and external auditors to determine the scope of their activities—involve qualitative or quantitative methods to prioritize and identify higher risk activities. The FSA Assessment Tools can help your school identify needed areas of improvement. In addition, your case management team can provide you with a list of those fiscal and administrative responsibilities that were most often problematic during recent program reviews.

Certain circumstances demand special attention because of their potential impact on the control environment. For example, when any of the following occur, a school should examine the ways in which it affects the schools operations and the appropriate response.

- *A change in the operating environment.* Changes in the HEA or state law, ED's regulations, or accrediting agency procedures might require a change in organizational procedures.
- *New personnel.* Turnover of personnel in the absence of effective training and supervision can result in breakdowns in the control environment.
- *New or revamped information systems.* Normally effective controls can break down when new systems are developed, particularly when those systems are brought online under tight time constraints or at a critical time (e.g., just before registration).
- *Rapid growth.* When a school experiences rapid growth in the number of FSA recipients or the amount of federal funds it is receiving on behalf of those recipients, existing control systems may break down.
- *New technology.* When a new technology is incorporated into management practices, a high likelihood exists that internal controls will need to be modified. Adopting EFT as the method of distributing FSA

credit balances, and changing to the use of *smart cards* as a mechanism for providing access to student's FSA funds are examples of technologies that may require changes in control procedures.

- ◆ *Information and communication.* Pertinent information must be identified, captured, and communicated in a form and time frame that enables employees to carry out their responsibilities. One type of communication involves the creation of an appropriate control environment. A second involves operational, financial, and compliance related information.

All employees must receive a clear message from senior administrators that control responsibilities must be taken seriously. Employees must understand their own roles in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information to those administrators who can affect change.

Employees at all levels need access to information to make appropriate operational, financial, and compliance decisions. The quality of information is determined by the degree to which the

- *content is appropriate*—Is the needed information there?
  - *information is timely*—Is it there when required?
  - *information is current*—Is it the latest available?
  - *information is accurate*—Are the data correct?
  - *information is accessible*—Can it be obtained easily by appropriate parties?
- ◆ *Monitoring*—Internal control systems need to be monitored—a process that assesses the quality of the system's performance over time. This can be accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions employees take in performing their duties.

On the other hand, successful institutions pause from time to time to evaluate the degree to which they are achieving their objectives and plan for changes needed to improve performance where needed. Evaluating the success of internal control procedures should be part of an institution's periodic overall evaluations.

- ◆ *Control activities*—Control activities are the policies and procedures that help ensure a school's administrative directives are followed. They help guarantee that the actions necessary to reduce risk are carried out. Control activities occur throughout an organization and include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, and periodic reviews of performance, security of funds, and separation of function.

Control activities usually involve two elements: (1) a policy that establishes what should be done (and that serves as a basis for the second element), and (2) procedures to implement the policy. The most effective policies and procedures are those that are written. Control activities should be part of new employees' orientation, and the subject of periodic training for continuing employees.

Of course, no matter how well designed and operated, internal control cannot provide absolute assurance that all objectives will be met. Factors outside the control or influence of management can affect the entity's ability to achieve all of its goals. In addition, modern data management systems create special problems because often, paper and audit trails may be problematic. Good systems of internal control should provide for paper documentation at key points in the electronic system.

One key feature of any internal control system should be built in **independent checks** on performance. In large organizations, the internal audit function should report directly to the CEO or board of directors. This helps avoid the difficulties and conflicts of interests that result when the internal audit staff reports to the accounting manager, Vice President for Finance, or Chief Financial Officer. In small organizations where total separation of duties is not an economically viable alternative, owners and presidents must be involved in the control system through independent performance checks. In addition, they must assume key duties such as check signing and monthly bank account reconciliations.

**A thorough discussion of the creation of a school-wide internal control environment is beyond the scope of this volume. However, we want to emphasize the importance of a school-wide commitment to control activities that begins with a school's chief executive and involves all employees who in any way participate in the school's FSA programs or are responsible for FSA funds.**

## Control activities important in managing FSA funds

To participate in federally funded student financial aid programs, a school must be able to demonstrate that adequate checks and balances are in place. A school’s internal control system should, at a minimum, include

- ◆ **separating the functions** of authorizing and awarding FSA aid and disbursing FSA program funds;
- ◆ **taking trial balances** (to determine whether accounts are in balance);
- ◆ **reconciling cash** (a reconciliation between accounting [ledger] balances and bank balances);
- ◆ **reconciling federal funds** (ensuring that all federal funds drawn down are appropriately disbursed or returned within the time frames allowed by regulation); and
- ◆ maintaining adequate **electronic data processing (EDP) controls**.

A school should use its internal audits or external audits to verify that the systems of checks and balances in place at the school have been properly designed and are being followed routinely.

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### Separating functions

34 CFR 668.16(c)(2)

### The separation of functions

To accomplish separation of duties, duties are divided among different individuals to reduce the risk of error or inappropriate action (for example, when the employee or office responsible for safeguarding an asset is someone other than the employee or office that maintains accounting records for that asset). In general, responsibility for related transactions should be divided among employees so that one employee’s work serves as a check on the work of other employees. When duties are separated, there must be collusion between employees for assets to be stolen and the theft disguised in the accounting records.

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### Family defined

A member of a person’s family is a parent, sibling, spouse, child, spouse’s parent or sibling, or sibling’s or child’s spouse.

34 CFR 668.15(f)(3)

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### Definition of control

34 CFR 600.31(b)

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### Ownership interest

34 CFR 668.15(f)

Federal regulations require a school to separate the functions of authorizing payments and disbursing funds so that no single office or individual exercises both functions for any student receiving FSA funds. Even very small institutions with limited staff are not exempt from this requirement. These two functions must be performed by individuals who are not members of the same family (as defined in the margin), who do not together exercise substantial control over the school, and who are organizationally independent.

Individuals responsible for authorizing or disbursing FSA funds may not do both, but they may perform other functions as well. If a school performs these functions by computer, no one person may have the ability to change data that affect both the authorization and disbursement of FSA funds.

Typically, the financial aid office is responsible for authorizing disbursements by awarding aid through the need analysis and packaging processes. Awards are then turned over to a business office that typically requests funds from ED's Grant Administration and Payment System (G5), and disburses the funds by crediting student accounts, delivering checks to students, authorizing an EFT, or delivering cash to students. The person (or office) that awards FSA funds may not sign checks or deliver them to students, nor be permitted to disburse cash to students, or to credit student accounts with FSA funds to cover allowable costs (such as tuition, fees, books, supplies, or other authorized charges).

There should also be a segregation of functions within the business office. This separation should provide that the individual within the school who reconciles federal cash does not also receive federal cash or disburse it. This will ensure that several individuals at the school evaluate federal funds and, at each step of the process, that the applicable regulations are being followed.

The person performing reconciliations should receive bank statements and Direct Loan reconciliation reports directly from the respective, appropriate sources. Supervisory approval of the completed reconciliations should also be obtained and documented on the forms.

While electronic processes enhance accuracy and efficiency, they also can blur separation of functions so the awarding and disbursement occur virtually simultaneously. Schools must set up controls that prevent an individual or an office from having the authority (or the ability) to perform both functions. In addition, your system also should have controls that prevent cross-functional tampering. For example, financial aid office employees should not be able to change data elements that are entered by the registrar's office. Finally, your system only should allow individuals with special security classifications to make changes to the programs that determine student need and awards, and it should be able to identify the individuals who make such changes.

For further guidance on the separation of functions, contact the Department's Case Management and Oversight Team that serves your school's state.

**Remember, because electronic processes can blur separation of functions, a school must be careful to create controls that ensure separation of authorizing FSA payments and disbursing FSA payments. This also applies within the business office itself. One individual should not be solely responsible for receiving funds and reconciling those funds.**

### Internal Controls In Automated Systems

Since no one person may have the ability to change data that affect both authorization and disbursement, if award entries made by the financial aid office automatically roll over and populate award fields in the business office, then the separation of functions must take place elsewhere.

For example, if your system automatically awards funds based on a student's budget and/or need, then your system must ensure that only employees with a special security standing can change those budgets or otherwise modify a student's award. In addition, your system must be able to identify any employee who makes a change to a data element or program that can affect the level of a student's award (anyone who initiates a budget or award override).

### **Trial balance**

A trial balance is the confirmation that debit and credit balances are equal. A trial balance for federal student financial aid programs is a confirmation that accounts receivable, program expenditures, and the cash balance equal the amount of aid that has been authorized by the financial aid office.

To be effective, taking a trial balance should be performed at least monthly and reconciling cash should be performed when bank statements are received or at least monthly if statements are received more frequently.

### **Reconciliation of bank records**

Since cash is more susceptible to manipulation than other assets, multiple checks and balances are necessary for effective internal control of cash.

Reconciling cash is one confirmation that the cash balance shown in the school's accounting records is in agreement with the balance reflected in the school's bank statement. Differences between the school's accounting records and the school's bank statement balance can be caused by timing variances, errors, or unrecorded entries. The bank reconciliation process can lead to adjusting entries for

- ◆ bank service charges;
- ◆ non-sufficient funds (NSF) charges;
- ◆ debit and/or credit memoranda; and
- ◆ correcting errors.

The individual performing bank reconciliation should be trained to recognize and report sources of errors such as

- ◆ delays in deposit;
- ◆ checks that remain outstanding after long periods of time;
- ◆ irregularities in funds transfers and adjustments; and
- ◆ deviations on canceled checks (payee, signature, or endorsement).

The prompt and thorough performance of bank reconciliation duties enhances the internal control system.

Note that if a school maintains separate bank accounts for each program, a separate bank reconciliation process should be performed for each account/program.

## Reconciling FSA funds

**Reconciliation of FSA funds is a key component of internal control in the FSA programs.** A school reconciles data when, for example, on the FISAP it reports cumulative data for its Federal Perkins Loan portfolio. A school also performs reconciliation on an annual basis when it reports annual FSEOG data on the FISAP and when it closes out its general ledger. However, to help fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, a school must perform reconciliation in each FSA program monthly. That is, to provide adequate internal controls, a school must have a system for comparing separately, for each FSA program, the total draws recorded in G5 in a 30-day period to the amount disbursed to students or returned to the Department and explaining all discrepancies.

Reconciliation in the FSA programs is an internal control procedure that helps ensure that a school has met its fiduciary responsibility to use its FSA funds in the manner and for the purposes prescribed by regulations. The process of reconciliation as required in the regulations applies primarily to a school's accounting records. Other internal control procedures ensure that a school's other fiscal records and its program records are being maintained properly and that they accurately reflect the school's FSA operations.

During reconciliation, a school compares its G5 records to its banking records, and the accounting entries in its FSA cash accounts to the accounting entries in its FSA disbursement accounts. The reconciliation process will seek to explain the differences between the funds the school received and the funds the school disbursed or returned.

**Regulations require that all federal funds drawn down be accounted for. Moreover, a school must identify expenditures of FSA funds on a student-by-student basis.** So, if the trial balances run for one or more of the FSA programs fail to show that all federal funds received by the school were disbursed or returned in the time frames allowed by regulations, the school will have to examine its accounting detail (student-by-student records) to identify the discrepancies keeping the accounts out of balance. **All discrepancies must be explained for the accounts to be considered reconciled.**

A key element in the reconciliation process is the clear audit trail a school's accounting records should provide. That audit trail should track FSA funds from G5 to individual students.

Part of the monthly reconciliation a school must perform requires examining fiscal and program records to ensure that they agree with and substantiate the reconciled accounting records.

**Note:** Generally, program records are maintained by the financial aid office and fiscal records by the business office.

## Required fiscal records

34 CFR 668.24(b)

Reconciliation is one of the tools a school uses to evaluate its system for accounting for the receipt and expenditure of FSA funds in accordance with generally accepted accounting principles.

## Monthly reconciliation required

34 CFR 674.19 (d)(1),  
34 CFR 675.19(b)(2)(iv), 34 CFR 676.19(b)(2),  
and 34 CFR 685.102(b)

## FSA Assessments

The FSA Assessments can help you in reconciling and other fiscal management activities.

The direct link to the FSA Assessments is <https://ifap.ed.gov/qahome/fsaassessment.html>. You can also get there from the IFAP homepage at <https://ifap.ed.gov> by clicking on the left side of the page Participation Links—Programs > Quality Assurance Program > Tools for Schools.

The assessments that might interest the business office are those on default prevention & management, Direct Loans, fiscal management, return of Title IV funds, FSEOG, and FWS.

### Example of an Audit Trail for an FSEOG Cash Draw

1. Examining its cash draws as recorded in G5 for the previous 30-day period, a school finds a record of a drawdown of \$75,000 in federal funds identified as FSEOG federal share.
  2. The school examines its bank records for the account the school has designated to receive FSA funds to ensure that the funds were received.
  3. In the school's G5 Cash Control Account, the \$75,000 is entered as an offset to \$75,000 in G5 Accounts Receivable.
  4. The records show a \$75,000 credit to the G5 Cash Control Account (an asset account) and a \$75,000 debit to the income account, FSEOG Transfer from G5.
  5. At the same time the records should show that the school deposited its match<sup>1</sup>—credited its Institutional Cash Account with \$25,000, and debited Institution's Cash Contributions (its G5 income account) with \$25,000. (Note that the detail record for this transaction is the school's bank records and its internal subsidiary ledgers.)
  6. The records show a \$75,000 credit in FSEOG Transfer from G5 and \$25,000 credit in Institution's Cash Contributions and debits of \$25,000 and \$75,000 to the expense account Student Grants Paid—FSEOG.
  7. Student Grants Paid—FSEOG shows a credit of \$100,000 to the individual student accounts. (The records might show one credit of \$100,000 to a memo account in which the detail of the individual students who received the grants is present.)
  8. The student account records (student account cards in a manual system) are fiscal records (not program records). The account records are the detail records that substantiate the subsidiary ledger Student Grants Paid. They substantiate that the \$75,000 G5 draw was used as intended.
- 
1. If a school matches with tuition, fees, room and board, waivers, etc., the school's accounting records must show a clear audit trail from the noncash match in the student's account to the memo account "Institution's Noncash Contribution."

Questions you can ask about your program and fiscal records include the following:

- ◆ What program records does your school use to determine the amount of your federal funds request to G5. Do the date and amount of your anticipated disbursements of grant, loan, and FWS payroll funds support the cash requests you've made to G5?
- ◆ Do the amounts and dates of your school's calculations of refunds or overpayments made or due to ED, and the amounts and dates of return calculations for students who withdraw substantiate the entries in the G5 cash control contra account *Funds Returned to ED*?

As part of your school's internal control procedures, you should have a system that examines your fiscal and program records to ensure they are in agreement and support your accounting records. We will provide examples of those internal control procedures in our discussion of the individual FSA programs.

### Electronic data processing (EDP) controls

The Department continues to encourage and support schools' use of electronic recordkeeping and communications. Of course, any time a school electronically transfers funds, records or transmits confidential information, or obtains a student's confirmation, acknowledgment, or approval, the school must adopt reasonable safeguards against possible fraud and abuse. Such safeguards include:

- ◆ creating written policies and procedures for the security and proper operation of student information systems that go all the way down to the individual user level;
- ◆ informing authorized users of guidelines for proper system use, and having users acknowledge their responsibilities by signing an acknowledgment statement;
- ◆ issuing unique user IDs and passwords to each employee to ensure individual user accountability;
- ◆ changing passwords frequently;
- ◆ revoking access for unsuccessful logins;
- ◆ segregation of computer security duties and responsibilities, including granting appropriate levels of access to staff and limiting an employee's access to only those functions necessary to perform his/her assigned duties;
- ◆ establishing adequate software-security controls, audit functions, user identification, entry point tracking, and system surveys (these security controls should be sufficient to indicate or detect possible misuse, abuse, or unauthorized activity on the system), and conducting random audits of the system using the aforementioned functions;

- ◆ providing adequate provisions for system and data back up, contingency, disaster recovery, and business resumption;
- ◆ conducting security tests of code access; and
- ◆ physical computer security.

Before the start of an award year, you should test your school's automated packaging program to ensure that the calculations used to determine the amount of students' grant, loan, or FWS awards yield consistent results, and that the awards that result are within the amounts allowed by regulation. In addition, you should compare the records of awards made to students by the financial aid office to the records of those awards in the business office.

### Other checks and balances

#### Assigning specific duties to individual employees

When the responsibility for a particular work function is assigned to one employee or to a small group of employees, that employee (or that group) is accountable for specific tasks. Then, if a problem occurs, the employee responsible can be easily identified.

#### Rotating job assignments

Some schools cross train their employees and rotate job assignments each fiscal year. This policy discourages employees from engaging in long-term schemes to defraud the school and ED. Rotating assignments also makes it more likely that theft or misuse will be discovered quickly because an employee in a new assignment will quickly identify behavior or records that are out of compliance with school policy or ED regulations.

#### Mechanical devices and system safeguards

Requiring the use of simple mechanical devices can often reduce temptation and prevent theft. For example, schools that distribute FSA credit balances by check should adopt procedures that ensure that checks that cannot be delivered are returned to a lockbox type device—not to the school's mail room. Returned checks should be recorded and provided the same safeguards as cash.

## *Policies and procedures manuals*

Control activities usually involve two elements—policies establishing what should be done, and procedures to effect the policies. For example, in evaluating satisfactory academic progress (SAP), a school might have a *policy* that, to be considered to be making satisfactory academic progress, a student must have a 2.0 GPA once that student has attempted 60 credits. The *procedures* associated with that policy are the action steps the school takes to measure a student's progress in increments and intervene with students who appear to be in danger of failing to achieve the required GPA.

Many factors support the creation of a written policies and procedures manual for a school's participation in the FSA programs. The first factor is compliance with Department regulations. In some cases, e.g., verification deadlines, withdrawal procedures, approved leaves of absence and SAP, schools are required by ED regulations to have written procedures and to make them available. Second, for policies and procedures to be created with input from all appropriate offices within an organization the draft versions must be in writing so everyone works from the same starting point. Third, thoughtful, conscientious, and consistent implementation of any organization-wide activity requires a mutually agreed upon and understood framework for the activity. Finally, a comprehensive, well-written policies and procedures manual can

- ◆ document how and when the school establishes specific policies and procedures;
- ◆ provide a single location for the school's policies and procedures;
- ◆ serve as a valuable reference during a program review or audit; and
- ◆ provide the basis for orientation and training of new employees and refreshing the skills of current employees.

**TIP** The FSA Assessments can also help schools create a policy and procedure manual. On the webpage given earlier, the first item under the schools section is [A Guide to Creating a Policies and Procedures Manual](#).

**The Department strongly recommends that participating schools create policies and procedures manuals that cover the entirety of the school's participation in the FSA programs. We believe that an all-inclusive policies and procedures manual is critical to establishing internal controls and ensuring effective and efficient operation of a school's FSA programs.**

**We encourage those individuals responsible for participating in schools' business operations to join with their colleagues in financial aid in creating a comprehensive FSA policies and procedures manual for their schools.**

## Examples of Topics That Should Be Included in a School's FSA Policies and Procedures

- the organizational structure of the school's business and financial aid offices including how your school determines the number of qualified individuals required to administer the Title IV Programs
- the school's procedures for ensuring its E-APP is kept current
- the checks and balances built into your school's financial management systems that ensure separation of functions and cash control
- identification of the required coordinating official
- procedures for ensuring that the coordinating official is kept informed of all information received by the school that might affect a student's eligibility for federal student aid
- an annual calendar of aid-related activities
- a list of all financial charges
- descriptions of all financial assistance available at the school, the eligibility criteria, and the procedures for applying for aid
- procedures for processing aid applications
- policy and procedures for resolving conflicting information
- general financial counseling available to students
- general eligibility criteria for FSA program funds
- procedures for ensuring that all recipients meet FSA eligibility requirements
- eligibility criteria for school-based assistance
- the school's packaging philosophy and the procedures for awarding FSEOG funds and FWS jobs
- TEACH Grants—identifying eligible students, counseling, and awarding
- payment periods and loan periods
- procedures for ensuring that all students for whom funds are being requested have begun all the classes on which their aid is based
- procedures for determining that students who received a Direct Loan disbursement were enrolled in at least six credits at the time of the disbursement
- procedures for ensuring that individual Title IV program requirements (for the award year or payment period) have been met before FSA funds are posted to a student's account
- procedures for requesting and drawing down federal funds
- disbursement procedures
- crediting student accounts
- variables considered and procedures applicable to using professional judgement
- variables considered and procedures applicable to changing dependency status (overrides)
- how, where, and for how long all documents relating to federal student aid are maintained
- the fiscal recordkeeping process
- the fiscal reporting process
- procedures for determining that students who failed to earn a passing grade in any of their courses remained in attendance through the 60% point in the period for which the student received FSA funds

- the return of Title IV funds procedures
- procedures for handling overpayments
- Federal Work-Study Program—Assigning FWS jobs, job descriptions, rates of pay and the procedures for determining the rate of pay when a position has multiple rates, procedures for reporting FWS hours worked for on-and off-campus positions, payroll records, and reporting procedures
- Job Location and Development (JLD) procedures and records, Work Colleges Program procedures and records
- Direct Loan—packaging, confirmation, certifying, MPN, counseling, disbursing
- information on whether the school provides any of the required matches to federal funds for any of the Campus-Based Programs from noncash sources and how that might affect a student's FWS earnings
- monthly reconciliation procedures for all FSA programs
- Federal Perkins Loan Program master promissory note (MPN), disclosure, counseling, records, forbearance, deferment, due diligence
- rules for recalculating Pell Grant and other FSA assistance when students add or drop classes
- carried forward/carried back procedures for FSEOG and FWS
- transferring funds between the Campus-Based Programs
- NSLDS procedures and responsibilities
- G5 procedures and responsibilities
- FISAP procedures and responsibilities
- student and parent authorizations
- procedures for handling credit balances
- procedures for making post-withdrawal disbursements
- procedures to ensure security of returned checks
- procedures to ensure that FSA funds do not escheat, and other internal control procedures
- verification procedures and deadlines
- satisfactory academic progress policies, including appeal procedures
- procedures for negotiating and recording those parts of contracts and consortia agreements
- procedures for ensuring compliance with regulations on correspondence and telecommunications limitations
- procedures for ensuring that required updates to the E-APP are filed in a timely manner
- the required voter registration program
- the required anti-drug program
- directions on how to obtain the reports a school is required to make available under The Campus Security/Clery Act, The Student-Right-to-Know Act, and the Equity in Athletics Disclosure Act
- copies of all forms, applications, standard correspondence, and other materials routinely used by the business office and financial aid office
- method of insuring that all employees of the financial aid office receive up-to-date training on the administration of the FSA programs
- procedures for evaluating and improving the operations of the business and financial aid offices
- procedures for requesting and criteria for awarding leaves of absence

## EVALUATING AND IMPROVING YOUR SCHOOL'S FINANCIAL MANAGEMENT SYSTEMS

Improving the way schools manage the Federal Student Aid programs is a priority for the Department, and should be one for school business and financial aid officers. Strengthening your school's administration of FSA aid begins with an annual analysis of existing procedures, practices, and policies, is followed by an honest evaluation of where you have been successful and where improvements are needed, and concludes with planning for the upcoming year. An annual program of analysis, evaluation, and planning can help your school ensure its compliance with statutory and regulatory requirements and promote constant improvement in your procedures, practices, and policies.

The primary methods for evaluating a school's management of the FSA programs are self-evaluation and peer evaluation.

### ***Self-evaluation***

Compliance is a requirement, but quality is a choice. If your school is serious about this choice, the Department provides a way for you to conduct a practical self-evaluation of your FSA programs. The Department has developed an *FSA Assessment Tool* that is intended to help schools examine and improve their management of the FSA programs.

The FSA Assessment Tool can be used to evaluate and analyze a school's existing policies, procedures, and practices to determine where improvements are needed. The Department encourages schools to use the assessment activities on an ongoing basis to ensure compliance and establish the foundation for continuous improvement.

The FSA Assessment Tool consists of a comprehensive set of activities and questions designed to help your school assess its current FSA operations. Each assessment contains the major functional requirements, as well as suggested assessment steps.

The assessments can help you

- ◆ anticipate and address problems;
- ◆ spot-check the systems you are using to manage information;
- ◆ prepare for an audit or other review;
- ◆ maximize the efficiency of your staff in handling their duties; and
- ◆ continuously revise your approaches to management of the FSA programs according to your campus needs.

FSA Assessment topics currently available include the following:

1. Student Eligibility
2. Satisfactory Academic Progress
3. FSA Verification
4. Institutional Eligibility
  - Recertification
  - Change In Ownership
  - Administrative Capabilities
5. Default Prevention Management
6. Direct Loans
7. Consumer Information
8. Fiscal Management
  - Disbursing Aid
  - Reporting and Reconciling
9. Return of FSA Funds
10. Perkins Due Diligence
11. Perkins Repayment
12. Perkins Cancellation
13. Perkins Forbearance and Deferment
14. Federal Work-Study
15. Federal Supplemental Educational Opportunity Grants
16. Automation

To enhance their effectiveness, the Assessment Tools include activities to test compliance and procedures. The Assessment Tools also are linked to the latest regulations, Dear Colleague Letters, Federal Registers, and other related documents. Downloadable Microsoft Word documents include the hyperlinks as well. Those who download any of the FSA Assessments can access all hyperlinks through their Internet service provider (ISP).

Since financial aid is an institutional responsibility, some assessments may need to involve several offices on campus (financial aid, business office, admissions) to complete the assessment.

A second tool for self improvement is *The Self-Evaluation Guide*, published by the National Association of Student Financial Aid Administrators (NASFAA). It provides a step-by-step outline for reviewing financial aid and fiscal policies, procedures, and practices. It can help your school develop a comprehensive system for evaluating its FSA participation.

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### **DL quality assurance**

34 CFR 685.300(b)(9)

See the [electronic announcement of November 13, 2013](#), for information about the Direct Loan quality assurance requirement. See also Activity 2 on [the Direct Loans page of the QA website](#). Note that the DL quality assurance requirement is not the same as, nor does it fall under, the QA Program.

### ***Peer evaluation***

Peer evaluation is another technique your school can employ to obtain an independent, objective review of your administration of FSA programs. A peer evaluator can be a financial aid administrator or fiscal officer from another school or a financial aid consultant.

During a peer evaluation, a school obtains an objective assessment of its operation from someone at a similar school. The person performing the evaluation also benefits by getting a firsthand look at how another school manages financial aid programs. Comparing notes and exchanging ideas are methods by which colleagues in financial aid offices and business offices can share their expertise for improved FSA administration.

# DIRECT LOAN RECONCILIATION WORKSHEET

## SCHOOL FINAID SYSTEM TO COD SCHOOL ACCOUNT STATEMENT RECONCILIATION REPORT

As of Date:

	SCHOOL'S FINAID SYSTEM:	COD SCHOOL ACCT STATEMENT (SAS):	DIFFERENCE:	EXPLAIN DIFFERENCES &/OR REASONS FOR ECB:
<b>Beginning Balance</b>			\$0	
Cash Receipts			\$0	
Refunds of Cash*			\$0	
<b>Net Drawdowns/Payments</b>	\$0	\$0	\$0	
Booked Disbursements			\$0	
Booked Adjustments			\$0	
<b>Total Net Booked Disbs</b>	\$0	\$0	\$0	
<b>Ending Cash Balance</b>	\$0	\$0	\$0	
<hr/>				
Unbooked Disbursements			\$0	
Unbooked Adjustments			\$0	
<b>Total Net Unbooked Disbs</b>	\$0	\$0	\$0	
<hr/>				
<b>Cash&gt;Net Accepted and Posted Disbs</b>	\$0	\$0	\$0	

\*Refunds of Cash are entered as negative numbers on this spreadsheet for the summation for Net Drawdowns/Payments to calculate correctly.

# INTERNAL RECONCILIATION WORKSHEET

## SCHOOL INTERNAL RECONCILIATION REPORT

As of Date:

	SCHOOL'S BUSINESS OFFICE:	SCHOOL'S FINAID SYSTEM:	DIFFERENCE:	EXPLAIN DIFFERENCES &/OR REASONS FOR ECB:
<b>Beginning Balance</b>	\$0	\$0	\$0	
Cash Receipts			\$0	
Refunds of Cash*			\$0	
<b>Net Drawdowns/Payments</b>	\$0	\$0	\$0	
Disbursements**			\$0	
Adjustments**			\$0	
<b>Total Disbursed</b>	\$0	\$0	\$0	
<b>Ending Cash Balance</b>	\$0	\$0	\$0	

\*Refunds of Cash are entered as negative numbers on this spreadsheet, for the summation for Net Drawdowns/Payments to calculate correctly.

\*\*Since the Business Office usually does not distinguish booked from unbooked, these figures are a total of all actual disbursements at the school.

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# Introduction to Volume 5

*An overpayment occurs when the student receives more aid than he or she was eligible to receive. One kind of overpayment, traditionally called an overaward, results from changes in the student's aid package; a second occurs when a student withdraws. This volume covers how a school should respond when a student withdraws.*

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Here, we provide a summary of the changes and clarifications presented in greater detail in the chapters that follow. **Alone the text herein does not provide schools with the guidance needed to satisfactorily administer the Title IV HEA programs.** For more complete guidance, you should refer to the text in the chapters cited, the Code of Federal Regulations (CFR), and the Higher Education Act (HEA) as amended.

Throughout this volume, new information is indicated with the following symbol:



When the text represents a clarification rather than a change, it is indicated with:



When we believe that historically there might be some misunderstanding of a requirement, we indicate that with:



If we want to point out a bit of helpful information, we indicate it with:



Finally, if we want to draw your attention to something, we indicate it with:



## **Notes on Active Links**

At the top of each page you will find links to Dear Colleague Letters, the Code of Federal Regulation, and the Federal Student Aid Glossary and Appendices.

[Glossary](#) [CFR](#) [DCL](#)

## Major Changes

### Chapter 1—Withdrawals and the Return of Title IV Funds

- ◆ We remind schools that once a student has begun attendance in a payment period, the school must perform an R2T4 calculation if the student withdraws or is granted a retroactive withdrawal. 
- ◆ We remind schools that, if a student who has begun attendance, the institution changes the amount of institutional charges it is assessing a student or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. 
- ◆ We remind schools that when a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period are the greater of (a) the prorated amount of institutional charges for the longer period; or (b) the amount of title IV assistance retained for institutional charges as of the student's withdrawal date (e.g., when a student has provided an authorization to retain funds).

### Chapter 2—The Steps in a Return of Title IV Aid Calculation

- ◆ We clarify that the rule on multiple payment periods is only applicable to nonstandard term credit hour programs with terms that are not substantially equal in length.
- ◆ We have added an additional example on performing an R2T4 calculation for a student receiving aid under two payment period definitions.
- ◆ We added a sidebar directing schools to an expanded discussion of proration in *Volume 4, Chapter 2*, and reminding schools that they may always exclude from institutional charges in an R2T4 calculation the documented cost to the school (what the school paid for the items) of unreturnable equipment and returnable equipment not returned in good condition. 
- ◆ We explain what a school should do when it cannot locate a student for whom it holds a Title IV credit balance if the student has outstanding Direct Loans. 
- ◆ We remind schools that two years is the maximum time a school may allow in a satisfactory agreement to repay a grant overpayment that is a result of an R2T4 calculation. 
- ◆ We remind schools that a school must have a procedure in place that ensures the school immediately refers for collection (to the Default Resolution Group) any student who violates the terms of the repayment agreement (including failing to repay the full amount within two years). 
- ◆ We remind schools that the Department may take enforcement action against schools that fail to refer for collection any student who violates the terms of his or her repayment agreement.

### Chapter 3—Case Studies in Withdrawal and Return of Title IV Funds

- ◆ We modified Case Study 5 to show that first the school prorated the student's charges, and then excluded the cost of unreturned equipment from the institutional charges for the period.

# Withdrawals and the Return of Title IV Funds



*This chapter will discuss the general requirements for the treatment of Title IV funds when a student withdraws.*

## WITHDRAWALS

This chapter explains how Title IV funds are handled when a recipient of those funds ceases to be enrolled (100% withdrawal) prior to the end of a payment period or period of enrollment. These requirements do not apply to a student who does not actually begin attendance or cease attendance at the school. For example, when a student reduces his or her course load from 12 credits to 9 credits, the reduction represents a change in enrollment status, not a withdrawal. Therefore, no Return of Title IV Funds (R2T4) calculation is required.

The R2T4 regulations do not dictate an institutional refund policy. Instead, a school is required to determine the earned and unearned portions of Title IV aid as of the date the student ceased attendance based on the amount of time the student spent in attendance or, in the case of a clock-hour program, was scheduled to be in attendance. Up **through the 60% point** in each payment period or period of enrollment, a pro rata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal. **After the 60% point** in the payment period or period of enrollment, a student has earned 100% of the Title IV funds the student was scheduled to receive during the period.

For a student who withdraws after the 60% point-in-time, there are no unearned funds. However, a school must still determine whether the student is eligible for a post-withdrawal disbursement (PWD).

The R2T4 regulations do not prohibit a school from developing its own refund policy. However, the school must comply with refund policies required by a state or other outside agencies. Although a school, state or agency refund policy will determine the charges a student will owe after withdrawing, those policies will not affect the amount of Title IV Aid the student has earned under the R2T4 calculation.

## Return of Title IV funds

HEA, Section 484B  
34 CFR 668.22

### Terminology

In other Handbook volumes when we speak collectively of

- Federal Pell Grants
- Iraq and Afghanistan Service Grants
- TEACH Grants
- FSEOG Grants
- Direct Loans

we use the term “federal student aid programs.” In this volume, because the requirements of 34 CFR 668.22 are commonly referred to as the Return of Title IV Funds requirements, we use “Title IV Programs.”

## Reporting required



If a school determines that a student has withdrawn, the student is no longer considered to be enrolled and in attendance. Therefore, the student is no longer eligible for in-school status or an in-school deferment, and the school must report the student as withdrawn in NSLDS Enrollment Reporting. Schools are encouraged to access the National Student Loan Data System (NSLDS) Professional Access Website at [https://www.nslsdfap.ed.gov/nsls\\_FAP/](https://www.nslsdfap.ed.gov/nsls_FAP/) and update the student’s enrollment status to “W” to ensure the timeliest processing of the information.

34 CFR 685.309(b) and 34 CFR 682.610(c)

### The FSA Assessment Module

that can assist you in understanding and assessing your compliance with the provisions of this chapter is “Return of Title IV Funds,” at:

<https://ifap.ed.gov/qahome/qaassessments/returntivfunds.html>

**When a Student Withdraws Before a School's Census Date**

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform an R2T4 calculation using the number of days the student attended or the number of scheduled clock hours the student attended class (see Step 2: Percentage of Title IV Aid Earned in Chapter 2.)

The school must include in the R2T4 calculation all forms of Title IV aid that were disbursed or that could have been disbursed, even if the student receives a full tuition refund.

**Tuition Refunds and Retroactive Withdrawals**

Tuition refunds following a student's withdrawal have no impact on the amount of Title IV aid that the student has earned under a R2T4 calculation. If a student withdraws during a term and a school provides a full tuition refund for that term (for example, for special circumstances such as medical reasons), the school may not return more Title IV aid than the R2T4 calculation specifies unless it seeks, and subsequently receives, the student's permission to do so.

**TIP**

If a student drops classes (or is administratively dropped/withdrawn) by a school) on the same day the student withdraws, or if the student is later granted a retroactive withdrawal, the student's enrollment status and charges are not adjusted to reflect the dropped classes for R2T4 purposes.

**General requirements**

Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive.

**If a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the school must perform an R2T4 calculation to determine the amount of Title IV assistance earned by the student.** If the amount disbursed to the student is greater than the amount the student earned, the unearned funds must be returned. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, he or she is eligible to receive a post-withdrawal disbursement of the earned aid that was not received.

**Reminder****When a student is considered to have withdrawn**

A student is considered to have withdrawn from a payment period or period of enrollment if

- ♦ in the case of a program that is measured in credit hours, the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete;
- ♦ in the case of a program that is measured in clock hours, the student does not complete all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete; or
- ♦ for a student in a nonterm or nonstandard-term program, the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence, as defined later in this chapter.

Please see *Withdrawals from programs offered in modules* in Chapter 2 for more information about withdrawals from modular programs.

**If a student remains enrolled only in non-Title IV-eligible courses**

A student's schedule sometimes includes courses the student is taking for credit and for which he or she may receive Title IV funds, and courses for which the student may not receive Title IV funds—courses the student is auditing, completing (courses in which he or she previously received an "Incomplete"), or repeating for a second or greater time (See *Satisfactory Academic Progress* in Volume 1, and *Retaking Coursework in Term-based Programs* in Volume 3 for additional information).



If a student ceases attendance (drops or withdraws) from all his or her Title IV, eligible courses in a payment period or period of enrollment, the student must be considered a withdrawal for Title IV purposes.

The principle is the same for programs offered in modules **within terms**. For example, a student is scheduled to attend one course in each of five modules during a semester. The student receives an incomplete in course number two in the second module and, because the student may not progress to course number three until course number two is completed, the student completes the remaining portion of course number two in the third module. While the student is completing the incomplete portion of module number two in the period during which the student was to have been taking the third module, he or she is not considered to be enrolled in the course for Title IV purposes, so attendance of just that course does not count as attendance for purposes of the R2T4 requirements. Therefore, for the student enrolled in modules within terms not to be considered a withdrawal for Title IV purposes, the institution would need to obtain written confirmation of future attendance in a Title IV eligible course later in the semester at the time that would have otherwise been a withdrawal in accordance with 34 CFR 668.22(a)(2)(ii), or put the student on an approved leave of absence, for the student not to be considered a withdrawal for Title IV purposes. In the absence of written confirmation of future attendance or being placed on an approved leave of absence, an R2T4 calculation would be required. However, if the student subsequently returns to a Title IV, eligible course later in the period, the student's R2T4 calculation would be undone in accordance with 34 CFR 668.22(a)(2)(iii).

### ***When a student who fails to begin attendance in all the courses he or she was scheduled to attend withdraws***



Anytime a student begins attendance in at least one course but does not begin attendance in all the courses the student was scheduled to attend regardless of whether the student is a withdrawal, **the school must determine if it is necessary to recalculate the student's eligibility for Pell Grant and Campus-Based funds based on a revised enrollment status and cost of attendance**. If the student is a withdrawal, this recalculation must be done before performing an R2T4 calculation, and the school must use the recalculated amounts of aid in the R2T4 calculation.

If a student who has withdrawn did not begin attendance in enough courses to establish a half-time enrollment status, the school may not make a first disbursement of a Direct Loan to the student after the student withdraws. However, the funds are included as *Aid that could have been disbursed* in the R2T4 calculation. For more information, please see the discussion under *Withdrawals from programs offered in modules* in Chapter 2.

#### **TIP**

See the discussion under *Title IV Aid that could have been disbursed* later in this chapter for a complete discussion of that topic.

**Technical Questions**

Technical questions on the Return of Title IV funds Web product are handled by the CPS at:

**1-800-330-5947**

or via email at

**cpssaig@ed.gov**

**Access to R2T4 Web Product via CPS Online**

Individual staff members must be enrolled in the SAIG in order to have access to the Return Web product.

Your school's SAIG Destination Point Administrator (DPA) can enroll the selected staff members via the SAIG Enrollment website at:

**<http://fsawebenroll.ed.gov>**

**Worksheets and the R2T4 Web product**

The Department has developed worksheets and software to assist schools in implementing the R2T4 regulations (you can find blank worksheets in the appendix at the end of this volume). There is one worksheet for students who withdraw from credit-hour programs and one for students who withdraw from clock-hour programs. These worksheets are also in portable document file (PDF) format on the Department's Information for Financial Aid Professionals website at:

**[ifap.ed.gov/ifap/wst.jsp](http://ifap.ed.gov/ifap/wst.jsp)**

The Department has developed an R2T4 Web product. It is accessible via the main menu of the FAA Access at the CPS Online website:

**<https://faaaccess.ed.gov/FOTWebApp/faa/faa.jsp>**

The Return of Title IV Funds on the Web in FAA Access to CPS Online has not been updated to include Iraq and Afghanistan Service Grants. If schools need to complete an R2T4 calculation for a student who received the Iraq and Afghanistan Service Grant, they should use the worksheets described above.

The use of the Department's worksheets and the Web Product is optional.

**Consumer information**

In the consumer information a school must make available upon request to prospective and enrolled students, the school must include a statement of

- ◆ any refund policy with which the school must comply,
- ◆ the requirements for the treatment of Title IV funds when a student withdraws, and
- ◆ the requirements and procedures for officially withdrawing from the school.

**Consumer information**

HEA Sec. 485(a)(1)(F), 34 CFR 668.43

For more information, see *Appendix F—Institutional Reporting and Disclosure Requirements*.

**Changing the Basis of the Calculation**

A school may change the basis for its R2T4 calculations for new students as they begin classes. However, for continuing students, since the institution's Return policy must be included in the published materials the school provides to students as part of the consumer information requirement, the school would have to change its catalog, its written policies and procedures, and its enrollment agreements (if any), and allow sufficient time for those continuing students who would be governed by the new policy to receive and review the materials.

A school should provide sufficient information for a student or prospective student to determine the procedures for withdrawing and the financial consequences of doing so. In addition, a student should be able to estimate how much Title IV aid the student will retain and how much the student may have to return upon withdrawing. Since the R2T4 provisions do not affect institutional refund policies, a school must provide a student with information on both the school's refund policy and the R2T4 requirements, and explain the interaction between the two. The information should include a discussion of how a school might adjust a student's charges to take into account any return of funds the school might be required to make. Finally, a student or prospective student should be informed that if he or she withdraws, institutional charges that were previously paid by Title IV funds might become a debt that the student would be responsible for paying.

As a part of the institution's disclosure of the procedures for officially withdrawing, the school must identify the offices the school has designated to accept notification of official withdrawals.

## GENERAL TITLE IV PRINCIPLES WITH SPECIAL APPLICABILITY IN THE RETURN OF TITLE IV AID

### *Definition of a Title IV recipient*

The requirements for the treatment of Title IV funds when a student withdraws apply to any recipient of Title IV grant or loan funds who ceases all attendance. For purposes of these requirements, a recipient of grant or loan assistance is a student who has actually received Title IV funds or has met the conditions that entitled the student to a late disbursement. These conditions are listed in the chart *Conditions and Limitations on Late Disbursements* in *Volume 4*. The R2T4 requirements apply only to the receipt of or qualification for aid that can be included in the calculation. For example, the requirements of 34 CFR 668.22 do not apply to Federal Work-Study (FWS) funds. Therefore, the R2T4 requirements do not apply to a student if the only Title IV program assistance that the student has received or could have received was FWS funds.

**Please note that if the student never actually began attendance for the payment period or period of enrollment, 34 CFR 668.22 does not apply.** Likewise, if a student began attendance but was not and could not have been disbursed Title IV grant or loan funds prior to withdrawal, the student is not considered to have been a Title IV recipient and the requirements of 34 CFR 668.22 do not apply. **In these cases, Title IV funds would be handled in accordance with the regulations for returning funds for students who do not register or fail to begin attendance (see sidebar).**

### Sample Summary Provided

A sample summary of the requirements of 34 CFR 668.22 is provided at the end of this chapter.

### Title IV Recipient

In determining whether the requirements of 34 CFR 668.22 apply, a school must first determine whether a student was eligible to receive any Title IV funds.

### If a Student Withdraws Before Title IV Funds Are Disbursed

Even if a student paid all institutional charges and ceased enrollment prior to Title IV funds being disbursed, if Title IV funds could have been disbursed, the institution must determine the Title IV funds earned by the student and follow the procedures for making a post-withdrawal disbursement.

### Returning funds for students who do not register or fail to begin attendance

34 CFR 668.21  
 § 674.16(f)(1)&(2)  
 § 676.16(d)(1)&(2)  
 § CFR 685.303(b)(4)



## Verification

GEN-04-03 Revised, November 2004

### No Earlier Verification Deadline for Pell

For the Pell Grant and Iraq and Afghanistan Service Grant programs, a school may not establish an earlier deadline than that established by the Department in its annual notice. Therefore, if a Pell-eligible student submits the documents required for verification no later than 120 days after the student's last day of attendance or the deadline established each year by the Department, whichever is earlier, a school must make any applicable post-withdrawal disbursement of the student's Pell Grant.

## Verification

The R2T4 calculations impose no additional liability for interim disbursements made to students selected for verification. However, the R2T4 requirements do place limits on interim disbursements that can be made to students selected for verification who have ceased attendance. A school may not make an interim disbursement to a student after the student has ceased attendance.

The Department establishes deadlines for the submission of required verification documents that apply to all Title IV programs.

For the Campus-Based Program and Direct Loan Program, a school may establish an institutional verification deadline that may be earlier than the date established by the Department. The institution must include its verification deadlines in the consumer materials it provides to students.

When a school is completing an R2T4 calculation for a student subject to verification the following rules apply:

- ◆ A school must offer any post-withdrawal disbursement of loan funds within 30 days of the date the school determined the student withdrew. A school must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew.
- ◆ A school must disburse any Title IV grant funds a student is due as part of a post-withdrawal disbursement within 45 days of the date the school determined the student withdrew and disburse any loan funds a student accepts within 180 days of the date the school determined the student withdrew.
- ◆ Unless a student subject to verification has provided all required verification documents in time for the school to meet the R2T4 deadlines, the school includes as *Aid disbursed* or *Aid that could have been disbursed* in the R2T4 calculation only those Title IV funds **not** subject to verification.
- ◆ If a student who failed to provide all required verification documents in time for the school to meet the R2T4 deadline later provides those documents prior to the applicable verification deadline, the school must perform a new R2T4 calculation based on all of the aid the student qualified for based on the completed verification documents and make the appropriate adjustments.

### When verification is completed before the R2T4 deadlines

A school must offer any post-withdrawal disbursement of loan funds within 30 days of the date of the school's determination that the student withdrew, and return any unearned funds and make a post-withdrawal disbursement of grant funds within 45 days of that date. If a student provides all documents required for verification after withdrawing but before the verification submission deadline, and in time for the institution to meet the 30-day R2T4 deadline, the institution performs the R2T4 calculation including all Title IV aid for which the student has established eligibility as a result of verification and for which the conditions of a late disbursement had been met prior to the student's loss of eligibility due to withdrawal. (See *Volume 4* and 34 CFR 668.164(j)(2).)

### When verification is not completed before the R2T4 deadlines

If a student who has withdrawn does not provide the required documents in time for the school to complete the verification process and meet the R2T4 deadlines noted previously, the institution includes in the R2T4 calculation only the Title IV aid that was not subject to the verification process. For a student who failed to provide all required verification documents, the only aid that may be included in an R2T4 calculation are Direct PLUS Loan funds and Direct Unsubsidized Loan funds (verification is not required for receipt of these funds) for which the conditions of a late disbursement (as discussed under *Title IV Aid that could have been disbursed*, in Chapter 2) were met prior to the student's loss of eligibility due to withdrawal.

If a school has made an interim disbursement to a student who has failed to provide all the documents required for verification in time for the school to meet the 45-day R2T4 deadline, the student has failed to establish eligibility for the Title IV funds affected by verification. Therefore, the institution must return any Title IV funds subject to verification that were disbursed to the student on an interim basis and may not include any of those funds as aid that was or could have been disbursed in the R2T4 calculation.

#### Verification and the 30-Day Deadline

If, because verification is not complete, a school is unable to meet the requirement to offer a post-withdrawal disbursement directly to a student (or parent for a Direct PLUS Loan) within 30 days of the date of the school's determination that the student withdrew, once verification is complete, the school must perform a new R2T4 calculation. The school must offer the funds as soon as possible and should provide the student or parent with the minimum 14-day (or longer, if the school chooses) response period whenever possible.

A school must make any post-withdrawal disbursement that results from the new R2T4 calculation as soon as possible but no later than the applicable 180-day late disbursement deadline.

## When verification is completed after the R2T4 deadlines

If, before the verification deadline but after the institution has completed the R2T4 calculation, a student provides all the documentation required for verification, the institution must perform a new R2T4 calculation including, as *Aid that could have been disbursed* all Title IV aid for which the student has established eligibility based upon verification and for which the conditions of a late disbursement have been met prior to the student's loss of eligibility due to withdrawal. If, as a result of verification, the student's eligibility for Federal Pell Grant, Iraq and Afghanistan Service Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and TEACH Grant-funds has been reduced, only the reduced amount is included in the new R2T4 calculation.

For additional information on verification, please consult *The Application and Verification Guide*.

## Approved leave of absence

A leave of absence (LOA) for R2T4 purposes is a temporary interruption in a student's program of study. LOA refers to the specific time period during a program when a student is not in attendance. An LOA is not required if a student is not in attendance only for an institutionally scheduled break. However, a scheduled break may occur during an LOA.

An LOA must meet certain conditions to be counted as a temporary interruption in a student's education instead of being counted as a withdrawal requiring a school to perform an R2T4 calculation. If an LOA does not meet the conditions in 34 CFR 668.22(d), the student is considered to have ceased attendance and to have withdrawn from the school, and the school is required to perform an R2T4 calculation.

For an LOA to qualify as an approved LOA:

- ◆ the school must have a formal written policy regarding leaves of absence requiring that all requests for leaves of absence be submitted in writing and include the reason for the student's request;
- ◆ the student must follow the school's policy in requesting the LOA;
- ◆ there must be a reasonable expectation that the student will return from the LOA;
- ◆ the school must approve the student's request for an LOA in accordance with the school's policy;
- ◆ the institution may not assess the student any additional institutional charges, the student's need may not increase, and therefore, the student is not eligible for any additional Title IV aid;



### Approved leave of absence

34 CFR 668.22(d)

#### Maximum Time Frame for LOA

When calculating the maximum time-frame for a student's approved LOA, the school must ensure that it accounts for all periods of nonattendance (including weekends and scheduled breaks).

Thus, since an approved LOA may not be more than 180 days, a school might have to reduce the length of a student's LOA if the 180th day is scheduled to fall on a day the school would be closed.

#### Full Tuition Credit

An institution may grant a full tuition credit toward the course the student chooses to reenter as a way to comply with the requirement that the institution not assess the student any additional charges upon return from an approved leave of absence.

- ◆ the LOA, together with any additional leaves of absence, must not exceed a total of 180 days in any 12-month period;
- ◆ except in a clock-hour or nonterm credit-hour program, a student returning from an LOA must resume training at the same point in the academic program that he or she began the LOA; and
- ◆ if the student is a Title IV loan recipient, the school must explain to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan repayment terms, including the expiration of the student's grace period.

A student granted an LOA that meets the criteria in this section is not considered to have withdrawn, and no R2T4 calculation is required. Upon the student's return from the leave, he or she continues to earn the Title IV aid previously awarded for the period.

### Written formal policy required

Among the policies and procedures a school must maintain is one that discusses the procedures a student must follow in applying for a leave of absence and the criteria the school will apply in determining whether to approve the application. A school's LOA policy must specify that all requests for an LOA be submitted in writing, be signed, and be dated.

As mentioned previously, the regulations provide that a school must determine, before it grants an LOA, that there is a reasonable expectation that the student will return from the leave. For the school to make such a determination and ensure that the student meets the criteria in the school's LOA policy, the school must know the student's reason for requesting the leave. **Therefore, a school's LOA policy must specify that the reason for a student's leave request be included on a student's application for an LOA.**



A school's policy must require a student to apply in advance for an LOA unless unforeseen circumstances prevent the student from doing so. For example, if a student were injured in a car accident and needed a few weeks to recover before returning to school, the student would not have been able to request the LOA in advance. A school may grant an LOA to a student who did not provide the request prior to the LOA due to unforeseen circumstances if the school documents the reason for its decision and collects the request from the student at a later date. In this example, the beginning date of the approved LOA would be determined by the school to be the date the student was unable to attend school because of the accident.

A school must publicize its LOA policy. The school may do this by including that policy in the consumer information the school makes available to students (see *Volume 2*).

### Disbursement Rules for Students on Leave of Absence

You may NOT make a disbursement of the proceeds of a Direct Loan to a student on an LOA.

You may disburse Pell Grant, Iraq and Afghanistan Service Grant, and FSEOG, funds to a student on an LOA.

You must pay any funds that are part of a Title IV credit balance (and therefore are funds that have already been disbursed) to a student on an LOA. (See the discussion under *Treatment of Title IV credit balances when a student withdraws* later in this chapter.)

### TIP

Do not confuse a Return of Title IV funds approved LOA with your school's academic LOA. Many schools have academic policies that allow them to temporarily extend the length of a student's academic term in the event of conditions that prevent the student's on-time completion of an academic period. Typically, these academic LOAs do not meet the requirements of a Return of Title IV funds approved LOA.

### TIP

A school that grants a student an approved leave of absence must, in NSLDS Enrollment Reporting, report the student with a status of "A" (approved leave of absence).

### Reasonable expectation of return

This condition is specified to make clear that a school may not grant a student an LOA merely to delay the return of unearned Title IV funds.

### Completion of coursework upon return in term-based credit-hour programs

Approved leaves of absence are viewed as temporary interruptions in a student's attendance. For term-based programs, a student returning from an LOA must complete the term to be eligible to receive a second or subsequent disbursement. 

For an LOA to be an official LOA, a school must allow students enrolled in credit-hour term-based programs who are returning from a LOA to complete the coursework the student started prior to the LOA. The school may not impose additional charges and may not award the student additional Title IV assistance.

### Completion of coursework upon return in clock-hour and credit-hour nonterm programs

For nonterm-based programs, the regulations provide that the payment period is the period of time it takes a student to complete both half the number of credits and half the number of weeks of instruction in the academic year, program, or remainder of the program. For clock-hour programs, the payment period is the period of time it takes a student to complete half the number of clock hours and half the weeks of instructional time in the academic year or remainder of the program. Therefore, for clock-hour and nonterm programs, it doesn't matter whether the student returns to the same course and point when the LOA began or the student starts in a new course within the program (so long as there are no additional charges). The student simply has to complete the number of clock hours or credit hours and the weeks of instruction in the payment period.

### A student may return early from a leave of absence

A school may permit a student to return to class before the expiration of the student's LOA to review material previously covered. However, until the student has resumed the academic program at the point he or she began the LOA, the student is considered to still be on the approved LOA.

**If a student returns early, the days the student spends in class before the course reaches the point at which the student began his or her LOA must be counted in the 180 days maximum for an approved leave of absence.** That is, a student repeating coursework while on an LOA must reach the point at which he or she interrupted training within the 180 days of the start of the student's LOA. 

The requirement that an institution not impose additional charges when an approved LOA ends and the student resumes his or her program of study applies when a student returns to repeat prior coursework. Moreover, even if the student enters at the beginning of the module or course from which he or she took the leave of absence, a student is not eligible for any additional Title IV program assistance for this preparatory phase.

Since a student is still considered to be on an LOA while repeating prior coursework, if the student fails to resume attendance at the point in the academic program where he or she interrupted training at the beginning of the LOA, the student must be treated as a withdrawal. In that case, at an institution that is not required to take attendance, the date of the student's withdrawal that must be used in the R2T4 calculation is the date the student began the LOA.

At an institution that is required to take attendance, the Last Date of Attendance (LDA) is used as the withdrawal date for a student that does not return from an LOA.

### **Leaves of absence versus the grade of incomplete**

At term-based schools, students who are unable to complete the requirements of an individual course are often assigned the grade of incomplete (I). Students are usually expected to complete the required work within a reasonable time to receive credit and a passing grade.

If a student is assigned an incomplete status for one or several courses but continues to attend other courses, the student is not considered to have withdrawn. A student who is awarded the grade of incomplete in all of his or her classes is not considered a student on an approved LOA unless the LOA meets the criteria in this section.

Because of the criteria that must be met for an LOA to be an approved LOA, term-based schools can grant LOAs that meet the Department's criteria for an approved LOA in a very limited number of cases. A term-based, credit-hour institution that wishes to explore the possibility of granting an LOA that meets the criteria specified in 34 CFR 668.22(d) should call its School Participation Team for additional information.

### No additional charges for students on an LOA

An LOA is a temporary break in the student's attendance during which, for purposes of determining whether an R2T4 calculation is required, the student is considered to be enrolled. Since students who are continuously enrolled are not assessed additional charges, any additional charges to a student, even minimal reentry charges, indicate that the institution does not truly consider the student to be on an approved LOA.

### No additional Title IV assistance while a student is on LOA

Since an institution may not assess any additional charges to a student returning from LOA, the institution may not award any additional Title IV aid until the student has completed the coursework in which the student was enrolled when the leave was granted.

### An LOA may not exceed 180 days in any 12-month period

Institutions, at their discretion, may grant a student multiple leaves of absence as long as the total number of days for all leaves does not exceed 180 days within a 12-month period. **This 12-month period begins on the first day of the student's initial LOA.**

#### TIP

If a student on an approved leave of absence fails to return within 180 days, the school must, in NSLDS Enrollment Reporting, report the student as withdrawn with the date the student began the LOA as the effective date.

### *When a student fails to return from a leave of absence*

At an institution not required to take attendance, if a student does not return to the school at the expiration of an approved LOA (or a student takes an unapproved LOA), the student's withdrawal date is the date the student began the LOA. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

## Explanation of the consequences of withdrawal to loan recipients granted an LOA

A student who is granted an approved LOA remains in an **in-school status** for Title IV loan repayment purposes. If a student on an approved LOA fails to return, the school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

One possible consequence of not returning from an LOA is that a student's grace period for a Title IV program loan might be exhausted. Therefore, for an LOA to be an approved LOA, prior to granting a leave of absence, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms, including the exhaustion of the student's grace period.

### *Unapproved leaves of absence*

A school may grant a student an LOA that does not meet the conditions to be an approved LOA for Title IV purposes (for example, for academic reasons). However, **an LOA that does not meet all of the conditions for an approved LOA** is considered a withdrawal for Title IV purposes. The student's withdrawal date at an institution not required to take attendance is the date the student begins the LOA. At an institution required to take attendance, the student's withdrawal date is the student's last day of attendance.

**An unapproved LOA may not be treated as an unofficial withdrawal.** An unofficial withdrawal is one where the school has not received notice from the student that the student has ceased or will cease attending the school. If a school has granted a student an unapproved LOA, the school would know immediately that the student had ceased attendance for Title IV purposes and must use the specified withdrawal date in the R2T4 calculation.

### **Deferment or Forbearance**

A student who has exhausted his or her grace period and is unable to begin repayment of a loan may apply for a deferment or forbearance of payment.

## INSTITUTIONAL CHARGES

### Institutional charges

34 CFR 668.22(g)(1)(ii)  
 § 668.22(g)(2)  
 DCL GEN-00-24

### Fees as noninstitutional charges

Application fees are excluded from institutional charges because they are not an educational cost. (Federal Register, Vol. 59, No. 82, April 29, 1994, page 22356).

### Institutional charges and cost of attendance

If a charge may not be included in a student's cost of attendance, it may not be covered with Title IV aid and, therefore, is not counted as an institutional or noninstitutional charge for Return of Title IV funds purposes. See **Volume 3**, for information on cost of attendance.

### Institutional charges and third-party housing

If an institution enters into a contract with a third party to provide institutional housing, the institution must include the cost of housing as an institutional charge in a R2T4 calculation.

### Charges for non-title iv-eligible courses

A school should not include in Step 5, Block L, of the R2T4 calculation tuition charges for courses for which the student may not receive Title IV funds.

Institutional charges are used to determine the portion of unearned Title IV aid that the school is responsible for returning. Schools must ensure that all appropriate fees, as well as applicable charges for books, supplies, materials, and equipment, are included in Step 5, Part G of the R2T4 calculation (see *Example of institutional charges versus non-institutional charges* later in this chapter). Institutional charges do not affect the amount of Title IV aid that a student earns when he or she withdraws.

### *Use of institutional charges in determining a school's responsibility for returning funds*

The institutional charges used in the calculation usually are the charges that were initially assessed the student for the entire payment period or period of enrollment as applicable. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal). If, at the time of the withdrawal or afterward, the school changes the amount of institutional charges it is assessing a student or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. (Please see Step 3—*Amount of Title IV aid earned by the student*, in Chapter 2 for a further discussion of aid earned and institutional charges.)

**Reminder**

The R2T4 regulations presume that Title IV program funds are used to pay institutional charges ahead of all other sources of aid. **Institutional charges may not be reduced even if other sources of aid are used to pay those charges.** For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition.

**TIP**

## Institutional versus noninstitutional charges

Institutional charges generally are defined as the charges for tuition and fees, room and board, and other educational expenses that are paid to the school directly. If a fee (like an enrollment fee, registration or technology fee) is required for all students in a program, is part of an enrollment agreement or an addendum to it, or is a fee for which a school routinely debits a student's ledger, then the fee is considered an institutional charge. A charge does not have to appear on a student's account to be considered an institutional charge.

The following educational expenses must be considered institutional charges:

- ◆ all charges for tuition, fees, and room and board (if contracted with the school);
- ◆ expenses for required course materials (books, kits, tools, supplies, etc.) if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school.

### TIP

Exceptions: Excludable costs are costs a school may exclude from the total amount of institutional costs, such as the documented cost of unreturnable equipment and documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Noninstitutional charges (not included in an R2T4 calculation) include the following:

- ◆ charges for any required course materials that a school can document a student had a real and reasonable opportunity to purchase elsewhere (see the discussion that follows);
- ◆ charges to a student's account for group health insurance fees if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal, and
- ◆ charges to a student's account for discretionary, educationally related expenses (e.g., parking or library fines, the cost of athletic or concert tickets, etc.).

### Three Principles Associated With Institutional Charges

Published in a January 7, 1999, policy bulletin, these principles are applicable to determining institutional charges.

#### Principle 1: Most costs charged by the school are institutional charges.

The most important principle to keep in mind is that all tuition, fees, room and board, and other educationally related charges a school assesses a student are institutional charges, unless demonstrated otherwise. If you want to exclude specific charges or costs from a calculation, you must document that the charges are not institutional charges.

#### Principle 2: An institutional charge does not need to be assessed to all students.

A charge assessed to all students enrolled in a course or program is an institutional charge whether or not it is assessed to all students at the school. Moreover, a charge does not have to be specified in a student's enrollment agreement to be considered an institutional charge.

#### Principle 3: Charges on a student's account are not always institutional charges; institutional charges do not always appear on a student's account.

With the student's authorization, a school may credit a student's account with Title IV funds to pay for noninstitutional charges. If a student withdraws from the school with debits for noninstitutional charges on his or her account, the school should exclude those charges from the R2T4 calculation.

Conversely, there may be institutional charges that do not appear on a student's account. If a school disburses Title IV funds to a student to buy required books, equipment, supplies, or materials and the student does not have a real and reasonable opportunity to purchase them from another source, those costs must be classified as institutional charges.

### Example of institutional charges versus non-institutional charges

Aerospace Tech requires its students to purchase a titanium-plated tool set by the first day of class. Aerospace's enrollment agreement does not contain a charge for the tools, and it does not say that the student is required to purchase the tools from Aerospace or a vendor affiliated with Aerospace. As it happens, the required tools are available for purchase from Aerospace and from a retailer across the street. As a routine practice, Aerospace gets written authorization from its students to credit all financial aid to their school accounts, hold any credit balances, and establish a line of credit for students at the campus store so they can purchase the required tools by the first day of class. Most students buy the tools at the campus store and charge the purchase to their school accounts.

Although the cost of the tools is not listed as a charge in the student's enrollment agreement, Aerospace requires that the tools be purchased by everyone in the program of study. Therefore, as a general rule, the tool charges would be considered institutional charges. However, under the exceptions rule, the tool charges do not have to be considered institutional charges if Aerospace can demonstrate that (1) the tools were available for purchase elsewhere, (2) Aerospace made financial aid available to students in time to purchase the tools from another vendor before the first day of class, and (3) Aerospace's practices provide students with an equal opportunity to purchase tools from the campus bookstore or the retailer across the street.

In this case, the school meets the first criterion, the tools are available at the store across the street, so an opportunity could exist. However, the school fails to satisfy the second and third criteria because the school's routine practice of crediting students' accounts with all financial aid and extending lines of credit for purchases at the campus bookstore discourages students from purchasing the required tools from another vendor. Unless a student specifically requests that Aerospace not hold his or her credit balance, a student whose education is funded primarily through financial assistance has to purchase the tools at the campus store. As a result, the cost of the tools must be classified as institutional charges.

### Returning equipment

If a school can substantiate that its return policies are reasonable, consistent, and fair to all students, and students are notified in writing of those policies when they enroll, the school may exclude documented costs for nonreturnable equipment and returnable equipment if not returned in good condition within 20 days of withdrawal. **A policy that classifies all used books or equipment as nonreturnable is not reasonable or fair.** An acceptable policy must specify the circumstances that would prevent the school from selling the books or equipment to other students.



### *Demonstrating a real and reasonable opportunity to purchase books, supplies and equipment*

A school may treat charges for books, supplies, equipment, and materials as noninstitutional charges if the school can substantiate that its students have the option of obtaining the required course materials from an alternative source. **The school must be able to document** that

- ◆ the required course materials were available for purchase at a relatively convenient location unaffiliated in any way with the school, and
- ◆ the school does not restrict the availability of financial aid funds. (The school provides financial aid funds in a way and at a time that made it possible for the student to purchase the materials in a timely manner.)

Note that, a signed statement by a student that he or she had the option to purchase the materials from an alternative source is not sufficient documentation.

### *Effects of waivers on institutional charges*

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered estimated financial assistance, and the full amount of the tuition and fees must be included in Step 5, Part L of the R2T4 calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the R2T4 calculation (see DCL GEN-00-24, January 2000, for a further discussion of waivers and the R2T4 calculation).

### **Providing books and materials at or below market rates**

34 CFR 668.164(c)(2).

### **Book vouchers and institutional charges in the return of Title IV funds calculations**



If a book voucher issued by a school cannot be used to purchase course materials from a **convenient unaffiliated source**, the student does not have a **real and reasonable opportunity** to purchase his or her course materials elsewhere. In that case, the school must include the cost of books and materials purchased with the voucher as institutional charges in Step 5, Part L of the R2T4 calculation.

DCL GEN-12-21

#### **Waiver Example**

An institution charges state residents \$900 per semester. Out-of-state students are charged an additional \$2,000 for a total of \$2,900. However, the institution grants waivers of the out-of-state charges to out-of-state athletes. The waiver is considered a payment to those charges (estimated financial assistance), and the full \$2,900 would need to be included in any R2T4 calculation.

## When to prorate charges

### Prorating charges

34 CFR 668.22(g)(3)  
§668.164(c)(1)(i) & §668.164(c)(5)

#### Apportioning and prorating charges

The October 30, 2015 cash management regulations for apportioning and prorating charges must be followed when determining the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date. See Volume 4.

When a school chooses to calculate the treatment of Title IV, program assistance on a payment period basis for a nonterm credit-hour or clock-hour program but the institutional charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period are the greater of—

- ◆ the prorated amount of institutional charges for the longer period; or
- ◆ the amount of title IV assistance retained for institutional charges as of the student's withdrawal date (e.g., when a student has provided an authorization to retain funds).



Therefore, if a school charges by the period of enrollment but performs its R2T4 calculation on a payment period basis, before entering data in Step 5, Part L of the R2T4 calculation, the school must determine whether to enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, the school

1. prorates all institutional charges;
2. determines the amount actually retained;
3. compares the two results and enters in Step 5, Part L the greater of the two amounts.

For example, institutional charges are \$10,000 (inclusive of tuition, fees, books and supplies) for a nonterm-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of federal student aid funds on a payment period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is \$5,000. The school debited the student's ledger account for the entire cost of the program, —\$10,000. Title IV disbursements for the student's first payment period, consisting of Pell Grant and Direct Stafford Loan (subsidized and unsubsidized) total \$5,629 (\$5000 was applied to charges, and \$629 was a Title IV credit balance.) However, under the cash management rules for determining the prorated amount of institutional charges, the institution may only retain Title IV aid funds toward the prorated amount of \$5,000 for the payment period, with the remainder treated as a Title IV credit balance. Therefore, the institutional charges the school must use in the Return calculation for the payment period are \$5,000.

## Treatment of Title IV credit balances when a student withdraws

This treatment applies only to the handling of Title IV credit balances when a student withdraws. For a discussion of credit balances in other circumstances, please see *Volume 4*.

When a student withdraws during a period, a Title IV credit balance created during the period is handled as follows:

1. Do not release any portion of a Title IV credit balance to the student, and do not return any portion to the Title IV programs prior to performing the R2T4 calculation. The institution must hold these funds even if, consistent with the 14-day credit balance payment requirement of 34 CFR 668.164(e), it would otherwise be required to release them.
2. Perform the R2T4 calculation, including any existing Title IV credit balance for the period in the calculation as disbursed aid.
3. Apply any applicable refund policy (state, accrediting agency, institutional, etc.) to determine if doing so creates a new or larger Title IV credit balance.
4. Allocate any Title IV credit balance as follows:
  - a) Any Title IV credit balance must be allocated first to repay any grant overpayment owed by the student as a result of the current withdrawal. The institution must return such funds to the Title IV grant account within 14 days of the date that the institution performs the R2T4 calculation.
 

Although not included in an R2T4 calculation, any Title IV credit balance from a **prior period** that remains on a student's account when the student withdraws is included as Title IV funds when you determine the amount of any final Title IV credit balance when a student withdraws. Remember, the school must use the final credit balance first to satisfy any current student grant overpayment.
  - b) Within 14 days of the date that the institution performs the R2T4 calculation, an institution must pay any remaining Title IV credit balance funds in one or more of the following ways:
    - in accordance with the cash management regulations to pay authorized charges at the institution (including previously paid charges that now are unpaid due to a return of Title IV funds by the institution);

### Treatment of credit balance when a student withdraws

DCL GEN 04-03, Revised, November 2004

#### New 14-day deadline

In most cases, the cash management regulations require a school to refund a Title IV credit balance to a student within 14 days. However, when a student withdraws, a school is required to perform a R2T4 calculation to determine, among other things, whether adjustments to the credit balance will occur.

For this reason, the existing 14-day payment requirement is placed on hold to determine the final amount of any Title IV credit balance. Your school does not need to obtain a student's or parent's authorization to hold a Title IV credit balance that existed prior to the Return calculation (beyond the original 14-day deadline) while you determine the final amount of the credit balance.

In order to allow an institution time to appropriately apply any credit balance after it has been recalculated, a new 14-day deadline is triggered when a school performs a R2T4 calculation. The new 14-day deadline begins on the date the school performs the Return calculation, not the date the school performs any calculations required by its institutional refund policy.

Of course, in order to determine the correct Title IV credit balance, the school must take into account both the results of the R2T4 calculation and any applicable refund policy.



A school may not use a Title IV credit balance to return funds for which it is responsible as a result of an R2T4 calculation (Step 5, item O);

- with the student's **written authorization**, to reduce the student's Title IV loan debt (not limited to loan debt for the period of withdrawal); or
- to the student (or parent for a Direct PLUS Loan);
- If the institution cannot locate the student (or parent) to whom a Title IV credit balance must be paid, it must return the credit balance to the Title IV programs. The Department does not specify the order of return to the Title IV programs for a credit balance. We encourage institutions to make determinations that are in the best interest of the individual student.

You must apply your school refund policy before allocating a Title IV credit balance. However, you are not required to actually complete the refund process (for example, by making a refund to a student) before completing the steps for allocating the Title IV credit balance.

In order to accommodate differences in institutional accounting and administrative processes, you are not required to actually apply the Title IV credit balance to the student's grant overpayment before applying the Title IV credit balance to other debts, as long as the grant overpayment is satisfied by the 14-day deadline. You may use school funds instead of the actual Title IV credit balance to satisfy any student grant overpayment.

For the treatment of credit balances when a student dies, see *When a student receiving Title IV aid dies during the payment period or period of enrollment*, in Chapter 2.

### **Time frame for returning an unclaimed Title IV credit balance**

If a school attempts to disburse the credit balance by check and the check is not cashed, the school must return the funds no later than 240 days after the date the school issued the check.

If a check is returned to a school or an EFT is rejected, the school may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. When a check is returned or EFT is rejected and the school does not make another attempt to disburse the funds, the funds must be returned before the end of the initial 45-day period.

The school must cease all attempts to disburse the funds and return them no later than 240 days after the date it issued the first check.

### Example of a school performing a R2T4 calculation for a student whose account has a Title IV credit balance

Legolas, a first-time student at Northern Mirkwood Community College (NMCC), began classes on September 1. His account was credited with a Pell Grant of \$2,000.00 and debited with institutional charges of \$500.00, creating a Title IV credit balance of \$1,500.00. Because NMCC has several mini-semesters in which Legolas had expressed an interest, the school obtained the student's permission to hold the Title IV credit balance while Legolas considered his options.

On September 30, when he has completed 25% of the semester, Legolas informs the school that he has decided to withdraw in order to pursue his dream of winning a gold medal as an Olympic archer. NMCC places a hold on Legolas's account while it performs the required R2T4 calculation and applies its institutional refund policy.

The school performs the required R2T4 calculation on October 20 and determines that the **Amount of unearned funds due from the school** is \$375.00, and that the initial amount of unearned funds due from the student is \$1,125.00. Since the \$1,125.00 is composed entirely of grant funds, after applying the 50% grant protection (see *Step 9* later in this chapter), the **Amount for the student to return** is a grant overpayment of \$125.00.

Before Legolas withdrew, the Title IV funds on his account totaled \$2,000.00, and \$500.00 of that \$2,000.00 was used to cover the existing charges. There were no charges due the school, and the Title IV credit balance was \$1,500.00. After the school returned the \$375.00 it is required to return, the new total of Title IV funds on the student's account was \$1,625.00 ( $\$2,000.00 - \$375.00$ ), and the new Title IV credit balance was \$1,125.00.

Then, the school applies its institutional refund policy. Under NMCC's refund policy, a first-time student who withdraws before the 50% point in the semester is entitled to an 80% refund of institutional charges. Since Legolas withdrew at the 25% point of the semester, he is entitled to a refund of 80% of the amount he was charged, or \$400.00 ( $\$500.00 \times .80$ ). So, the new institutional charges on the student's account are \$100.00, and the new (final) Title IV credit balance is \$1,525.00 ( $\$1,625.00 - \$100.00$ ). Note that this new credit balance is larger than the credit balance that existed before the student withdrew.

Consistent with rules for handling credit balances when a student withdraws, NMCC has 14 days from October 20 (the date they performed the R2T4 calculation) to return the student's grant overpayment. After the school returns the \$125.00 grant overpayment, the Title IV credit balance of the student's account is \$1,400.00 ( $\$1,525.00 - \$125.00$ ). The school must pay those funds to the student within 14 days of October 20.

*Note: With a never before achieved perfect score, Legolas won a gold medal in the Olympic archery competition.*

## PRINCIPLES WITH UNIQUE APPLICATIONS IN THE RETURN OF TITLE IV AID

### *Date of the institution's determination that the student withdrew*

#### **Date of determination that a student has withdrawn**

34 CFR 668.22(l)(3)

#### **Example of making a determination at a school required to take attendance**

Consider a school that makes a determination on September 15 that a student has not been in attendance since September 1. The school contacts the student, who tells the school he's been ill but plans on coming back during the next week (and this falls within the time period for excused absences and absences allowed by state, accrediting agency, and other applicable policies). For the moment, the school may delay taking any action. However, if the student does not return, the school must complete a Return calculation using September 1 as the student's last day of attendance and September 15 as the date of the institution's determination that the student withdrew. The school must return any unearned funds by October 30.

The date of the institution's determination that the student withdrew varies depending on the type of withdrawal. For example, if a student begins the official withdrawal process or provides official notification to the school of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date the student began the official withdrawal process or the date of the student's notification, whichever is later. If a student did not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student ceased attendance. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on *withdrawal dates* in chapter 2.

For a student who withdraws, without providing notification, from a school that is not required to take attendance, the school must determine the withdrawal date **no later than 30 days after the end of the earlier of** (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.



### *Date of determination at institutions that are required to take attendance*

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records.

If the date a student provides withdrawal notification to the school is prior to the date the school would regularly determine to be the student withdrawal date, the date of determination is the date of the student's notification. The school is NOT required to administratively withdraw a student who has been absent for 14 days (or less if applicable). However, after 14 days, it is expected to have determined whether the student intends to return to classes or to withdraw. If the student is eventually determined to be a withdrawal, the end of the 14-day period begins the time frame for completing an R2T4 calculation.

#### **Date of determination at an institution required to take attendance**

34 CFR 668.22(b)(1)

DCL GEN-04-03, Revised November 2004

DCL GEN-04-12, November 2004

DCL GEN-11-14, July 2011

#### **Date by which funds must be returned**

34 CFR 668.22(j)

#### **Excused absences and administrative withdrawal**

34 CFR 668.4(e)

### **When a student enrolled in a series of modules fails to return as scheduled**

When a student is not treated as a withdrawal from a program offered in modules at a school that is required to take attendance because the student has confirmed attendance in a module that begins later in the payment period or period of enrollment, no action is required by the school unless the student does not return as scheduled.

If the student does not return as scheduled, the student is treated as a withdrawal, and the date of the school's determination that the student withdrew should be no later than 14 days after the date that the student was scheduled to resume attendance. For more information on withdrawals from programs offered in modules, see *Withdrawals from programs offered in modules* in Chapter 2.

If a school has a policy that states the maximum number of excused absences that can occur after which a student will be administratively withdrawn, it may delay contacting the student until that date. However if the student eventually is determined to be withdrawn, the date of determination of the student's withdrawal remains 14 days from the student's last day of attendance. If the number of days in the school's policy is less than 14 days, then the date of the school's determination that the student withdrew is the date the school's policy indicates that the student will be administratively withdrawn. A school must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after it determines or should have determined that the student withdrew. In addition, if a student is due a post-withdrawal disbursement, then the date of the school's determination must allow for the school to meet the 30-day post-withdrawal disbursement notification requirement.

This requirement does not affect a student's withdrawal date. At a school that is required to take attendance, a student's withdrawal date is always the last date of attendance as determined by the school from its attendance records.

A student who ceases attendance during a payment period or period of enrollment is a withdrawal for Title IV purposes unless the student is on an approved LOA. Therefore, for a student who has ceased attendance, the institution must either:

- ◆ place the student on an approved LOA (provided that the conditions for an approved LOA are met); or
- ◆ withdraw the student and, if the student returns, treat the student as a reentry if permitted under the regulations.

As noted, the date of the institution's determination that the student withdrew is not necessarily the same as a student's withdrawal date. A student's withdrawal date is used to determine the percentage of the payment period or period of enrollment completed and, therefore, the amount of aid a student has earned. The date of the institution's determination that the student withdrew is used in the following circumstances:

- ◆ A school must offer any amount of a post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of determination.
- ◆ If the student or parent submits a timely response that instructs the school to make all or a portion of the post-withdrawal disbursement, the school must normally disburse the funds within 180 days of the date of determination.
- ◆ A school must document a student's withdrawal date and maintain the documentation as of the date of determination.
- ◆ Within 30 days of the date of determination, a school must notify a student if a grant overpayment is due.
- ◆ A school that is collecting an overpayment must require repayment of the full amount of the overpayment within two years of the date of determination.
- ◆ The school must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of determination.
- ◆ The date of determination is used to determine the amount of Title IV aid that must be included in any R2T4 calculation.

## USE OF PAYMENT PERIOD OR PERIOD OF ENROLLMENT

The worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or on the basis of a period of enrollment. For students who withdraw from semester, trimester, or quarter programs, a school must perform the R2T4 calculation on a payment period basis. For students who withdraw from a nonstandard term-based or nonterm-based educational program, the school has the choice of performing the R2T4 calculation on either basis. The institution must use the same basis (payment period or period of enrollment) in its calculations for all students within a program who cease attendance.

An exception is allowed for students who transfer to or reenter a school that offers nonterm-based or nonstandard term-based educational programs. For students who transfer to or reenter a nonterm-based or nonstandard term-based educational program, a school may make a separate selection of payment period or period of enrollment to use in calculating their Return of Title IV funds for everyone within the group that transfers or reenters.

**TIP**

The periods used for transfer and reentry students do not have to be the same. A school may choose to use payment period for transfer students and period of enrollment for reentry students.

### *Payment period*

The definition of a payment period is the same definition used for other Title IV program purposes. This definition is found in 34 CFR 668.4 (see *Volume 3*). Schools that use payment periods as the basis for their R2T4 calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period.

### *Period of enrollment*

A period of enrollment is the academic period established by the school for which institutional charges are generally assessed (i.e., the length of the student's program or the academic year). A school that chooses to use a period of enrollment in an R2T4 calculation will use a period consistent with the loan period it uses for students in the applicable program.

For information on determining the length of a payment period or period of enrollment for a student who withdraws from a program offered in modules, see *Withdrawals from programs offered in modules* in Chapter 2.

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**Period of enrollment**

34 CFR 668.22(l)(2)

## Applicability

The use of a payment period or period of enrollment is important for many aspects of the R2T4 calculation. For example, if a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance to be used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period. Also, the institutional charges used in the calculation generally have to reflect the charges for the payment period.

Generally, the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school (see Step 4 of the R2T4 calculation, in Chapter 2). In some cases, this mitigates against a school using the period of enrollment as the basis for the R2T4 calculation. An institution must prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment period rather than period of enrollment basis for the R2T4 calculations.

If, for a nonterm or nonstandard term program, a school chooses to calculate the return of funds on a payment period basis but the institutional charges for a period longer than a payment period (e.g., period of enrollment), total institutional charges for the period will be the greater of the:

- ◆ prorated institutional charges for the period, or
- ◆ the amount of Title IV assistance retained for institutional charges as of the student's date of withdrawal.

## Rounding

Enter dollars and cents using standard rounding rules to round to the nearest penny. Final repayment amounts that the school and student are each responsible for returning may be rounded to the nearest dollar.

Percentages are calculated to four decimal places, and rounded to three decimal places. The third decimal place is rounded up if the fourth decimal place is five or above. For example, .4486 would be rounded to .449, or 44.9%.

The **one exception** to the rounding rule occurs in determining the percentage of Title IV program assistance earned. Students who withdraw at any point **after the 60% point** in the payment period or period of enrollment have earned 100% of their Title IV funds. If the standard rounding rules were used in this situation, a quotient of .6001 through .6004, which is greater than 60%, would be rounded down to .600 (60%), and the student would not have earned 100% of his or her Title IV aid. To recognize that students completing more than 60% of the period (by any amount) earn 100% of their Title IV aid, **amounts of .6001 through .6004 are not rounded** for the purpose of determining whether a student has earned 100% of the Title IV funds for the term.

### Funds to include in an R2T4 calculation

The calculation of earned Title IV funds includes the following Title IV grant and loan funds if they were disbursed or could have been disbursed to a student for the period of time for which the calculation is being performed (payment period or period of enrollment).

- ◆ Pell Grant
- ◆ Iraq and Afghanistan Service Grant
- ◆ TEACH Grant
- ◆ FSEOG
- ◆ Direct Loan



FSEOG Program funds are excluded under certain circumstances. Federal Work-Study (FWS) funds are **not** included in the calculation.

#### Limits on Title IV Funds that May Be Included as Aid That Could Have Been Disbursed

A school may not include as *Aid that could have been disbursed* Pell Grant funds that if disbursed would, in combination with other Pell Grant funds previously received by the student, cause the student to exceed his or her Pell Grant maximum lifetime eligibility. Likewise, a school may not include as *Aid That could have been disbursed* Direct Subsidized Loan funds that would, in combination with other Direct Subsidized Loan funds previously received by the student, cause the student to exceed his or her 150% maximum eligibility period for Direct Subsidized Loans.

### FSEOG Program funds

The nonfederal share of FSEOG Program funds is excluded when a school meets its FSEOG matching share by either the individual recipient method or the aggregate method. If a school meets its matching share requirement through the use of a fund-specific match, 100% of the FSEOG award (both the federal and nonfederal shares) must be included in the R2T4 calculation. Otherwise, the nonfederal share of FSEOG awards is excluded from the calculation. For more information on types of FSEOG matching funds, see *Volume 6*.

### Funds to include in a R2T4 calculation

34 CFR 668.22(a)(3)

#### Funds to include when a student enrolled in a crossover period withdraws before the higher Pell Grant is disbursed

If, for a student enrolled in a crossover period, a school had a second SAR/ISIR with an official EFC (reflecting eligibility for more Pell Grant funds) before the student lost eligibility but the school had failed to disburse the additional funds before the student withdrew, the school must include the additional funds on the Return of Title IV aid worksheets as *Aid that could have been disbursed*.

The school must do the following:

1. Enter the Pell Grant funds that were disbursed while the student was in school in Step 1, line 1, column A, as *Aid that was disbursed*.
2. Enter the increase (the difference between student's higher Pell Grant eligibility and the Pell Grant that was disbursed) in Step 1, line 1, column C, as *Aid that Could Have Been Disbursed*, together with any Pell Grant funds from the original award that were not disbursed.
3. Enter any other Title IV aid as it stood when the student withdrew, and perform the Return calculation as directed.

### ***If a resolved overaward becomes an overpayment***

If a school has resolved an overpayment by reducing scheduled future disbursements for a second or subsequent payment period and the student ceases attendance before the end of the current payment period, that portion of the student's award that was an overpayment must be repaid outside of the requirements of 34 CFR 668.22.

If the school is responsible for repaying the overpayment, the school must repay the overpayment before completing any required R2T4 calculation.

If the student is responsible for repaying the overpayment, and the student withdrew during the payment period or period of enrollment, as applicable, the school should try to collect the overpayment from the student and, if it is unable to do so, should refer the student to the Department's Default Resolution Group.

If the student is responsible for repaying the overpayment, and the student withdrew during the payment period or period of enrollment, as applicable, the school should not take any action until it has completed the required R2T4 calculation. When performing the R2T4 calculation, the school should not include the amount of the overpayment for which the student is responsible as *Aid disbursed* or *Aid that could have been disbursed*. Then, when the school has completed the R2T4 calculation, it should document the amount of the overpayment and, as applicable, reduce any post-withdrawal disbursement or increase any amount the student must return by the amount of the overpayment owed by the student.

## Treatment of Students Who Withdraw From Clock-Hour Programs, Non-Term Credit Hour Programs, and Nonstandard Term Credit-Hour Programs with Terms That Are Not Substantially Equal (and in which no Term Is Less than 9 Weeks In Length), and then Transfer To a New School or Reenter the Same School In a Similar Program

### Reentry within 180 days

A student who reenters within 180 days is treated as if he or she did not cease attendance for purposes of determining the student's aid awards for the period.

For credit-hour nonterm-based programs or programs that measure progress in clock hours, a student who withdraws and then reenters the same program at the same school within 180 days is considered to be in the same payment period he or she was in at the time of the withdrawal. The student retains his or her original eligibility for that payment period and is treated as though he or she did not cease attendance.

A student who reenters a credit-hour, nonterm-based program or a program that measures progress in clock hours within 180 days of his or her withdrawal is immediately eligible to receive all Title IV funds that were returned when the student ceased attendance. Thus, upon the student's return, the school must restore the types and amount of aid that the student was eligible for before the student ceased attendance, and schedule the appropriate disbursements. Actions to be taken by the school would include:

- ◆ redisbursing aid that had been disbursed and then returned under the R2T4 provisions;
- ◆ disbursing aid the student was otherwise eligible for that had not yet been disbursed at the time the student withdrew; and
- ◆ canceling any overpayments assessed the student as a result of the prior withdrawal if those funds were disbursed upon reentry.

Once the student completes the payment period for which he or she has been paid, he or she becomes eligible for subsequent Title IV student aid payments.

There are additional actions that must be taken if a student who received a Direct Loan withdraws from a clock-hour or nonterm-based credit hour program transfers to a new school, or returns to the previous school in the same or similar program within 180 days. For more information, see the discussion under *Adjusting Direct Loans* later in this chapter.

### Reentry within 180 days

34 CFR 668.4(f)

#### Consistent With Leave of Absence

This arrangement is similar to an LOA, and the 180-day time frame is consistent with the maximum 180 days allowed for an approved LOA in the Return regulations. The difference, of course, is that with an unauthorized LOA, the institution would not know that the student would be returning and would have treated the student as a withdrawal. Based upon that withdrawal, the institution would have completed the R2T4 calculation, which may have required both the institution and the student to return funds to the Title IV programs.

If the student returns within 180 days to his or her original program, while an official leave was not granted and the provisions of the Return regulations were applied, upon the student's return, the student can be treated as though he or she had been on an approved LOA.

#### Costs Upon Reentry

The cost of attendance used in the calculation are the costs associated with the original period before the student withdrew. Once the student has withdrawn and then returned to the same program within a 180-day period, the regulation states that the student remains in the same payment period. The cost of attendance for such a student returning to the same program within 180 days must reflect the original educational costs associated with the payment period from which the student withdrew.

#### Reentry Before the End of the Grace Period

If a student who received a Direct Loan that has a grace period withdraws and then reenrolls in school on at least a half-time basis before the grace period expires, the student regains in-school status and will receive a full grace period when he or she ceases half-time enrollment.

### When a Student Reenters Within 180 Days

The return regulations require a school to return unearned funds for which it is responsible as soon as possible but no later than 45 days after the date of the school's determination that the student withdrew. If a student returns to the institution before the Title IV funds are returned, the institution is not required to return the funds.

**An institution may not delay its Return of Title IV funds.**

An institution is expected to begin the Return of funds process immediately upon its determination that a student has withdrawn. The institution may not delay returning Title IV funds because it believes a student might return.

Note: For a student who completed more than 60% of the period for which the student was paid before ceasing attendance, the school would not have returned any Title IV aid. If that student were to reenter school within 180 days, because the student had received 100% of his or her aid for the period, the student would not be eligible to receive additional Title IV aid until he or she has completed the weeks of instructional time and hours or credits (as applicable) for which the student was previously paid. However, if during the student's initial enrollment the student has borrowed less than the appropriate annual maximum Direct Loan, upon returning within 180 days, the student could borrow the balance of that annual maximum Direct Loan.

### What to do when a student whose overpayment has been referred to Default Resolution Group reenters within 180 days

If a student whose overpayment has previously been referred to the Department's Default Resolution Group returns to school within 180 days, the school must send the Default Resolution Group a fax identifying the student overpayment, and stating that it should be made void. This will allow the Department to properly update its records in both the Default Resolution Group system and NSLDS.

This fax number is for **school use only** and only for this purpose.



**Fax Number: 703-393-6490**

Note: This process cannot be performed via email.

In the fax, the school must include the:

- ◆ award year of the overpayment;
- ◆ student's Social Security number;
- ◆ student's last name, first name, and middle initial;
- ◆ student's date of birth;
- ◆ type of overpayment—Federal Pell Grant, TEACH Grant, Iraq and Afghanistan Service Grant, or FSEOG;
- ◆ the disbursement date the institution used to create the overpayment record in NSLDS;
- ◆ a letter that includes the following text:

***This student has returned to school. The regulations (34 CFR 668.4(f)) require that the overpayment referenced herein be voided.***

### Example of Reentry Within 180 days

Consider a student who began attendance in a clock-hour program that was 1,500 hours in length with a defined academic year of 900 hours. For the first 450-hour payment period, the student was awarded and disbursed \$1,500 in Pell Grant funds, \$500 in FSEOG funds, and \$500 in Title IV loan funds, for a total of \$2,500 in Title IV aid.

Assume that this student withdrew from school after completing 200 of the 225 hours he or she was scheduled to complete by that point in the payment period (50% of the period), and the school uses payment periods to calculate the Return of Title IV Aid. Under the Return regulations, the school used scheduled hours (225) to determine that the student earned 50% of his or her Title IV aid. The school returned \$500 to the loan program. The \$750 the student was initially scheduled to return (Step 9, Part S of the R2T4 calculation) was eliminated by the application of grant protection in Step 9, Part U.

If the student returns to the same program at the same school within 180 days of the withdrawal, the student would be considered to be in the same payment period, and the student's eligibility for Title IV aid should be the same as if the student had not left. **The school reimburses the \$500 the school had returned, and extends the loan period and academic year as necessary to reflect the new date that the student is expected to complete the first academic year of the program and sets new dates for any second disbursement or additional disbursements.** The school would schedule additional Title IV disbursements for the day after the student is expected to complete the remainder of the payment period from which the student had withdrawn.

If the student withdraws again before completing the payment period, the school would apply the provisions of the Return regulations using the total number of hours the student **was scheduled to complete** in the numerator, the full 450 hours in the payment period in the denominator, and then apply that fraction to the total Title IV Aid disbursed for the period.

### When a Student is Due Campus-Based Funds from a Closed Year

For the Campus-Based Programs, if funds are not available from the year in which the awards were originally made, the school may award funds from the current year. Note that doing this does not increase the annual maximum awards that may be made to an individual student.

### When a student reenters in a new award year

A student who was originally enrolled in a payment period that began, and was scheduled to end, in one award year could return after the end of that award year (June 30). However, the intent of the regulations is that such a student is to be considered, upon his or her return, to be in the same period. Therefore, any Title IV program funds that will be disbursed to the student should be paid from the original award year regardless of whether the resumption of the payment period is in a new award year.

Consider a student who received Pell Grant funds and withdrew from school in one award year and who reenters training within 180 days in a new award year. If the school returned funds after an R2T4 calculation, the student might now be due additional Pell Grant funds from an award year that is closed. (Deadline submission dates are published annually in a Federal Register Notice. The date will typically be the end of September after the official end of an award year.)

**TIP**

To report the additional disbursement information and request these funds, the school must request an extension to the established data submission deadline. This can be done through the Common Origination and Disbursement (COD) website at

**[cod.ed.gov/cod/LoginPage](https://cod.ed.gov/cod/LoginPage)**

Authorized school users must log on to the website, select the “School” menu and then select “Request Post Deadline/Extended Processing” on the left side. Users then:

- ◆ Select the correct award year and program for the request.
- ◆ Choose “Reentry within 180 days” from the drop down menu as the reason code.
- ◆ Provide an explanation for the request.
- ◆ Select “Submit.”

Schools will be notified if/when the request has been approved.

Note: If the returning student is eligible to receive Title IV loan funds and the student's bill is already paid, in the information a school provides to the students when the school informs them that they are due a late disbursement, the school should include information about the advantages of keeping loan debt to a minimum.

## *Reentry after 180 days, return to the same school in a new program, or transfer to a new school*

If a student withdraws from a credit-hour, nonterm program or a clock-hour program without completing the period and

- ◆ reenters the same program at the same school more than 180 days after withdrawal, receiving credit for hours previously earned; or
- ◆ transfers into another credit-hour nonterm or clock-hour program at any time (either at the same school or at a new school) and the school accepts all or some of the hours earned in the prior program;

then the student starts a new payment period when he or she reenters or transfers.

In calculating awards for a student who reenters the same program after 180 days, returns and enters a new program, or transfers to a new school, the school treats the hours remaining in the program as if they are the student's entire program. The number of payment periods and length of each payment period are determined by applying the rules in the appropriate part of the definition of a payment period to the hours remaining in the program upon transfer or reentry.



**A school may consider a student who returns and enters a new program as remaining in the same payment period if five conditions are met:**

1. The student is continuously enrolled at the school.
2. The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
3. The payment periods are substantially equal in length in weeks of instructional time and credit hours or clock hours, as applicable.
4. There are little or no changes to the institutional charges to the student for the period.
5. The credits from the payment period the student is transferring out of are accepted toward the new program.

This provision addresses situations where a student's entry into a new program at the same school results in very little change to the student's academic circumstance (e.g., a change that is really nothing more than a change in majors). The Department believes that when this occurs, it is appropriate to spare the school the burden of withdrawing a student, performing an R2T4 calculation, and returning Title IV grant or loan funds, only to award them again for the new payment period(s).

### **Reentry after 180 days**

34 CFR 668.4(g)

#### **Extended Direct Loan Processing**

Direct Loan processing for an award year generally remains open in COD for 13 months from the start of the award year. A school should be able to submit data via batch or web processing through that time unless it has already confirmed closeout for the impacted award year. If a school finds the year is closed in COD before the 13-month period is over, the school should contact COD School Relations for assistance in re-opening the award year.

Once the 13-month period is over and COD has closed the year, a school may request Extended Processing through the COD School Relations Center.

Toward the end of each award year the Department publishes an electronic announcement containing information on the closeout deadline and instructions on how schools can request Extended Processing for Direct Loans after the closeout deadline.

#### **COD School Relations Center**

Grant Programs: 800-848-0978  
 Student Loan Support Center: 800-557-7394  
 Foreign Schools: 571-392-3737  
 FAX: 877-623-5082  
 Office Hours: 8:00 a.m. - 11:00 p.m. (ET),  
 Monday through Friday  
 Email: [CODSupport@ed.gov](mailto:CODSupport@ed.gov)  
 Website:  
<https://cod.ed.gov/cod/LoginPage>

If a school treats the student as one who is not withdrawing from the school, no R2T4 calculation is performed, and the student continues in the same payment period he started in with his original program.

If a student for whom this approach is taken later withdraws from the school, the start and end dates used in Step 2 of the R2T4 calculation will be the start of the first program and the end of the second. The charges used in Step 5 will be the total charged the student for the two programs.

### Eligibility of transfer students for additional Title IV funds

Generally, at a clock-hour or nonterm credit-hour school, a student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and reenrolls to take that program again or to take another program. In addition, when a student reenters a clock-hour or credit-hour nonterm-based program after 180 days, the student may be paid for repeated courses. **(The recent limitation on students being paid for multiple repeats applies only to students enrolled in term-based programs.)**

For example, a student who withdraws after completing 302 clock hours of a 900 clock-hour program has 148 hours remaining in the 450-hour payment period. The student reenrolls after 180 days in the same program and receives credit for 100 hours. The program length for purposes of determining the new payment periods is 800 clock hours (the remainder of the student's program), so the new payment periods are 400 hours and 400 hours (the 302 hours completed and the 148 hours that remained do not apply). Any reduction in the payment would be based on whether the student's scheduled award or annual loan limits are exceeded. (If the student in this example received no credit for previously completed hours, the student's program length for purposes of determining the payment periods would be 900 clock hours.)

However, a transfer student's eligibility for additional Title IV funds may be subject to a variety of limitations associated with the aid the student received during the student's most recent period of attendance. For example, in the Pell Grant Program, a student may never receive more than his or her Pell Grant scheduled award for an award year. In the Federal Direct Loan Program, the application of the annual loan limits imposes additional limitations on a borrower's eligibility for funds when the borrower transfers (see *Loan Principles Applicable to Reentry in and Transfer to Clock-Hour Programs, Non-Term Credit Hour Programs, and Nonstandard Term Credit-Hour Programs with Terms that Are Not Substantially Equal (in which no term is less than 9 weeks in length)*).

#### When a Student Who Withdraws from a Term-Based Credit-Hour Program Offered in Modules Returns Within a Payment Period or Period of Enrollment

If a student enrolled in a term-based, credit-hour program offered in modules who withdrew without confirming an intent to return to a module later in the payment period or period of enrollment reenters the same program prior to the end of the payment period or period of enrollment, the student is treated as if he or she did not cease attendance. Please see the discussion under *Withdrawals from programs offered in modules*, in Chapter 2.

### **Loan Principles Applicable to Reentry in and Transfer to Clock-Hour Programs, Non-Term Credit Hour Programs, and Nonstandard Term Credit-Hour Programs with Terms that Are Not Substantially Equal (in which no term is less than 9 weeks in length)**

1. A Borrower-Based Academic Year, specifically BBAY3 (See Volume 3 for more information about BBAY3) must be used to monitor annual loan limits of students in clock-hour programs, nonterm credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (and in which no term is less than 9 weeks in length).
2. When a student who withdrew re-enters the same clock-hour program or nonterm credit hour program within 180 days, the maximum amount the student can receive from his or her original loan equals the borrower's annual loan limit, less the amount previously borrowed for the academic year, plus any amount returned per 34 CFR 668.22.
3. For a student who transfers to a new school into a clock-hour program, nonterm credit hour program, or nonstandard term credit-hour program with terms that are not substantially equal (and in which no term is less than 9 weeks in length), when an overlap exists between academic years of the two schools, the new school may originate a loan for abbreviated loan period that covers the remaining portion of the prior school's academic year. (Note: the new school can find the prior school's academic year in COD.) The abbreviated loan period at the new school ends on the calendar end date of the prior school's academic year without regard to the weeks of instructional time and credit or clock hours completed by the student during the abbreviated loan period.

The amount of the loan for the abbreviated loan period may not exceed the remaining balance of the student's annual loan limit at the grade level applicable at the new school. The borrower is not eligible for a new annual loan limit until the original academic year has ended. However, if the student is transferring into a program that is less than a full academic year in length, or into a remaining portion of a program that is less than a full academic year in length, the total loan amount the student receives for the abbreviated loan period and for any subsequent loan period may not exceed the prorated loan limit for the program or remaining portion of the program. If there is no overlap between the academic years of the two schools, the borrower is immediately eligible for a new annual loan limit. If the portion of the program that remains is less than an academic year, the loan could be subject to proration.

4. When originating a new loan for a student the cost of attendance used for the new loan may include only those costs associated with the period for which the new loan is being originated.
5. When a student withdraws after receiving the first disbursement but before the second disbursement, and then reenters the same program within 180 days, the school must extend the original loan period end date and academic year and reschedule the second disbursement.

In this case, the student is held to the same disbursement requirements that applied initially (e.g., a student enrolled in a one-year clock-hour program must successfully complete one-half the clock hours and one-half the weeks of instructional time in the program before he or she can receive the second disbursement). The borrower is not eligible for a new loan until the original loan period and original academic year have ended. If some portion of the program remains after the completion of the new loan period, the school can originate a new loan for that portion of the program. If the portion of the program that remains is less than an academic year, the loan limit would be subject to proration.

See Volume 3 for examples of originating loans for transfer students with overlapping academic years and for guidance on proration of the annual loan limit.

## DIRECTIONS FOR ADJUSTING DIRECT LOANS

If a student who ceased attendance for a period in which he or she received a Direct Loan returns to school within the time that regulations require that his or her Title IV aid be redispensed, a school must submit a change record to the COD system that:

- ◆ adjusts the amount of the loan to the amount appropriate to the enrollment status at which the student has reenrolled;
- ◆ adjusts the academic year and loan period (award period) to the student’s new anticipated completion date; and
- ◆ changes the disbursement dates to reflect when disbursements actually occur.

If a school needs to submit a change record after the closeout date for an award year (the last processing day in July of the year following the award year of which the loan was originated), the school will need to request an extension to the established data submission (closeout) deadline.

A blue rounded rectangle with the word "TIP" in yellow capital letters.

This can be done through the COD website at

**<https://cod.ed.gov/>**

Authorized school users must log on to the website, select the “School” menu and then select “Request Post Deadline/Extended Processing” on the left side. Users then

1. Select the correct award year and program for the request.
2. Choose “Reentry within 180 days” from the drop down menu as the reason code.
3. Provide an explanation for the request.
4. Select “Submit.”

Schools will be notified if/when the request has been approved.

## DIRECTIONS FOR ADJUSTING PELL GRANTS

Consider a student who received Pell Grant funds and ceased attendance in one award year and who then reenters training within 180 days, but in a new award year. If the school returned funds after an R2T4 calculation, the student might be due Pell Grant funds from an award year that is over.

To request these funds, the school will have to go to the COD website at

**[cod.ed.gov/cod/LoginPage](https://cod.ed.gov/cod/LoginPage)**

Log in under the “School” tab using the school’s user name and password (available from the school’s system administrator), select “Post Deadline System Processing” on the left side, and request administrative relief with “Reentry within 180 days” as the reason.

### Requesting Administrative Relief by email

A school can also request administrative relief by sending an email directly to:

**[FSA.Administrative.Relief@ed.gov](mailto:FSA.Administrative.Relief@ed.gov)**

The request must include the

- reason (reentry within 180 days);
- school’s Pell Grant ID number;
- name of the person to contact;
- the contact’s phone number; and
- the contact’s email address.

### Limits on Requesting Administrative Relief

Generally, a school may request administrative relief for a student who reenters training during the award year following the award year in which the funds were originally awarded.

## BREAKS IN ATTENDANCE FOR STUDENTS ENROLLED IN PROGRAMS MEASURED IN CREDIT HOURS WITHOUT ACADEMIC TERMS

To receive Title IV aid, a student must be enrolled in an eligible program. That program has required courses, some of which must be taken in sequence. If no specific academic plan exists for a particular student, we consider the program requirements to be the student's academic plan.

A student who completes a course is expected to begin attending the next available course in the program until the student completes the credits for which he or she has received Title IV aid. **If, before a student completes the credits for which he or she has received Title IV aid, the student fails to enroll in the next (appropriate in sequence) course in the program, the student must be put on an approved LOA or considered withdrawn.**



A student enrolled in a program measured in credit hours without academic terms who has completed the credits for which aid was awarded does not have to be considered a withdrawal or placed on LOA if he or she takes a break before enrolling in additional courses.

## CHANGING OR CORRECTING AN R2T4 CALCULATION

Changes that aren't corrections are allowed only if the change can be made in time for the institution to meet any applicable R2T4 deadline.

**A change is not a correction if a calculation (R2T4/post-withdrawal disbursement) was correct at the time it was processed.** For example, a school that used the midpoint as the withdrawal date may want to go back and revise an already processed R2T4 calculation to use a last date of attendance at an academically related activity past the midpoint. Such a change is not a correction because the use of the midpoint was not a mistake—as would be using the wrong amount of a Pell Grant disbursement. Similarly, the signing of a promissory note after a calculation is processed is not a correction because failing to sign a promissory note is not a mistake.



**An institution is never required to do a recalculation of a change that is not a correction.**



## APPLICABLE DEADLINES

Two main deadlines impact most R2T4 calculations—the 45-day time frame for the Return of Title IV Funds (also see the discussion under *Time frame for the return of Title IV funds* in Chapter 2), and the 30-day required notification of the need for authorization to make a post-withdrawal disbursement of FSA loan funds (see the discussion under *Post-withdrawal disbursement of Title IV Loan funds* in Chapter 2).

Any action taken after a deadline, even a correction, is a violation of that deadline requirement. So, when an institution corrects an R2T4 calculation and, as a result, returns funds after the 45-day deadline, it is a late return. Likewise, if a school makes a correction and fails to notify a student or parent that they are eligible for a post-withdrawal disbursement within 30 days of the date of the institution's determination that the student withdrew, the school has violated that deadline.



# The Steps in a Return of Title IV Aid Calculation



*This chapter discusses the data elements in the order in which they occur on the worksheets. It is not a set of instructions. It is an explanation of the criteria a school must consider as it enters data in the steps of the calculation.*

## STEP 1: STUDENT'S TITLE IV AID INFORMATION

### *Title IV aid disbursed*

A school must calculate the amount of earned Title IV funds by applying a percentage to the total amount of Title IV program assistance that was disbursed and that could have been disbursed. Under Step 1 of the worksheet, a school fills in the amount of each type of Title IV aid that was disbursed and that could have been disbursed. When entering the amount of loan funds, a school should enter the net amount of *Aid disbursed* and *Aid that could have been disbursed*.



Generally, a student's Title IV funds are disbursed when a school credits a student's account with the funds or pays a student or parent directly with Title IV funds received from the Department. There are a couple of exceptions to this definition. For a complete discussion of the definition of disbursed Title IV funds, see *Volume 4*.



**A student's aid is included as *Aid disbursed* in the calculation if it is disbursed as of the date of the institution's determination that the student withdrew, and so long as the disbursement was not an inadvertent overpayment (see the discussion in Chapter 1 under *Date of the institution's determination that the student withdrew*).**

Inadvertent overpayments are an exception. Inadvertent overpayments—disbursements inadvertently made to a student after the student ceased attendance but prior to the date of the institution's determination that the student withdrew—are included in an R2T4 calculation as *Aid that could have been disbursed* rather than *Aid disbursed*. (See the discussion under *Treatment of inadvertent overpayments* later in this chapter.)

A school may not alter the amounts of Title IV grant and loan funds that were disbursed prior to the school's determination that the student withdrew. For example, a school may not replace a withdrawn student's loan funds with grant funds that the student was otherwise eligible to receive before performing the R2T4 calculation.

### **Inadvertent overpayments**

DCL GEN-04-03 Revised, November 2004

### Limits on Title IV Funds that May Be Included as Aid That Could Have Been Disbursed



A school may not include as *Aid That Could Have Been Disbursed*, Pell Grant funds that if disbursed would, in combination with other Pell Grant funds previously received by the student, cause the student to exceed his or her Pell Grant maximum lifetime eligibility. Likewise, a school may not include as *Aid that could have been disbursed*, Direct Subsidized Loan funds that would, in combination with other Direct Subsidized Loan funds previously received by the student, cause the student to exceed his or her 150% maximum eligibility period for Direct Subsidized Loans.

### Conditions for late disbursement

34 CFR 668.164(j)(2)

### Limitations on making a late disbursement

34 CFR 668.164(j)(4)

### Credit Check

34 CFR 685.200(c)(viii)

### When a Student Drops Below Half Time Before Withdrawing

If a student who is otherwise eligible for a late first disbursement drops below half-time enrollment and then withdraws, the institution would include any undisbursed Direct Loan funds in the R2T4 calculation as "*Aid that could have been disbursed*." However, an institution may never make a post-withdrawal disbursement of Direct Loan funds a student could not have received if he or she had remained in school.

### Official EFC

An "*official EFC*" is an EFC calculated by the Department and provided on a SAR or ISIR. It may or may not be a valid EFC (defined as an EFC based on information that is correct and complete).

### *Title IV aid that could have been disbursed*

In addition to *Aid disbursed*, *Aid that could have been disbursed* is also used in the calculation. There are two principles that govern the treatment of disbursements of Title IV funds in R2T4 calculations. The first principle provides that, for purposes of determining earned Title IV aid, generally, so long as the conditions for late disbursements in 34 CFR 668.164(j)(2) were met prior to the date the student became **ineligible**, any undisbursed Title IV aid for the period for which the R2T4 calculation is performed is counted as *Aid that could have been disbursed* (regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew because of the limitations in 34 CFR 668.164(j)(4) or elsewhere).

Any undisbursed Title IV aid for the period that the school uses as the basis for the R2T4 calculation is counted as *Aid that could have been disbursed* as long as the following conditions were met before the date the student became ineligible:

- ◆ For all programs, the Department processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student.
- ◆ For an FSEOG, the institution made the award to the student.
- ◆ For a Direct Loan, the institution originated the loan.
- ◆ For a TEACH Grant, the institution made the award.
- ◆ For a Direct PLUS Loan a satisfactory credit check was received.

In all Title IV loan programs, a promissory note must be signed for a loan to be included as *Aid that could have been disbursed* in an R2T4 calculation. The signature may be obtained after the student withdraws. However, for the loan to be included as *Aid that could have been disbursed*, the promissory note must be signed before the school performs the R2T4 calculation.

Of course, a school can only include aid (e.g., the loan funds) for the period for which the institution does the R2T4 calculation. If the calculation is performed on a payment period basis, the loan funds counted are those for the payment period; if the calculation is performed on the period of enrollment basis (e.g., the academic year basis), the loan funds counted are those for the entire period of enrollment.

The second principle provides that a student can never receive as a post-withdrawal disbursement any funds from a disbursement that the institution was prohibited from making on or before the date the student withdrew. Therefore, although the following potential disbursements can be counted as *Aid that could have been disbursed* (if intended for the period for which the R2T4 calculation is being performed), an institution is prohibited from disbursing:

- ◆ for nonstandard term credit-hour programs where the terms are not substantially equal in length, credit-hour nonterm programs, and clock-hour programs, a second disbursement of Direct Loan funds where the student has not successfully completed half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period (34 CFR 685.303(d)(3)(ii)(B));
- ◆ a second or subsequent disbursement of Direct Loan funds unless the student has graduated or successfully completed the loan period (34 CFR 668.164(j)(4)(2));
- ◆ a disbursement of Direct Loan funds for which the borrower has not signed a promissory note;
- ◆ for clock-hour or credit-hour nonterm programs, a disbursement of a Federal Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, or for a subsequent payment period when the student has not completed the earlier payment period for which the student has already been paid (34 CFR 690.75(a)(5) and 34 CFR 686.31(a)(5));
- ◆ a disbursement of a Direct Loan to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (34 CFR 668.164(j)(4)(iii)) (except when this delay does not apply because of low default rates);
- ◆ a disbursement of a Federal Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant or, to a student for whom the institution did not have a valid SAR/ISIR by the deadline established by the Department (34 CFR 668.164(j)(4)(iv)) annually in the public deadline notice, and
- ◆ **a first disbursement** of a Direct Loan (i.e., the first disbursement of a Direct Loan in a loan period) to a student enrolled in a modular program who has withdrawn before beginning attendance in enough courses to establish a half-time enrollment status.

Some schools can use the 50% point as the withdrawal date for a student who unofficially withdraws in determining earned Title IV aid. **However, to determine whether the funds can be disbursed as a post-withdrawal disbursement, the school must make a separate determination of the date the student lost eligibility.**

### Making a Separate Determination of Eligibility for a Post-Withdrawal Disbursement

Consider a student enrolled at a school that is not required to take attendance by an outside entity. The student registers for, and on September 1, begins attendance in 12 credits. On September 15, the student drops classes worth seven credits, and his enrollment status changes to less than half time. On December 1, the school receives \$2,000 in Stafford loan funds for the student.

In reviewing its records, the school determines that the student stopped attending all classes and is an unofficial withdrawal. Though the school can use the 50% point as the withdrawal date, it must make a separate determination of the student's eligibility for a post-withdrawal disbursement. In this case, because the student lost eligibility for Stafford funds on September 15 (the day the student ceased to be enrolled at least half time), the student may not receive a post-withdrawal disbursement of Stafford loan funds.

### Exception to including funds as *Aid that could have been disbursed* when a student has a disqualifying comment code

#### Example Of Prohibited Disbursement

Consider a credit-hour program where each semester comprises three modules of five weeks each. If a student enrolls in one three-credit course in the first module and one three-credit course in the second module—that is, he or she will not begin attendance in six credit hours, the school's minimum half-time enrollment status until he or she begins the course in the second module—the school is not required to, nor should it, delay the disbursement of the student's Direct Loan Program funds until he or she begins the course in the second module. However, if the student withdraws during the first module and the school has not made the first disbursement of a Direct Loan to the student prior to the withdrawal, the school may not make that first disbursement of the Direct Loan to the student at this point; however, the amount of the first disbursement would be included as *Aid that could have been disbursed* in the required R2T4 calculation.



If a student's SAR/ISIR contains a Comment Code that requires resolution (e.g., 132–Default) in order for the funds to be included as *Aid that could have been disbursed*, the underlying issue must be resolved before the institution performs the R2T4 calculation and in time for the institution to meet any applicable R2T4 deadline.

### Treatment of inadvertent overpayments

An inadvertent overpayment occurs when an institution disburses funds to a student who is no longer in attendance (for example, when an institution makes a scheduled disbursement on Monday to a student who dropped out on the previous Friday). Inadvertent overpayments are included in R2T4 calculations as *Aid that could have been disbursed* rather than *Aid that was disbursed*.

A school is allowed to hold an inadvertent overpayment while determining if the student is owed a post-withdrawal disbursement. However, this is not intended to affect the amount of aid a student would receive under an R2T4 calculation. Rather, it is permitted to avoid a school having to return funds only to have to later request and disburse them if a student is eligible for a post-withdrawal disbursement.

An inadvertent overpayment does not create a separate basis for permitting funds to be paid to a student's account. So, if an inadvertent overpayment does not meet the criteria for a late disbursement, the second principle under *Title IV aid that could have been disbursed* discussed previously applies, and neither the institution nor the student may retain any portion of the overpayment. However, the funds are included as *Aid that could have been disbursed* and may result in a student being able to retain more grant funds.

To be consistent with the aforementioned second principle, an institution must treat inadvertent overpayments as *Aid that could have been disbursed* rather than *Aid that was disbursed*. If the inadvertent overpayment could not have been made as a late disbursement under the regulations, the institution must return the entire amount of the overpayment. If the overpayment could have been made as a late disbursement, the institution must return only the unearned portion of the inadvertent overpayment.

An institution is not required to return the inadvertent overpayment immediately but must return it within 45 days of the date of the institution's determination that the student withdrew (the time frame for an institution's return of Title IV funds under 34 CFR 668.22(j)(1)). An institution must return an inadvertent overpayment in accordance with the applicable regulations for returning overpayments.

### Discussion of inadvertent overpayments

Federal Register, Volume 64, Number 151, August 6, 1999, Proposed Rules, page 43026  
 Federal Register, Volume 64, Number 210, November 1, 1999, Rules and Regulations, page 59018  
 DCL GEN-04-03 Revised, November 2004

For example, if a late disbursement would have been prohibited because the student had withdrawn and the disbursement would have been a late second or subsequent disbursement of a Direct Loan, the inadvertent overpayment must be returned because the student had not successfully completed the period of enrollment for which the loan was intended (34 CFR 668.164(j)(4)(ii)).



**Institutions are expected to have the administrative capability to prevent inadvertent overpayments on a routine basis.** Specifically, an institution is expected to have in place a mechanism for making the necessary eligibility determinations prior to the disbursement of any Title IV funds—for example, a process by which withdrawals are reported immediately to those individuals at the institution who are responsible for making Title IV disbursements. During a program review, we would question a pattern or practice of making these inadvertent overpayments.

### Late arriving aid

If a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period during which the student withdrew. (Also, the institutional charges used in the calculation generally have to reflect the charges for the payment period.)

If *Aid that could have been disbursed* during a previous payment period (completed by the student) is received in a subsequent period during which the student withdrew, the aid is not considered *Aid disbursed* or *Aid that could have been disbursed* in the period during which the student withdrew. This late-arriving assistance, while it can be disbursed in the current term, is disbursed for attendance in the previous term. Therefore, it is not included in the R2T4 calculation for the period in which the student withdrew.

**For a student who has withdrawn, a school cannot disburse aid received for a previous semester unless the student qualifies for a late disbursement.**

## Examples of Second or Subsequent Direct Loan Disbursements and an Example of a Second Payment Period Pell Grant Disbursement

### Example 1

Consider a student who withdrew after completing 400 clock hours in a 900 clock-hour program and before passing the midpoint in calendar time of the loan period. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The R2T4 calculation is done on a period of enrollment basis. Half of the Direct Loan and half of a Federal Pell Grant were disbursed at the beginning of the first payment period, and the student was scheduled to receive the other half in the second payment period. Because the student had not completed half of the clock hours and, for the loan, half of the time in the loan period, the student was not eligible to receive the second installment of the loan and the Federal Pell Grant. Therefore, the second disbursements were not made before the student withdrew.

Under current guidance, the second disbursements of both the Pell Grant and the loan are included as *Aid that could have been disbursed* in the calculation of earned Title IV aid so that the amount of Title IV aid used in the calculation (and earned by the student) will be larger.

*Please note, however, the institution may not make a post-withdrawal disbursement from the second scheduled disbursements of Pell Grant or Direct Loan funds because of the prohibition on making these disbursements.*

### Example 2

Consider a student who completed 500 clock hours in a 900 clock-hour program and passed the midpoint in calendar time of the loan period at an institution that uses the period of enrollment as the basis for its R2T4 calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. Half of the Direct Loan was disbursed at the beginning of the first payment period, and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and passed the midpoint in calendar time of the loan period and was otherwise eligible to receive the second installment of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the Department had processed a SAR/ISIR and the institution previously had originated the loan before the student lost eligibility, the second disbursement of the loan is included as *Aid that could have been disbursed* in the calculation of earned Title IV aid.

However, the late disbursement regulations prohibit an institution from making a second or subsequent disbursement of a Direct Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The R2T4 requirements, including the post-withdrawal disbursement requirements, do not supersede this provision. **Therefore, although in this case a second or subsequent Direct Loan disbursement is counted as *Aid that could have been disbursed* for purposes of determining earned Title IV aid, the funds may not be disbursed as part of a post-withdrawal disbursement.**

### Examples of Second or Subsequent Direct Loan Disbursements and an Example of a Second Payment Period Pell Grant Disbursement (Continued)

#### Example 3

Consider a student who withdraws after completing 350 clock hours in a 900 clock-hour program at an institution that uses the period of enrollment as the basis for its R2T4 calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Direct Loan for the first quarter (225 hours) of the period of enrollment has been disbursed. The student is scheduled to receive the second quarter of the loan in the second half of the first 450-hour payment period. The student withdraws during the first payment period after receiving only the first disbursement of the loan. The second, third, and fourth scheduled disbursements of the loan are included in the calculation as ***Aid that could have been disbursed*** because the school has chosen to perform the R2T4 calculation on the period of enrollment basis for all students in this program. However, the institution may not make a post-withdrawal disbursement from the second (or subsequent) scheduled disbursement of the loan because of the prohibition on making late second or subsequent disbursements of Direct Loans when a student has not completed the period for which the loan was intended.

## STEP 2: PERCENTAGE OF TITLE IV AID EARNED

The percentage of Title IV aid earned is determined differently for credit-hour program withdrawals and clock-hour program withdrawals. The requirements for determining a student's withdrawal date, however, differ based on whether a school is required to take attendance or not. The withdrawal date is used to determine the point in time that the student is considered to have withdrawn so the percentage of the payment period or period of enrollment completed by the student can be determined. The percentage of Title IV aid earned is equal to the percentage of the payment period or period of enrollment completed.

If the day the student withdrew occurs when or before the student completed 60% of the payment period or period of enrollment, the percentage earned is equal to the percentage of the payment period or period of enrollment that was completed. If the day the student withdrew occurs after the student has completed more than 60% of the payment period or period of enrollment, the percentage earned is 100%.

### *Part 1—Withdrawal date*

The definition of a *withdrawal date* as outlined here is required for Title IV program purposes only—including the withdrawal date that a school must report to the Department if Direct Loan Program funds were received. A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

The definition of a withdrawal date is used in determining the amount of aid a student has earned. Do not confuse it with the *date of the institution's determination that the student withdrew*, discussed in Chapter 1 and used for other purposes in the R2T4 process.

### **Withdrawal date for a student who withdraws from a school that is required to take attendance**

The goal of the R2T4 provisions is to identify the date that most accurately reflects the point when a student ceases academic attendance, not the date that will maximize Title IV aid to the institution or to the student. Generally, the most precise determination of a student's withdrawal date is one that is made from institutional attendance records.

If a school is **required** to take attendance, a student's withdrawal date is **always** the last date of academic attendance as determined by the school from its attendance records. This date is used for all students who cease attendance, including those who do not return from an approved LOA, those who take an unapproved LOA, and those who officially withdraw. For information on what qualifies as academic attendance, see *Academic attendance and attendance at an academically related activity later in this chapter*.

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#### **Withdrawal date at schools required to take attendance**

34 CFR 668.22(b)

## Schools required to take attendance

A school is required to take attendance not only when it is required to take attendance by an outside entity (such as the school's accrediting agency or a state agency) that has a requirement that the school take attendance, but also when:

- ◆ the school itself has a requirement that its instructors take attendance, or
- ◆ the school or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including but not limited to requiring that students in a program demonstrate attendance in the classes of that program or a portion of that program.

These regulations describe when a school is considered to be required to take attendance for Title IV purposes; they do not require schools to take attendance. Again, a school is considered to be required to take attendance only when a school either requires the taking of attendance or is required by an outside entity to take attendance. A requirement that a student self-certify attendance directly to an outside entity does not make a school one that is required to take attendance. For example, a Veterans' Administration requirement that benefit recipients self-report attendance would not result in a school being considered one that is required to take attendance unless the school is required to verify the student's self-certification.

## When a school has a requirement for taking attendance

If a school does not require faculty to take attendance but a faculty member chooses to take attendance, then the school is not considered a school required to take attendance. If, however, a school requires its faculty to take attendance, whether at the program, department, or institutional level, then those attendance records must be used by the school in determining a student's date of withdrawal.

Schools that do not require the taking of attendance and are not required to take attendance by an outside entity are not prohibited from using individual faculty members' attendance records in determining a student's date of withdrawal. The Department encourages schools to use the best information available in making this determination.

### Example of Taking Attendance

Ten students at Peabody University receive assistance from the state. The state requires the school to take attendance for the recipients of the state's education benefits. Peabody University is not required by any other outside entity to take attendance for any of its other students. Seven of the 10 students who receive state benefits are also Title IV program recipients. If any of those seven students withdraw from the school, the school must use the state required attendance records to determine the withdrawal date as required for institutions required to take attendance. For all other Title IV program recipients at Peabody University who withdraw, the school must determine the withdrawal date in accordance with the requirements for students who withdraw from a school that is not required to take attendance.

### When a School Requires Faculty to Provide an LDA for Students Who Receive All "F" Grades

A requirement that faculty provide a last date of attendance for students who receive all "F" grades to determine whether a student with failing grades has unofficially withdrawn does not make the school one that is required to take attendance.

Only if the school requires its faculty to collect or record information about whether a student was in attendance is the school considered to be one that is required to take attendance.

### Monitoring Students Who Log Into Online Classes

The monitoring of whether online students log into classes does not by itself result in a school being a school that is required to take attendance for Title IV purposes.

If, however, the monitoring of student activity is tracking academic engagement, then the school would be a school that is required to take attendance for Title IV purposes.

A school is responsible for ensuring that it is in compliance with the requirements for schools that are required to take attendance even if some faculty do not comply with the school's attendance-taking policy. For students enrolled in classes taught by faculty who fail to take attendance, a student's withdrawal date will be the last date of academic attendance from the attendance records taken by the faculty that did take attendance. **If, at a school required to take attendance, no records of a student's academic attendance exist, the student is considered not to have begun attendance for Title IV program purposes and never to have established eligibility for the Title IV program funds.** Title IV program funds received by a student who failed to establish eligibility must be handled by the school in accordance with the procedures described in Chapter 1 under *When a student who fails to begin attendance in all the courses he or she was scheduled to attend withdraws*.



### Requirements that can only be met by taking attendance

#### Schools required to take attendance

DCL GEN-11-14, July 20, 2011

The Department is looking at the substance of the information that is available rather than the way that information is described or portrayed by the school or outside entity. If the school is required to collect or record information about whether a student was in attendance during a payment period, or during a limited period of time during a payment period, that information should be used to determine if the student ceased attendance during that period.

For schools that are required to measure the clock hours a student completes in a program, the Department believes that this is, in substance, a requirement for those schools to take attendance for those programs since they satisfy both the requirement of determining that a student is present and that the student is participating in a core academic activity.

## Attendance taking requirements for some students

If a school is required to take attendance by an outside entity (for example, a state Workforce Development Agency) for only some students, the school is required to use those attendance records to determine a student's withdrawal date (the last date of academic attendance) for those students. The school would not be required to take attendance for any of its other students or to use attendance records to determine the withdrawal dates of any of its other students unless the school is one required to take attendance for those students by its own rules or another outside entity.

### When a school takes attendance for one day or a limited period

If a school is required to take attendance or requires that attendance be taken on only one specified day to meet a census reporting requirement, the school is not one required to take attendance. If a school is required to take attendance or requires that attendance be taken for a limited period, the school must use its attendance records for that limited period to determine a withdrawal date for a student. Students in attendance at the last time attendance is required to be taken during the limited period who subsequently stop attending during the payment period, but subsequent to the limited period of attendance taking, will be treated as students for whom the school was not required to take attendance.

Unless a school demonstrates that a withdrawn student who is not in attendance at the end of the limited period of required attendance taking attended after the limited period, the student's withdrawal date would be determined according to the requirements for a school that is required to take attendance. That is, the student's withdrawal date would be the last date of academic attendance, as determined by the school from its attendance records.

If the school demonstrates that the student attended past the end of the limited period, the student's withdrawal date is determined in accordance with the requirements for a school that is not required to take attendance. So, for a student the school has determined attended past the limited period and has unofficially withdrawn, the student's withdrawal date is the midpoint of the payment period or period of enrollment unless the school uses a last date of attendance at an academically related activity. The school, therefore, has the option to document a student's last date of attendance at an academically related activity, but a school is not required to take attendance past the end of the limited period of attendance taking.

#### Census dates in programs offered in modules

For a program that is offered in modules, a school may require that attendance be taken on a single specified day in each module (i.e., have one census date per module) without the school being considered one that is required to take attendance.

#### Taking attendance for one day as opposed to a limited period

If a school is taking attendance to determine whether each student attended at least once during a period of time (for example, the first two weeks of a term) but does not continue to monitor attendance for a student after the one day of confirmed attendance, it is not a school that is required to take attendance for Title IV program purposes. However, if a school takes attendance throughout a period to determine when students are and are not present, then the school is taking attendance for a limited period, and the school is one that is required to take attendance for Title IV program purposes for that limited period.

## When attendance taking is required only for some classes

### When a Student Officially Withdraws After the End of a Limited Period of Required Attendance Taking

Consider a student who is not in attendance in her classes on the last day of a two-week period of required attendance taking. The student begins the school's official withdrawal process two weeks after the end of the two-week period of required attendance taking. The school must demonstrate after the two-week attendance taking period to use the date the student begins the school's official withdrawal process as the withdrawal date. If it cannot, the student's withdrawal date is the last date of academic attendance during the period of attendance taking, as determined by the school from its attendance records.

A school is required to take attendance if attendance taking is required in all classes in the program for a period of time. For example, if a school requires that attendance be taken in all core classes but not elective classes, when the core classes in the program are taken in isolation, for the period of time that students are taking only core classes, the program is one for which the school is required to take attendance.

If core and elective classes are taken at the same time and attendance taking is not required for the elective classes, then for the period of time that core and non-core classes are taken together, the school is not one that is required to take attendance for that program.

### Determining a student's withdrawal date at a school that is not required to take attendance

If a school is not required to take attendance, the determination of a withdrawal date varies with the type of withdrawal. The withdrawal date for the various types of withdrawals, as well as the date of the institution's determination that the student withdrew for each type of withdrawal is provided in the chart *Withdrawal Dates for a School that is Not Required to Take Attendance* at the end of this chapter.

### Official notification

#### Official notification

34 CFR 668.22(c)(1)(i) and (ii)

#### Official notification defined

A notice of intent to withdraw that a student provides to an office designated by the institution.

34 CFR 668.22(c)(5)(i)

A student may provide official notification of his or her intent to withdraw by following the school's withdrawal process. In this case, the withdrawal date is the date the student begins the school's withdrawal process. A student may also provide official notification in other ways. If a student otherwise provides official notification (as explained later), the withdrawal date is the date notification was provided.

These withdrawal dates apply even if a student begins the school's withdrawal process or otherwise notifies the school of his or her intent to withdraw and projects a future last date of attendance. However, a **school that is not required to take attendance may always use a last date of attendance at an academically related activity as a student's withdrawal date** (this is discussed in detail later). Therefore, a school could use a later last documented date of attendance at an academically related activity if this date more accurately reflects the student's withdrawal date than the date the student begins the school's withdrawal process or notifies the school of his or her intent to withdraw.

### Notification Example

For example, if on May 5, a student provided notification of his or her intent to cease attending the school beginning on May 10, the withdrawal date is May 5. However, the school may use May 10 as the student's withdrawal date if the institution documents May 10 as the student's last date of attendance at an academically related activity.

### School's withdrawal process

The beginning of the school's withdrawal process must be defined. The individual definition is left up to the school. Schools are required to make available to students a statement specifying the requirements for officially withdrawing from the school.

While the institution's officially defined withdrawal process might include a number of required steps, and though the institution might not recognize the student's withdrawal (for purposes of determining an institutional refund) until the student has completed all the required steps, for the purpose of calculating the return of Title IV funds, the date the student began the institution's withdrawal process is the withdrawal date for Title IV purposes.

### Otherwise provides official notification

Official notification to the school occurs when a student notifies an office designated by the school of his or her intent to withdraw. In its written description of its withdrawal procedures, a school must designate at least one office for this purpose. For example, a school could designate a dean's, registrar's, or financial aid office. If a student provides notification to an employee of that office while that person is acting in his or her official capacity, the student has provided official notification.

Official notification from the student is any official notification that is provided in writing or orally to a designated campus official acting in his or her official capacity in the withdrawal process. Acceptable official notification includes notification by a student via telephone, through a designated website or orally in person. The responsibility for documenting oral notifications is the school's. However, the school may request, but not require, the student to confirm his or her oral notification in writing. **If a student provides official notification of withdrawal to the institution by sending a letter to the designated office stating his or her intent to withdraw, the withdrawal date is the date that the institution receives the letter.** Notification is not provided to an institution until the institution receives the notification. Note that an institution always has the option of using the date of a student's last participation in an academically related activity as long as that participation is documented by a campus official.



### Consumer Information on a School's Withdrawal Process

A school is expected to identify the beginning of its process as a part of the school's consumer information regarding withdrawal (see *Volume 2*). A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

### Otherwise provides official notification

34 CFR 668.22(c)(5)

### Informal Contact with A School Employee

If the student provides notification to an employee of a designated office while that person is not acting in his or her official capacity (for example, the student runs into her financial aid officer at the grocery store), we would expect the employee to inform the student of the appropriate means for providing official notification of his or her intent to withdraw.

Intent to withdraw means that the student indicates he or she has either ceased to attend the school and does not plan to resume academic attendance or believes at the time he or she provides notification that he or she will cease to attend the school. A student who contacts a school and only requests information on aspects of the withdrawal process, such as the potential consequences of withdrawal, would not be considered a student who is indicating that he or she plans to withdraw. However, if the student indicates that he or she is requesting the information because he or she plans to cease attendance, the student would be considered to have provided official notification of his or her intent to withdraw.

### When a student triggers both dates

#### When a student triggers both dates

34 CFR 668.22(c)(2)(ii)

A student might both begin the school's withdrawal process and otherwise provide official notification to the school of his or her intent to withdraw. For example, on November 1, a student calls the school's designated office and states his or her intent to withdraw. Later, on December 1, the student begins the school's withdrawal process by submitting a withdrawal form. **If both dates are triggered, the earlier date, November 1 in this case, is the student's withdrawal date.**

Remember that a school that is not required to take attendance is always permitted to use *the last date of an academically related activity that the student participated in* as the student's withdrawal date. So, if a student continues to attend class past the date the student provides notification, and the school chooses to do so, the school may document and use the student's last day of attendance at an academically related activity as the student's withdrawal date in the R2T4 calculation.



### Official notification not provided by the student

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of this calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines that the student ceased attendance because of the aforementioned applicable event.

The second category of unofficial withdrawals encompasses all other withdrawals where official notification is not provided to the school. This rule applies only to schools that are not required to take attendance. For these withdrawals, commonly known as dropouts, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable, or the last date of an academically related activity in which the student participated.

### **Withdrawal without student notification due to circumstances beyond the student's control**

There are two circumstances in which a special rule applies that defines a withdrawal date for a student who withdraws due to circumstances beyond the student's control. They apply when (1) a student who would have provided *official notification* to the school was prevented from doing so due to those circumstances; and (2) a student withdrew due to circumstances beyond the student's control and a second party provided notification of the student's withdrawal on the student's behalf.

A school may determine the withdrawal date that most accurately reflects when the student ceased academic attendance due to the circumstances beyond the student's control. This date would not necessarily have to be the date of the occurrence of the circumstance. For example, if a student is assaulted, he or she may continue to attend school but ultimately not be able to complete the period because of the trauma experienced. Because the student's withdrawal was the result of the assault, the withdrawal date would be the date the student actually left the school, not the date of the assault. A school should document that the student left at the later date because of issues related to the assault.

If a school administratively withdraws a student (e.g., expels, suspends, or cancels the student's registration) who has not notified the school of his or her intent to withdraw, the last possible date of withdrawal for the student is the date the school terminates the student's enrollment. However, **an institution may not artificially create a withdrawal date for such a student that is beyond the midpoint of the period by simply choosing to withdraw the student after the midpoint.** Of course, if the school can document that the student continued his or her attendance past the midpoint, the school may use a later date.



### **Withdrawal due to circumstances beyond the student's control**

34 CFR 668.22(c)(1)(iv)

#### **TIP**

#### **When a School Grants a Retroactive Withdrawal to a Student Who Experienced an Event Beyond the Student's Control**

If a student has experienced an event beyond the student's control a school sometimes grants a retroactive withdrawal to the student. On those occasions, after the school has performed the R2T4 calculation and returned the funds required, the school may find itself holding a credit balance that is composed of both Title IV and non-Title IV funds.

In the case of a retroactive withdrawal of a student who has outstanding Direct Loans, if the school is unable to locate the student, in order to provide the greatest benefit to the student, the school may return both the Title IV and non-Title IV funds in the student's credit balance using G5.

All returns through G5 must be offset by a downward adjustment in student's Direct Loan record in COD of the entire amount (the sum of the Title IV and non-Title IV funds) the school is returning.

**A school should never return more through G5 than the outstanding balance on the student's Direct Loan.**



### Withdrawal date when a student dies

#### Withdrawal Date for Administrative Withdrawals

A school may not artificially create a withdrawal date for a student that is beyond the “trigger point” that causes the school to administratively withdraw the student.

If, for example, a school can document that it has a uniform policy of withdrawing students after a specified (and reasonable) number of absences that applies throughout the payment period/period of enrollment, then the date that a student exceeded that number of absences would be the date that the school would normally use as the withdrawal date.

In a slightly different scenario, if a school administratively withdraws a student because all of the student’s instructors report that the student has ceased attendance as of a certain date (e.g., a census date) then the last possible date of the withdrawal for that student is that (census) date.

If a school administratively withdraws a student for some reason other than excessive absences, it similarly will have to determine the date of the event that caused the school to make that decision to withdraw the student.

If a school can show that a student participated in an academically related activity after the date of the event that caused the school to terminate his/her enrollment (but still before the school withdrew the student), the school could use the date of the academically related activity as the last date of attendance. Also see sidebar on administrative withdrawals under *Withdrawals from programs offered in modules* later in this chapter.

If a school that is not required to take attendance is informed that a student has died, it must determine the withdrawal date for the student under 34 CFR 668.22(c)(1)(iv). This section provides that if the institution determines that a student did not begin its withdrawal process or otherwise provide official notification of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student’s control, the withdrawal date is the date that the institution determines is related to that circumstance.

The withdrawal date can be no later than the date of the student’s death. For an institution that is required to take attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the school’s attendance records. **The school must maintain the documentation it received that the student has died** and determine an appropriate withdrawal date.

**TIP**

(For more information on how the death of a student affects the R2T4 process, see the discussion under *When a student receiving Title IV aid dies during the payment period or period of enrollment* later in this chapter. For complete information on how a school should proceed when a student dies see, Appendix D of the Handbook.)

#### All other withdrawals without student notification

**Clarification**

For all other withdrawals without notification at an institution not required to take attendance by an outside entity, unless the institution chooses to use the last date of an academically related activity in which the student participated as the withdrawal date, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable.

### Time frame for the determination of a withdrawal date for an unofficial withdrawal

A school may not know that a student has dropped out (unofficially withdrawn) until the school checks its records at the end of an academic period. However, to ensure that Title IV funds are returned within a reasonable period of time, a school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student’s educational program.

A school must develop a mechanism for determining whether a student who began attendance and received or could have received an initial disbursement of Title IV funds unofficially withdrew (ceased attendance without providing official notification or expressed intent to withdraw) during a payment period or period of enrollment, as applicable. Section 34 CFR 668.22(j)(2) requires that a school have a mechanism in place for identifying and resolving instances where a student’s attendance through the end of the period cannot be confirmed. That is, institutions are expected to have procedures for determining when a student’s absence is a withdrawal. The school must make that determination as soon as possible but no later than 30 days after the end of the earlier of:

- the payment period or period of enrollment, as applicable,
- the academic year, or
- the program.

### When students fail to earn a passing grade in any class



**An institution must have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal.** We do not require that an institution use a specific procedure for making this determination.

If a student earns a passing grade in one or more of his or her classes offered over an entire period, for that class, an institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.



**Note:** A “system generated” default date is not acceptable documentation that a student began attendance.

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### Time frame for the determination

34 CFR 668.22(j)(2)

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### All other withdrawals

34 CFR 668.22(c)(1)(iii)

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### When a student fails to earn a passing grade

DCL GEN-04-03 Revised, November 2004

#### Testing the Use of a Grading Policy

If a school uses its grading policy to determine whether students with failing grades have unofficially withdrawn, during compliance audits and program reviews, student records might be examined to determine whether the grades assigned accurately represent the students’ attendance.

**Reminder****When a School Cannot Document Attendance for a Student Who Fails to Complete a Course**

If a student does not complete at least one course during a payment period and the school cannot document that the student attended at least one day during that payment period, the student must be treated as one who never began attendance for the payment period. In such a case, the regulations under 34 CFR 668.21 apply and Title IV aid disbursed to the student for the payment period must generally be returned.

In some cases, a school may use its policy for awarding or reporting final grades to determine whether a student who failed to earn a passing grade in any of his or her classes completed the period. For example, a school might have an official grading policy that provides instructors with the ability to differentiate between those students who complete the course but failed to achieve the course objectives and those students who did not complete the course. If so, the institution may use its academic policy for awarding final grades to determine that a student who did not receive at least one passing grade nevertheless completed the period. Another school might require instructors to report, for all students awarded a non passing grade, the student's last day of attendance (LDA). The school may use this information to determine whether a student who received all "F" grades withdrew. If one instructor reports that the student attended through the end of the period, then the student is not a withdrawal. In the absence of evidence of a last day of attendance at an academically related activity, a school must consider a student who failed to earn a passing grade in all classes to be an unofficial withdrawal.

**Example of a Grading Policy That Could Be Used to Determine Whether a Student Unofficially Withdrew**

**F (Failing)** Awarded to students who complete the course but fail to achieve the course objectives.

**I-U (Incomplete-Unauthorized)** Awarded to students who did not officially withdraw from the course but who failed to participate in course activities through the end of the period. It is used when, in the opinion of the instructor, completed assignments or course activities or both were insufficient to make normal evaluation of academic performance possible.

To serve as documentation that a student who received all "F" grades had not withdrawn, such a grading policy would have to require instructors to award the "F" (or equivalent grade) only to students who completed the course (but who failed to achieve the course objectives). In addition, the policy would have to require that instructors award an alternative grade, such as the "I-U" grade, to students who failed to complete the course. If the system allows an instructor to indicate the date the student last participated in course activities, this date would be helpful if an institution chose to use attendance at an academically related activity as a student's withdrawal date.

At a school using such a grading policy, if a student received at least one grade of "F", the student would be considered to have completed the course and, like a student who received at least one passing grade, would not be treated as a withdrawal. A student who did not officially withdraw and did not receive either a passing grade or an "F" in at least one course must be considered to have unofficially withdrawn. As noted previously, when a student unofficially withdraws from an institution that is not required to take attendance, the institution may use either the student's last date of attendance at an academically related activity or the midpoint of the period as the student's withdrawal date.

### **Last date of attendance at an academically related activity**



A school that is not required to take attendance may always use a student's last date of attendance at an academically related activity, as documented by the school, as the student's withdrawal date, in lieu of the withdrawal dates listed previously. So, if a student begins the school's withdrawal process or otherwise provides official notification of his or her intent to withdraw and then attends an academically related activity after that date, the school would have the option of using that last actual attendance date as the student's withdrawal date, provided the school documents the student's attendance at the activity. Similarly, a school could choose to use an earlier date if it believes the last documented date of attendance at an academically related activity more accurately reflects the student's withdrawal date than the date the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw. Please note that a school is not required to take class attendance to demonstrate academic attendance for this purpose. For more information on what qualifies as academically related activity, see the discussion under *Academic attendance and attendance at an academically related activity*.

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### **Last date of attendance at an academically related activity**

34 CFR 668.22(c)(3)

### **Withdrawals after rescission of official notification**

A student may provide official notification to the school of the intent to withdraw and then change his or her mind. To allow a student to rescind his or her intent to withdraw for purposes of this calculation, the school must obtain a written statement from the student stating his or her intent to remain in academic attendance through the end of the payment period or period of enrollment. If the student subsequently withdraws after rescinding an intent to withdraw, the withdrawal date is the date the student first provided notification to the school or began the school's withdrawal process, unless the school chooses to document a last date of attendance at an academically related activity.

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### **Withdrawals after rescission of official notification**

34 CFR 668.22(c)(2)(i)

For example, Dave notifies his school of his intent to withdraw on January 5. On January 6, Dave notifies the school that he has changed his mind and has decided to continue to attend the school, and provides the required written statement to that effect. On February 15, Dave notifies the school that he is withdrawing and actually does. The school has a record of an exam that Dave took on February 9. The school may use February 9 as Dave's withdrawal date.



If the school could not or did not choose to document a last date of attendance at an academically related activity for Dave (in this case, the record of the exam), his withdrawal date would be January 5, the date of Dave's original notification of his intent to withdraw, not February 15.

**Academic Attendance**

34 CFR 668.22(l)(7)

**Counting Excused Absences As Days in Attendance**

A school may only count as days in attendance excused absences that are followed by some class attendance. That is, a school may not include as days attended any excused absences that occur after a student's last day of actual attendance.

**Academic attendance and attendance at an academically related activity**

For a school that is required to take attendance, the withdrawal date is always the last date of academic attendance as determined by the school from its attendance records. A school that is not required to take attendance may always use as a withdrawal date a student's last date of attendance at an academically related activity.



Moreover, the school (not the student) must document

- ◆ that the activity is academic or academically related, and
- ◆ the student's attendance at the activity.

Academically related activities include but are not limited to the following:

- ◆ physically attending a class where there is an opportunity for direct interaction between the instructor and students;
- ◆ submitting an academic assignment;
- ◆ taking an exam, completing an interactive tutorial, or participating in computer-assisted instruction;
- ◆ attending a study group that is assigned by the school;
- ◆ participating in an online discussion about academic matters; and
- ◆ initiating contact with a faculty member to ask a question about the academic subject studied in the course.

A school that is required to take attendance may use the school's records of attendance at these activities as evidence of attendance, provided there is no conflict with the requirements of an outside entity that requires the school to take attendance or, if applicable, the school's own requirements.

Academically related activities do not include activities where a student may be present but not academically engaged, such as:

- ◆ living in institutional housing,
- ◆ participating in the school's meal plan,
- ◆ logging into an online class without active participation,
- ◆ participating in academic counseling or advisement.

**Participation in academic counseling and advising are not considered to be academic attendance or attendance at an academically related activity.**



## Documenting attendance when students are enrolled in distance education courses



In a distance education context, documenting that a student has logged into an online class is not sufficient, by itself, to demonstrate academic attendance by the student. A school must demonstrate that a student participated in class or was otherwise engaged in an academically related activity, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question.

Examples of acceptable evidence of academic attendance and attendance at an academically-related activity in a distance education program include:

- ◆ student submission of an academic assignment,
- ◆ student submission of an exam,
- ◆ documented student participation in an interactive tutorial or computer-assisted instruction,
- ◆ a posting by the student showing the student's participation in an online study group that is assigned by the institution,
- ◆ a posting by the student in a discussion forum showing the student's participation in an online discussion about academic matters, and
- ◆ an email from the student or other documentation showing that the student initiated contact with a faculty member to ask a question about the academic subject studied in the course.

### Documentation of a withdrawal date

A school must document a student's withdrawal date and maintain that documentation as of the date of the school's determination that the student withdrew. A school must determine the attendance records that most accurately support its determination of a student's withdrawal date and the school's use of one date over another if the school has conflicting information. The determination of a student's withdrawal date is the responsibility of the school. A student's certification of attendance that is not supported by institutional documentation is not acceptable. If a school is required to take attendance, it is up to the school to ensure that accurate attendance records are kept for purposes of identifying a student's last date of academic attendance.

As with other Title IV program records, documentation must be retained and available for examination in accordance with the regulatory provisions for recordkeeping (34 CFR 668.24).



### Maintaining Records

A school must determine and maintain the records that most accurately support its determination of a student's withdrawal date and the school's use of one withdrawal date over another if the school has conflicting information.

At a school that is not required to take attendance, but is using a last date of attendance at an academically related activity as a withdrawal date, it is up to the school to ensure that accurate records are kept for purposes of identifying a student's last date of academic attendance or last date of attendance at an academically related activity.

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### Documenting a student's withdrawal date

34 CFR 668.22(b)(2)

34 CFR 668.22(c)(4)

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### Determining a student's withdrawal date at a school that is not required to take attendance

34 CFR 668.22(c)

## Withdrawals from programs offered in modules

### Withdrawal from programs offered in modules DCL GEN-11-14, July 2011



#### When an Administrative Withdrawal Is Mandated by School Policy

If a school has a policy to administratively withdraw a student who fails to begin attendance in another course within a period of time that is less than the 45-day period, the student is considered a withdrawal for Title IV purposes, and the school must determine the student's withdrawal date in accordance with the requirements for administrative withdrawals.

For a school that is required to take attendance, a student's withdrawal date is always the last date of academic attendance as determined by the school from its attendance records. At a school that is not required to take attendance, an administrative withdrawal is considered to be a withdrawal without student notification due to circumstances beyond the student's control, and the withdrawal date is the date that the school determines is related to that circumstance. (34 CFR 668.22 (c)(1)(iv))

The last possible date of withdrawal for a student that is administratively withdrawn due to a period of nonattendance for a specified period is the date that started the period of nonattendance (i.e., the beginning of the period of nonattendance that triggered the administrative withdrawal).

Under the October 29, 2010, final regulations, for all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment.

In addition, for a student in a nonterm or nonstandard-term program offered in modules, a student is considered to have withdrawn from the program if the student is not scheduled to begin another course within the payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence. So, for a student in a nonterm or nonstandard-term program offered in modules who ceases attendance, the student is considered to have withdrawn for Title IV purposes unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment, provided the later module the student will attend begins no later than 45 calendar days after the end of the module the student ceased attending.

If a school obtains a written confirmation of future attendance but the student does not return as scheduled, the student is considered to have withdrawn from the payment period or period of enrollment. The student's withdrawal date and the total number of calendar days in the payment period or period of enrollment are the withdrawal date and total number of calendar days as of the student's last day of attendance (those that would have applied if the student had not provided written confirmation of future attendance).

As discussed in Chapter 1 under *Treatment of students who withdraw from clock-hour programs, nonterm credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (and in which no term is less than 9 weeks in length), and then transfer to a new school or reenter the same school in a similar program*, if a student who withdraws from a clock-hour or nonterm credit hour program returns to the same program at the school within 180 calendar days, the student is treated as though he or she did not cease attendance. Similarly, if a student enrolled in a term-based credit-hour program offered in modules who withdrew without confirming an intent to return to a module later in the payment period or period of enrollment reenters the same program prior to the end of the payment period or period of enrollment, the student is treated as if he or she did not cease attendance.

### Determining if a program is offered in modules

A program is offered in modules if, for a payment period or period of enrollment, a course or courses in the program do not span the entire length of the payment period or period of enrollment. The determination of whether a program is offered in modules is made on a payment period by payment period or period of enrollment by period of enrollment basis, as appropriate, and is student specific. So, while some payment periods or periods of enrollment in a student's program may be considered to be offered in modules, others may not. If all the courses in a program for a particular payment period or period of enrollment, as applicable, span the entire length of the period, the program is never considered to be offered in modules for that period for any student who withdraws during the period.

Conversely, if none of the courses in a program for a particular payment period or period of enrollment span the entire length of the period, the program is always considered to be offered in modules for that period for a student who withdraws during the period. If some courses in the program for a particular payment period or period of enrollment span the entire length of the period but some do not, the program is considered to be offered in modules only for a student who is scheduled to attend at least one course that does not span the entire length of the period and who withdraws during the period.

For example, an institution offers a credit-hour program in semesters with two optional summer sessions. All the courses in the fall and spring semesters span the entire length of the semester. The two summer sessions are offered sequentially and are each seven weeks long. The institution chooses to combine the summer sessions into one term. Students have the option to enroll in either session or both sessions. The fall and spring semesters are never considered to be offered in modules for any student who withdraws because all classes span the entire length of the payment period (the term). However, for the summer sessions, where the payment period is the term comprising both sessions, all students who withdraw are considered to be withdrawing from a program offered in modules (with each session being a module) because none of the courses offered span the entire length of the payment period. If, for the summer term, the institution also offered courses that were 14 weeks in length (i.e., spanned the entire length of the payment period) and a student who withdrew was scheduled to attend only these 14-week-long courses, the program would not be considered to be offered in modules for purposes of determining the applicability of the return of Title IV funds requirements to that student's withdrawal.

#### How Determinations Are Made

A specific program might be classified as one that a school offers in standard terms, nonstandard terms, or even as a nonterm program. However, determinations about which format a student is attending are made on a student-by-student and semester-by-semester basis.

Consider a student enrolled in a program offered predominantly in standard terms without modules. However, the third semester of the program is composed of clinical coursework offered in modules. If a student withdraws during the third semester, the student would have to be treated as one who withdrew from a modular program.

### How To Determine Whether a Student In a Program Offered in Modules Has Withdrawn

Schools can determine whether a student enrolled in a series of modules is a withdrawal by asking the following three questions.

1. After beginning attendance in the payment period or period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

If the answer is no, this is not a withdrawal. If the answer is yes, go to question 2.

2. When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other courses?

If the answer is yes, this is not a withdrawal; however, other regulatory provisions concerning recalculation may apply. If the answer is no, go to question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period (for nonterm and nonstandard-term programs, this must be no later than 45 calendar days after the end of the module the student ceased attending)?

If the answer is yes, this is not a withdrawal, unless the student does not return. If the answer is no, this is a withdrawal and the return of Title IV Funds requirements apply.

**Note:** See the discussion under If a student remains enrolled only in non-Title IV-eligible courses in Chapter 1 for more information about a student in a term-based module program who remains enrolled only in non-Title IV-eligible courses.

### **Examples of Using the Three Questions to Determine Whether a Student Who Is Scheduled to Complete Two Courses in Each of The First Two of Three Modules Within a Payment Period Has Withdrawn**

#### **Scenario 1**

The student begins attendance in both courses in the first module but ceases to attend both courses after just a few days and does not confirm that he will return to any courses in modules two or three. The student is a withdrawal because he or she ceased to attend courses he or she was scheduled to attend (Yes to question 1); was not still attending any other courses (No to question 2); and did not confirm attendance in a course in a module beginning later in the period (No to question 3).

#### **Scenario 2**

If, however, the student begins attendance in both courses in the first module but drops just one of the courses after just a few days, the student is not a withdrawal. Although the student ceased to attend a course he or she was scheduled to attend (Yes to question 1), the student was still attending another course (Yes to question 2). Of course, the student's eligibility must be recalculated.

#### **Scenario 3**

If the student completes both courses in the first module but officially drops both courses in the second module while still attending those courses, the student is not a withdrawal. Because the student officially dropped both courses in module two before they began, the student did not cease to attend or fail to begin attendance in a course he or she was scheduled to attend. (No to question 1). However, because the student did not begin attendance in all courses, other regulatory provisions concerning recalculation may apply.

### **When a student who has withdrawn returns within a payment period or period of enrollment**

If a withdrawn student returns to the school within the same payment period or period of enrollment for a term-based program offered in modules, or within 180 calendar days for a clock-hour or nonterm credit-hour program, the student is treated as though he or she did not cease attendance and the school must “undo” the R2T4 calculation.

As with a student who reenters a clock hour or nonterm credit-hour program within 180 days, for a student who returns to a term-based credit hour program offered in modules within the same payment period or period of enrollment, the school must restore the student’s original Title IV program funds award to the original amounts, with no adjustments required for partial attendance of a module. However, if a student did not attend an entire module he or she was originally scheduled to attend during the time the student was away from the school, the school must adjust the student’s original Title IV fund amounts to take into account that the student never began the courses in that module.

The regulations require that funds be returned to the Department or delivered or offered to a student due a post-withdrawal disbursement within a specified period of time, and a school is expected to begin the R2T4 process immediately upon its determination that a student has withdrawn in order to perform any required actions in a timely manner. (See the chart *Return of Title IV Funds Requirements and Deadlines* near the end of this chapter for a description of all time-limited actions.) Therefore, once it has determined that a student has withdrawn, a school may not delay performing an R2T4 calculation to see if the student will return later in the payment period or period of enrollment.

For further treatment of this topic, please see the discussion under *Treatment of students who withdraw from clock-hour programs, non-term credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (and in which no term is less than 9 weeks in length), and then transfer to a new school or reenter the same school in a similar program* in Chapter 1.

### Written confirmation of future attendance

A student is not considered to have withdrawn if the school obtains a written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment. This confirmation must be obtained at the time of withdrawal, even if the student has already registered for subsequent courses.

“At the time of the withdrawal” means close to the date that the student actually ceased attendance and before the time when the school was required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the R2T4 requirements. Without confirmation of future attendance, a school must assume a student who has ceased attendance is a withdrawal and begin the R2T4 process. A school is expected to begin the R2T4 process immediately upon its determination that a student has withdrawn in order to perform required actions in a timely manner and may not delay the R2T4 process, in case a student might return. Of course, because the notice must confirm attendance in a module that begins later in the same payment period or period of enrollment, the notice must always be obtained prior to the beginning of the module in which the student is confirming attendance.

A student who has provided written confirmation of his or her intent to return is permitted to change the date of return to a module that begins even later in the same payment period or period of enrollment, provided that the student does so in writing prior to the return date that he or she had previously confirmed, and, for nonterm and nonstandard-term programs, the later module that he or she will attend begins no later than 45 calendar days after the end of the module the student ceased attending.

### Online Confirmation of Attendance

An online confirmation of future attendance from a student may constitute written confirmation that the student will attend a module that begins later, provided that the confirmation is a timely positive confirmation of future attendance. A school may not assume a student will be returning for a later module in which he or she was registered before the student ceases attendance. Rather, the school must ensure that the online confirmation requires the student to reaffirm attendance in a module that begins later in the period if that attendance is the basis for the future attendance. Of course, if at the time of the withdrawal, the student enrolled in a course in a later module in the same payment period or period of enrollment (that the student was not previously scheduled to attend), the newly added course would count as positive confirmation of future attendance for Title IV program purposes.

### Why a Student Who Ceases Attendance Between Modules is Considered Withdrawn

A student who ceases attendance between modules that he or she was scheduled to attend is considered to have withdrawn because: (1) the student has not completed all the days in the payment period that he or she was scheduled to complete (§668.22(a)(2)(i)(A)); and (2) his or her Title IV aid was based on attendance in all the modules he or she was originally scheduled to attend.

For example, a student enrolls in two three-credit courses in the first module (35 days in the module) and one three-credit course in the second module of a semester (35 days in the second module), comprising three modules of five weeks each. The student completes the two courses in the first module but never begins attendance in the second module and does not provide written confirmation of future attendance in the payment period (the semester). The student is considered to have withdrawn because the student was scheduled to complete, but did not complete, the days in the second module. Under the regulations, completion of one course in one module in a term-based credit-hour program no longer results in a student not being counted as a withdrawal; therefore, the institution would make a determination that the student earned 50% of his or her Title IV, HEA program funds (35 days ÷ 70 days = 50%).

### When a student drops all future classes between modules

Unless a student provides written confirmation of future attendance in the payment period or period of enrollment, a student who drops all the future classes that he or she was scheduled to attend between modules (when the student is not attending classes) is considered to have withdrawn, and an R2T4 calculation is required.

**Adjustments to a student's enrollment status made after the student has ceased attendance have no bearing on the R2T4 requirements.** Therefore, if a student who is scheduled to attend all three modules in a payment period or period of enrollment drops all future classes (the two remaining modules) during the period between the first and second module (when the student is not attending any classes), the days in modules two and three are included in the total number of calendar days in the payment period or period of enrollment. The days in the remaining modules are included whether the student ceased attendance during or completed the first module.

The days in the remaining modules are included in the number of days in the payment period or period of enrollment whether the student's future enrollment is cancelled by the student or by the school (for example, because the school cancels the class or drops the student from the class because the school determines that the student's grades in prior classes do not allow the student to progress to the next class).

### When a student drops classes on the same day the student withdraws

If a student drops classes (or is administratively dropped by a school) on the same day the student withdraws, the student's enrollment status is not adjusted to reflect the dropped classes for R2T4 purposes.

Classes dropped on the same day that the student withdraws have no bearing on the R2T4 requirements. A school must perform an R2T4 calculation that includes those classes in the days in all modules the student was scheduled to attend.



**When a student enrolled in modules within a term drops all future courses on the last day of a completed module****Clarification**

If a student drops all future classes in a payment period or period of enrollment on the same day the student completes a module, the student is not considered a withdrawal. For example, if a student who is enrolled in modules one and three of a three-module term drops all classes in module three on the last day of module one, the student is not considered to have withdrawn and no R2T4 calculation is required. **However, the student's eligibility for Title IV aid must be recalculated based on a revised cost of attendance (COA) and enrollment status.**

**Reminder**

If the student fails to begin classes in the next scheduled term, in its next NSLDS enrollment status report the school must report the student's status as "W" with the day of the completed module as the student's last day of attendance. In addition, if the student initially had a Direct Loan with a loan period that spanned more than one semester, the school must adjust the loan period in COD so that it ends on the last day of the first semester. (DCL GEN-13-13.).

**Recalculation**

Schools should review the recalculation guidelines in Volume 3.

Note that 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.

### Withdrawal date from a program offered in modules

For a school that is required to take attendance, a student's withdrawal date is always the last date of academic attendance as determined by the school from its attendance records (34 CFR 668.22(b)(1)). For a school that is not required to take attendance, the withdrawal date is determined in accordance with the requirements of section 34 CFR 668.22(c).

The withdrawal date for a student who withdraws from a school that is not required to take attendance when the student does not provide official notification to the school of his or her withdrawal (i.e., unofficially withdraws) is the midpoint (the 50% point) of the payment period or period of enrollment.

To determine the midpoint of the payment period or period of enrollment for a student who withdraws from a program offered in modules, a school must first determine the length of the payment period or period of enrollment (i.e., the total number of calendar days in the period) as discussed under *Determining the percentage of the payment period or period of enrollment completed for a student who withdraws from a program offered in modules* later in this chapter.

Consider a student who, after completing the first module, withdraws on day 20 of the second module of a period comprising two eight-week modules with a four-day break in between. The total number of calendar days in the payment period or period of enrollment includes all days in the payment period or period of enrollment, excluding days in which the student was on an approved leave of absence and scheduled breaks of at least five consecutive days when the student is not scheduled to attend a module or other course offered during that period of time. Because there are no scheduled breaks of at least five consecutive days during or between the modules, the total number of calendar days in the period would be the total number of days in each module (8 weeks x 7 days = 56 days in each module; 56 days x 2 modules = 112 days in the modules) plus the four days between the modules (112 days in the modules + 4 days between modules) for a total of 116 calendar days in the period. Therefore, the midpoint and, thus, the withdrawal date, would be day 58.

### **Determining the percentage of the payment period or period of enrollment completed for a student who withdraws from a program offered in modules**

In determining the percentage of the payment period or period of enrollment completed for a student who withdraws from a program offered in modules, the school includes in the denominator (the total number of calendar days in the payment period or period of enrollment) all days within the period that the student was scheduled to complete (including those completed by the student) prior to ceasing attendance, excluding days in which the student was on an approved leave of absence and excluding any scheduled breaks of at least five consecutive days when the student was not scheduled to attend a module or other course offered during that period of time.

For nonterm credit-hour programs offered in modules, a school must take into consideration any credits that a student has attempted, but not successfully completed before withdrawing, as well as whether the program is self-paced when determining the total number of calendar days in the period. For more information, see *Credit hour programs* under *Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program* later in this chapter. The numerator includes the number of the total days in the payment period or period of enrollment that the student has completed.

Adjustments to a student's enrollment status made after the student ceases attendance have no bearing on the R2T4 requirements. Thus, if a student enrolled in three modules completes one module and drops the two remaining modules after ceasing attendance, the total number of calendar days in this student's payment period or period of enrollment would include the days in all three modules, except for any scheduled breaks of at least five consecutive days when the student is not scheduled to attend a module or other course offered during that period of time, and days in which the student was on an approved leave of absence. However, if the student drops the classes in the two remaining modules prior to ceasing attendance (necessitating a recalculation of the student's eligibility for Title IV funds), the total number of calendar days in the student's payment period or period of enrollment would include only the days in the first module, except for any scheduled breaks of at least five consecutive days and days in which the student was on an approved leave of absence. Note that scheduled breaks include both those within and between modules. So, breaks of less than five consecutive days, including those that take place between modules, are included in the total number of days in the period, and breaks longer than five days within or between modules are not.

### **When a Student Who Failed Hours in the Payment Period Withdraws From a Non-Term Credit Hour Program Offered in Modules, the Payment Period Must Be Extended**

When a student who failed hours in the payment period withdraws from a nonterm credit hour program offered in modules, the total number of calendar days in the period must reflect the actual days the student would have had to attend to successfully complete all the hours the student was originally scheduled to complete in the period.

The regulations (34 CFR 668.22(f)(2)) provide that the total number of calendar days in a payment period or period of enrollment include all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days and days on which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period. DCL GEN-04-03 Revised (November 2004) provides that, for nonterm credit-hour programs, if the student has not successfully completed any courses in the payment period, the payment period must be extended to reflect the number of days in the failed courses that the student did not successfully complete. The regulations (34 CFR 668.4(c)) also define how payment periods are determined for nonterm credit-hour programs. Completion of a payment period occurs when a student successfully completes the hours and weeks of instructional time in the period. Section 34 CFR 668.4(h) provides that a student successfully completes credit hours if the institution considers the student to have passed the coursework associated with those hours. If a student has not passed all the coursework associated with the hours in the payment period (in addition to completing the weeks of instructional time), the student has not completed the payment period.

When performing an R2T4 calculation for a student who did not pass all the coursework associated with the hours in the payment period, a school must add to the total number of calendar days in the payment period the number of additional days beyond the original end date of the payment period that it would have taken for the student to complete the credits associated with the courses the student did not pass and that ended prior to the student's withdrawal.

If more than one course must be added for successful completion of the hours in the payment period and those courses could have been taken concurrently by the student had he or she remained enrolled, then the payment period would be extended by the days necessary to take the courses concurrently. However, if the only way the student could have taken the courses was consecutively, then the added days must reflect the days it would have taken to complete the courses consecutively. If prior to a student's withdrawal, the student has added a course or courses to complete within the original payment period hours previously failed, the payment period would reflect the original end date. (Guidance issued 9/14/2012.)

### **When a Student Who Was Enrolled in a Module Within a Term Withdraws from the Module, and the School Later Determines That the Student Failed to Begin the Term-Long Courses**

Consider a student enrolled in a credit-hour, term-based program. The student originally enrolls in courses that span the entire 16-week term AND an eight-week module that starts in week nine and ends in week 16.

The student begins the eight-week module and withdraws.

After the term ends, the registrar receives “never attended” F-grades for the student for the courses that spanned the term.

The school must determine what days to use in the denominator of the R2T4 calculation for withdrawal from module 2.

A school is required to have a system that allows the school to determine (within a reasonable amount of time) whether a student to whom it has disbursed Title IV funds has begun the classes upon which the student’s Title IV aid was based. Because the school failed to make the determination that the student did not begin the 16-week semester and change the student’s enrollment status before the student started and withdrew from the modular course, the school must use the number of days in the entire 16-week term in the denominator of the R2T4 calculation.

*(Adjustments to a student’s enrollment status made after a student has ceased attendance have no bearing on the R2T4 requirements.)*

Before performing the required R2T4 calculation, the school must recalculate the student’s eligibility for Pell Grant and Campus-Based funds based on a revised cost of attendance and enrollment status (that do not include any costs associated with the classes the student failed to begin), and return any Title IV funds the school received that were based on the student’s enrollment in the term-long courses.

The school then performs an R2T4 calculation using the student’s revised award.

If the school made a first disbursement of Direct Loan funds, those funds are included in the R2T4 calculation as *Aid that could have been disbursed* as an inadvertent overpayment.

If the student received a second disbursement of Direct Loan funds (which could happen up to 10 days before the start of the next payment period) and the student never began enrollment at least half time, the disbursement is not permitted under the regulations. The school must return the entire amount of the second Direct Loan disbursement, and should not include those funds in the R2T4 calculation.

### Aid to include in an R2T4 calculation

#### Recalculation for Students Withdrawing From Nonterm Programs Offered in Modules

Any time a student enrolled in a nonterm program offered in modules changes his or her enrollment status before beginning all of the classes on which the student's eligibility for Title IV aid was calculated, the school must recalculate the student's COA to determine if the student's eligibility for Campus-Based funds has changed. The school may not include in the COA costs associated with any classes the student failed to begin. The school does not have to recalculate the student's eligibility for Pell Grants because Pell Grant eligibility for a student enrolled in a nonterm program (and a clock-hour program) is always based on the full-time enrollment schedule. A school does not have to recalculate a student's eligibility for Direct Loans as long as the student has begun at least one class.

When a student enrolled in a nonterm program offered in modules withdraws, a school that calculates returns of Title IV aid on a period of enrollment basis may not include in the recalculated COA any costs associated with future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days.

A school that calculates returns of Title IV aid on a period of enrollment basis may not include in an R2T4 calculation as *Aid that could have been disbursed* aid associated with a subsequent payment period for which the student would not be eligible after the recalculation.

If a student withdraws before beginning attendance in the number of credit hours for which the Federal Pell Grant and Campus-Based funds were awarded, before performing the required R2T4 calculation, a school must recalculate the student's eligibility for Pell Grant and Campus-Based funds based on a revised cost of attendance and enrollment status (34 CFR 690.80(b)(2)(ii)). The school then performs an R2T4 calculation using the student's revised award.

For such a student, a change in enrollment status to less than half time as a result of the failure to begin attendance in all subsequent modules would not affect the student's eligibility for any federal education loan funds previously received because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. (Of course, a student may not receive as a late disbursement any second or subsequent disbursement of the loan.)

A school may not disburse the proceeds of a Direct Loan to an ineligible borrower. Therefore, if a student who was enrolled in a series of modules withdraws before beginning attendance as a half-time student and the student had not received the first disbursement of Title IV loan before withdrawing, the school may not make the first disbursement because the school knows the student was never enrolled on at least a half-time basis.

Title IV program funds are disbursed to a student on the presumption that he or she will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of Title IV program funds until a student has attended enough hours to qualify for the enrollment status for which the funds were awarded. However, if the student has withdrawn and has not begun attendance in enough courses to establish a half-time enrollment status, the presumption is no longer valid. Thus, the school may not make a first disbursement of a Direct Loan to such a student. Section 668.164(j)(3)(iii), which permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw but ceased to be enrolled as at least a half-time student, does not apply because the student never really was a half-time student.

For example, take a credit-hour program where each semester comprises three modules of five weeks each. If a student enrolls in one three-credit course in the first module and one three-credit course in the second module, the student will not begin attendance in six credit hours, the school's minimum half-time enrollment status, until starting the course in the second module. The school is not required to, nor should it, delay the disbursement of the student's Direct Loan Program funds until the student begins the course in the second module. However, if the student withdraws during the first module and the school has not made the first disbursement of a Direct Loan to the student prior to the withdrawal, the school may not make that first disbursement of the Direct Loan to the student at this point (although the loan would be included as *Aid that could have been disbursed*).

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**Percentage of payment period or period of enrollment completed**

34 CFR 668.22(f)

**Part 2—Percentage of Aid Earned**
**Percentage of payment period or period of enrollment completed**

Once a student’s withdrawal date is determined, a school needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed represents the percentage of aid earned by the student. This percentage is determined differently for students who withdraw from credit-hour programs and students who withdraw from clock-hour programs.

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**Scheduled breaks**

34 CFR 668.22(f)(2)(i) and (ii)(B)

**Determining the Length of a Scheduled Break**

1. Determine the last day that class is held before a scheduled break—the next day is the first day of the scheduled break.
2. The last day of the scheduled break is the day before the next class is held.

Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the R2T4 calculation. (The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break.) If classes were taught on either weekend for the programs that were subject to the scheduled break, those days would be included rather than excluded.

**Weekend Classes and Scheduled Breaks**

If a community college offers regular classes on Saturday and Sunday and its academic calendar says that a scheduled break starts on a Monday and resumes with classes the following Monday, that break is seven days long.

**Scheduled breaks**

Institutionally scheduled breaks of five or more consecutive days are excluded from the R2T4 calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of Title IV aid earned. This provides for more equitable treatment of students who officially withdraw near either end of a scheduled break. In those instances, at institutions not required to take attendance, a student who withdrew after the break would not be given credit for earning an additional week of funds during the scheduled break but would instead earn funds only for the day or two of training the student completed after the break. If a scheduled break occurs prior to a student’s withdrawal, all days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. (If the withdrawal occurs prior to a scheduled break, the days in the break are excluded only from the denominator.)

If a student officially withdraws while on a scheduled break of less than five days, the date of the student’s notification to the institution is the student’s withdrawal date (Withdrawing during a scheduled break of less than five days does not affect the date the school uses as the date of withdrawal in an R2T4 calculation.)

The beginning date of a scheduled break is defined by the school’s calendar for the student’s program. In a program where classes only meet on Saturday and/or Sunday, if a scheduled break starts on Monday and ends on Friday, the five weekdays between the weekend classes do not count as a scheduled break because the break does not include any days on which classes are scheduled. Therefore, the five days would not be excluded from the numerator or denominator in Step 2 of an R2T4 calculation.

### Example of Withdrawal Date When a Student Withdraws During a Scheduled Break of Five or More Days

If a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break. For example, the institution's last date of scheduled class attendance prior to spring break is Friday, March 7. Spring break at the institution runs from Saturday, March 8, to Sunday, March 16. If the student contacts the institution's designated office on Wednesday, March 12, to inform the institution that he will not be returning from the institution's spring break, the student's withdrawal date is Friday, March 7, which was the institution's last day of scheduled class attendance.

However, the date of the institution's determination that the student withdrew is March 12, the date the student actually informed the institution that he would not be returning. The date of the institution's determination that the student withdrew is used as the starting date for institutional action, such as the requirement that an institution return Title IV funds for which it is responsible no later than 45 days after this date.

### Institutionally Scheduled Breaks of At Least Five Consecutive Days

**TIP**

Institutionally scheduled breaks of at least five consecutive days between courses/modules in the same payment period or period of enrollment are excluded from an R2T4 calculation.

If a student takes an "unscheduled break in attendance," thereby deviating from the student's original attendance plan, the school either must treat the student as a withdrawal or place the student on an "approved leave of absence" as described under *Breaks in attendance for students enrolled in programs measured in credit hours without academic terms*, in Chapter 1.

The length of a payment period can never be less than the originally scheduled length. If a student is progressing more rapidly than originally planned and the required projection calculation results in an end date that creates a shorter payment period, the school must use the original "end date" in the R2T4 calculation.

### Temporary Closures Beyond Control Of The Institution

A school that temporarily closes due to weather, natural disaster, or other event outside the control of the institution should promptly contact its School Participation Team to discuss its situation. The Department will work with the school to review the effects of the temporary interruption and the impact of the temporary closure.



You can find all of the Department’s Disaster Guidance on IFAP at

<https://ifap.ed.gov/ifap/disaster.jsp>

#### Credit-hour programs

For a credit-hour program, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period.

The number of calendar days in the numerator or denominator includes all days within the period, **except for institutionally scheduled breaks of five or more consecutive days**. Days in which the student was on an approved leave of absence would also be excluded. The day the student withdrew is counted as a completed day.

#### *Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program*

$$\frac{\text{number of calendar days completed in the period}}{\text{total number of calendar days in the period}}$$

The regulations provide that the percentage of Title IV aid earned by a student is equal to the percentage of the period completed by the student (except if that percentage is more than 60%, the student is considered to have earned 100% of the Title IV aid). For any credit-hour program, term-based or non-term-based, the percentage of the period completed is calculated as follows.

Scheduled breaks of at least five consecutive days and days in which the student was on an approved LOA are excluded from this calculation.

#### Credit-hour programs

34 CFR 668.22(f)(1)(i)

#### Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program

DCL GEN-04-03 Revised, November 2004

In a credit-hour nonterm program, the ending date for a period and, therefore, the total number of calendar days in the period, may depend on the pace at which an individual student progresses through the program. Therefore, for a student who withdraws from a credit-hour nonterm program in which the completion date of the period depends on an individual student's progress, an institution must project the completion date based on the student's progress as of his or her withdrawal date to determine the total number of calendar days in the period. (See the examples that follow.)

If a student withdraws from a self-paced, nonterm credit-hour program before earning any credits, the institution must have a reasonable procedure for projecting the completion date of the period. To the extent that any measure of progress is available, the institution should base its determination on that progress (see examples 2 and 3 following this section).

For a school that offers credit-hour, nonterm programs in which the student does not earn credits or complete lessons as he or she progresses through the program, the institution must have a reasonable procedure for projecting the completion date of the period based on the student's progress before withdrawal. If the total number of calendar days in the period does not depend on the pace at which a student progresses through a program (the completion date is the same for all students) and the student has not failed any courses for which he or she was paid in the payment period, the total number of calendar days in the period will be the same for all students.

Consider a nonterm credit-hour program offered in modules where some or all courses are offered sequentially and all students begin and end the modules at the same time. For a student who successfully completed all modules attempted up to the time the student withdrew, the completion date (and the corresponding number of days in the R2T4 calculation) will be the number of days between the start of the first module and the originally scheduled end of the last module.

However, an institution must take into consideration any credits that a student has attempted but not successfully completed before withdrawing. (Those credits must be successfully completed before the student is considered to have completed the period.) To do this, the school must modify the denominator used in the R2T4 calculation. The school must add to the number of days between the start of the first module and the scheduled end of the last module, the number of days the student spent in the failed courses/module(s) that the student did not successfully complete.

## Examples of Calculating a Completion Date for a Student Who Withdraws From a Non-Term Credit-Hour Program

### Example 1, lessons completed

David enrolled in a program offered in a credit-hour nonterm format and withdrew before earning any credits, but has completed two lessons. The institution uses David's completed assignments as an interim measure of his progress and compares it to information from its records about other students who have completed the same program to determine an end date.

Looking at the records of students who have completed the same program, the institution identifies other students who complete the two lessons in approximately the same amount of time as David. The school determines the number of days it took those students to complete the period. The institution uses the same number of days in the denominator of the R2T4 calculation for David.

### Example 2, nothing completed

Danny enrolls in a program offered in a credit-hour nonterm format. Danny withdraws before earning any credits, completing any lessons, or providing any other measure of progress toward the course or program goals at the time he withdrew. The institution uses its records to identify the student who took the longest to complete the period to determine the number of days it took that student to complete the period. The institution uses the same number of days in the denominator of the R2T4 calculation for Danny.

## Examples of Calculating a Completion Date For a Student Who Withdraws From a Non-Term Credit-Hour Program (Continued)

### Example 3, percentage completed

Barbara is enrolled in a 24 credit-hour nonterm program at an institution that calculates returns of Title IV aid on a payment period basis. Students in the program are expected to complete 12 credit hours each payment period in 15 weeks (105 days).

When Barbara began classes, she received a Federal Pell Grant and a Direct Loan. She completed the 12 credit hours in the first payment period (half of the number of credit hours) in 120 days (more than half the weeks of instructional time in the program). When Barbara completed the first half of her program, she became eligible for the second disbursements of both her Federal Pell Grant and Direct Loan.

Barbara withdrew from school on day 53 of the second payment period. At the time she withdrew, Barbara had completed only one-third of the work (four credits) in the payment period. If Barbara had continued to progress at her current pace of four credits earned every 53 days, Barbara would not complete the additional eight credit hours for another 106 days. She would not complete the 12 credit hours in the second payment period until day 159.

For this student, therefore, the total number of days in the payment period (and the number used in the denominator of the R2T4 calculation) is 159. The percentage of the payment period Barbara completed before withdrawing is 33.3% (53 days completed divided by 159 total days in the payment period).

In general, to calculate the number of days in the period, do the following:

Determine the percentage of credits earned.

$$\frac{\text{Number of credits completed (4)}}{\text{Number of credits in payment period (12)}} = \text{Percentage of credits earned (.333)}$$

Determine the number of days in the period.

$$\frac{\text{Number of days attended (53)}}{\text{Percentage of credits earned (.333)}} = \text{Number of days in the period (159)}$$

The school enters "159" as the number of "Total Days" in Step 2, Box H of the R2T4 calculation.

## Examples of Calculating a Completion Date For a Student Who Withdraws From a Non-Term Credit-Hour Program (Continued)

### Example 4, projecting a completion date for a withdrawal from a self-paced, nonterm program

Pixie is enrolled in a self-paced, 30 credit-hour, nonterm program in pet grooming offered over 30 weeks at an institution that calculates Returns of Title IV aid on a payment period basis. Students in the program are expected to complete three modules of five credit hours each over the 15 weeks (105 days) in a payment period. (A student is expected to complete each five-credit module in five weeks' [35 days] time.)

It takes Pixie seven weeks (49 days) to complete 100% of the lessons in the first module, and she did not earn a passing grade.

Because Pixie is a withdrawal, the school must perform an R2T4 calculation. In addition, because Pixie was progressing more slowly than the rate expected, the school must project a new end date and a new number of "total days" to be used in the R2T4 calculation.

**Important:** Because Pixie was progressing at a slower rate (it took her 49 days instead of 35) to complete 100% of the lessons in the first module, the school can not simply add the length of a scheduled (make-up) module (35 days) to arrive at the projected number of days in the payment period. The school must project the number of days in the period as follows.

Determine the time it would have taken Pixie to complete the first module by dividing the number of days attended (49) by the percentage of the lessons completed.

$$\frac{\text{Number of days attended (49)}}{\text{Percentage of payment period completed (1.00)}} = \text{Number of days required to complete one module (49)}$$

Project the number of days in the payment period by multiplying the number of days required for one module (49) by the number of modules in the payment period (3) and adding a module (1) for the student to make up the module failed.

$$\text{Number of days it takes a student to complete a module (49)} \times \{\text{Number of modules in payment period (3) + a makeup module (1)}\} = 4 \text{ = Number of projected days in payment period (196)}$$

The school enters "196" as the number of "Total Days" in Step 2, Box H, of the R2T4 calculation.

### When a school disburses Title IV aid to a student using different payment periods

Nonstandard term, credit-hour programs with terms that are not substantially equal in length have two defined payment periods: one for Title IV grant funds, and one for Direct Loan funds. Because only one payment period may be used in determining earned Title IV grant and loan funds for a student who withdraws and was disbursed or could have been disbursed aid under both payment definitions, the regulations now specify the payment period a school must use in the R2T4 calculation—the payment period that ends later.

Any aid disbursed for payment periods that overlap the payment period used in the calculation must be attributed to the payment **period that ends later**.

#### Clarification

Note that this rule on multiple payment periods is only applicable to nonstandard term credit hour programs with terms that are not substantially equal in length. All other types of programs will only have one type of Title IV payment period.

#### No Attribution Necessary

If a student withdraws from a nonstandard term credit-hour program with terms that are not substantially equal in length and aid is disbursed aid or could have been disbursed aid using only one of the two payment period definitions, that is the payment period that is used for the calculation of earned aid, and no attribution of funds is necessary.

### Performing an R2T4 Calculation for a Student Receiving Aid Under Two Payment Period Definitions, Example 1

The Ted Animal Institute (TAI) offers programs in nonstandard credit-hour terms that are not substantially equal in length.

Pixie Marley enrolls for TAI’s varmint retrieval program offered over 30 weeks in three terms of 10 weeks, 6 weeks, and 14 weeks, respectively. After attending classes for 50 days, Pixie decides that she could make a greater contribution if she studied home health care. Subsequently, she withdraws from TAI.

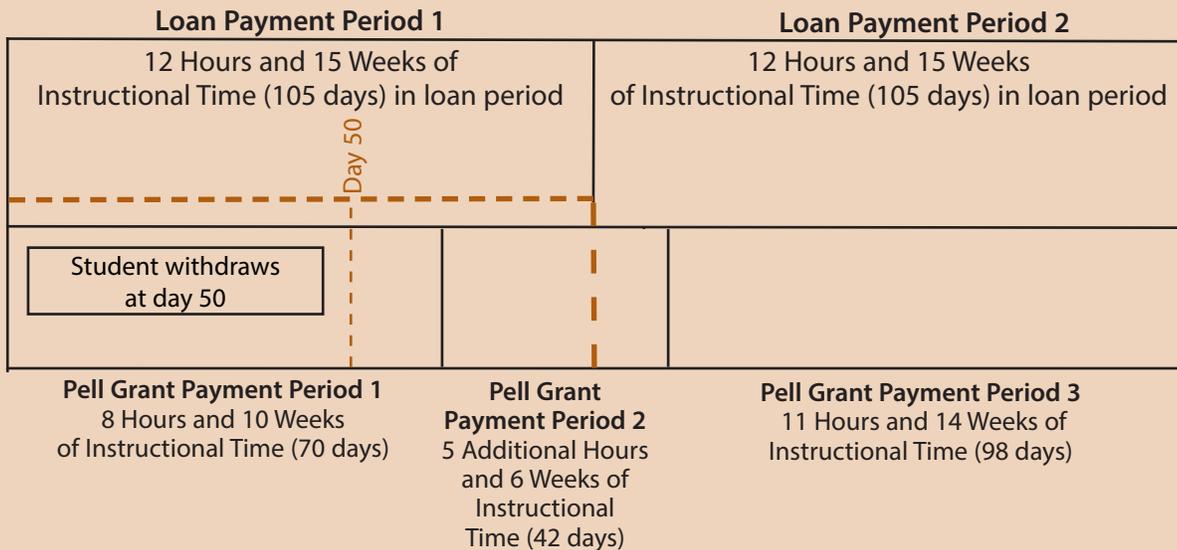
TAI’s Academic Year = 24 credit hours over 30 weeks of instructional time comprising the academic year. Term 1 = 8 credits over 10 weeks. Term 2 = 5 credits over 6 weeks. Term 3 = 11 credits over 14 weeks.

Each scheduled payment period for Pixie’s Direct Loans was one-half of the program’s academic year or 12 credits and 15 weeks.

Pixie was scheduled to receive three disbursements (one in each payment period [PP]) of her Pell Grant as follows:

- PP1 – at day 1
- PP2 – at the completion of 8 hours and 10 weeks of instructional time
- PP3 – at the completion of 13 hours and 16 weeks of instructional time

The scheduled disbursements and the withdrawal date are shown in the following graphic.



### Performing an R2T4 Calculation For a Student Receiving Aid Under Two Payment Period Definitions, Example 1 (Continued)

Pixie withdrew on the 50th day (in Pell Grant Period 1) after the start of classes. Her Direct Loan funds were disbursed for loan payment period 1 (the first half of the academic year). Her Pell Grant funds were disbursed for Pell Grant payment period 1 (the first term, which is 10 weeks in length).

Direct Loan payment period 1, the payment period during which the student withdrew, ends later, so that is the payment period the school is required to use for the R2T4 calculation.

As shown by the horizontal dashed line, the first two Pell Grant payment periods overlap with Direct Loan payment period 1, so aid that was disbursed or could have been disbursed for the Pell Grant payment periods one and two are attributed to loan payment period 1.

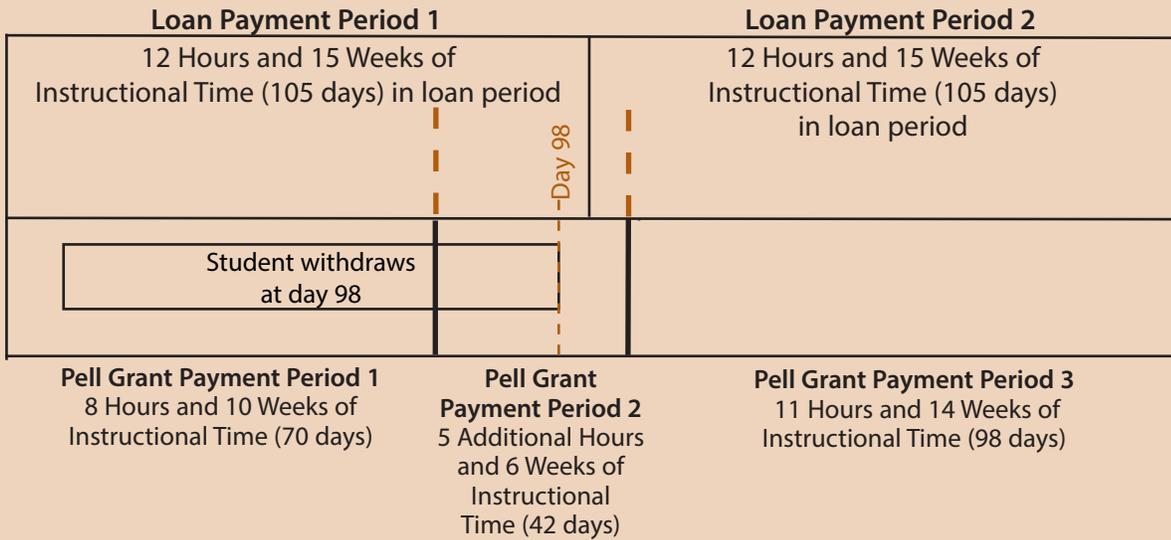
All of Pell Grant payment period 1 falls within loan payment period 1, so all of the Pell Grant funds that were disbursed for Pell Grant payment period 1 are included in the calculation. Pell Grant payment period two of six weeks (42 days) overlaps with loan payment period 1 for five weeks (35 days). Therefore, those five weeks of Pell payment period two are attributed to Direct Loan payment period one. Direct loan period one of 105 days therefore includes the 70 days of Pell Grant payment period one and 35 days from Pell Grant payment period 2.

To determine the amount of Pell Grant funds that could have been disbursed that are attributable to the five additional weeks, the school would take the full amount of Pell Grant funds for Pell Grant payment period two, multiply by 35, and divide by 42. Any funds from the Pell Grant payment period two are included in the R2T4 calculation as *Aid that could have been disbursed*.<sup>1</sup>

Note that before Pixie could receive a post-withdrawal disbursement of funds from Pell Grant payment period two she would have to complete the 8 hours and 10 weeks (70 days) of instructional time associated with Pell Grant payment period one and begin attendance in week 11 (the start of Pell Grant payment period two).

1. The school must have a reasonable method for determining the student's projected enrollment status for the next Pell Grant payment period (that the student had not yet attended). For example, the school could include a full-time Pell disbursement for a student who had indicated that she planned to attend full-time for the whole year."

### Performing an R2T4 Calculation for a Student Receiving Aid Under Two Payment Period Definitions, Example 2



Pixie withdrew on the 98th day after the start of classes. Her Direct Loan funds were disbursed for Direct Loan payment period one (the first half of the academic year). Her Pell Grant funds were disbursed for Pell Grant payment periods one and two, the first and second terms, which together are 16 weeks in length.

Pell Grant payment period two, the payment period during which the student withdrew, ends later than Direct Loan payment period one, so Pell Grant payment period two is the payment period the school is required to use for the R2T4 calculation. The school includes only the Pell Grant funds from Pell Grant payment period two in the R2T4 calculation. Pell Grant payment period 2 overlaps with both Direct Loan payment periods. Therefore, the school will have to calculate the Direct Loan funds attributable to the Pell Grant payment period.

When performing an R2T4 calculation, if a school must attribute some part of a Direct Loan to a Pell Grant payment period, the school must calculate the amount of the Direct Loan that is attributed to the payment period by calculating the amount loan from each Direct Loan payment period that overlaps the Pell Grant payment period from which the student withdrew. This approach is particularly useful when the Direct Loan funds attributed to the Pell Grant payment period comprise both aid that was disbursed, and aid that could have been disbursed. The payment period that is the basis for the R2T4 calculation (in this case, Pell Grant payment period 2) overlaps with Direct Loan payment period 1 for 35 days and Direct Loan payment period 2 for 7 days.

To determine the amount of the Direct Loan funds from Direct Loan payment period 1 attributed to Pell Grant Payment period 2, the school would first divide the number of days in Direct Loan period 1 that are in Pell Grant payment period 2 by the total number of days in Direct Loan period 1 (35/105) and multiply that number by the net loan disbursed in Direct Loan period 1. That yields the amount of loan funds from Direct Loan period 1 attributable to Pell Grant payment period 2. As this aid was already disbursed to the student, this amount would be included in the R2T4 calculation as disbursed aid.

### **Performing an R2T4 Calculation for a Student Receiving Aid Under Two Payment Period Definitions, Example 2 (Continued)**

To determine the amount of Direct Loan funds from Direct Loan payment period 2 attributed to Pell Grant payment period 2, in the second step, the school would divide the number of days in Direct Loan Period 2 that are in Pell Grant payment period 2 by the total number of days in Direct Loan Period 2 (7/105) and multiply that number by the net loan disbursed in Direct Loan Period 2. That yields the amount of loan funds from Direct Loan period 2 attributable to Pell Grant payment period 2. Because Pixie did not complete the 12 hours and 15 weeks of instructional time associated with Direct Loan payment period 1 and begin attendance in Direct Loan payment period 2, this amount would be included in the R2T4 calculation. Any amount attributable to the payment period that is the basis for the R2T4 calculation (in this case, Pell Grant payment period 2) that exceeds the amount previously disbursed should be included as Aid that Could Have Been Disbursed.

Of course, before Pixie could receive a post-withdrawal disbursement of funds from Direct Loan period two she would have to complete the 12 hours and 15 weeks of instructional time associated with Direct Loan payment period 1 and begin attendance in week 16 (the start of loan payment period 2).

## Clock-hour programs

### Clock-hour programs

34 CFR 668.22(f)(1)(ii)

Only scheduled hours are used to determine the percentage of the period completed by a student withdrawing from a clock-hour program.

For a clock-hour program, the percentage of the period completed is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment, as of the day the student withdrew, by the total number of clock hours in the same period as follows:

$$\frac{\text{number of clock hours the student was scheduled to complete in the period}}{\text{total number of clock hours in the period}}$$

A student withdrawing from a clock-hour program earns 100% of his or her aid if the student's withdrawal date occurs after the point that he or she was scheduled to complete more than 60% of the scheduled hours in the payment period or period of enrollment.

The scheduled clock hours used for a student must be those established by the school prior to the student's beginning class date for the payment period or period of enrollment, and the hours must have been established in accordance with any requirements of the state or the institution's accrediting agency. These hours must be consistent with the published materials describing the institution's programs. However, if an institution modified the scheduled hours in a student's program prior to and unrelated to his or her withdrawal in accordance with any state or accrediting agency requirements, the new scheduled hours may be used.

## When a student who received a loan with an abbreviated loan period withdraws

### Clarification

As described in Chapter 1 under *Loan principles applicable to reentry in and transfer to clock-hour programs, non-term credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (in which no term is less than 9 weeks in length)*, when a student transfers to a new school and enters that type of program, and an overlap exists between academic years of the two schools, the new school may originate a loan for the remaining portion of the prior school's academic year. The abbreviated loan period—as the shortened initial loan period at the new school is commonly referred to—at the new school ends on the calendar end date of the prior school's academic year without regard to the weeks of instructional time and credit- or clock-hours. (Note that the amount of the loan for the abbreviated loan period may not exceed the remaining balance of the student's annual loan limit at the grade level applicable at the new school, and the borrower is not eligible for a new annual loan limit until the original academic year has ended.)

**If a student who has received a loan for an abbreviated period withdraws, there are special considerations for the student's R2T4 calculation.**

When an R2T4 calculation is performed on a payment period basis, the definition of a payment period in 34 CFR 668.4 is used. Those regulations define a payment period for clock-hour programs and nonterm credit hour programs as the time it takes a student to complete half the hours and the weeks of instructional time in the program or the defined academic year, whichever is shorter. **An abbreviated loan period designed to complete a prior school's academic year does not meet the definition of a payment period and should not be used as a payment period for purposes of the R2T4 calculation.**

### Proration for an Abbreviated Loan Period in a Nonterm Credit-Hour Program

If a student with an abbreviated loan period was enrolled in a nonterm credit-hour program in which the completion date of the period depends on an individual student's progress, when performing the proration to determine the amount of loan funds to include in Step 1 of the R2T4 calculation, **an institution may either use the original payment period and loan period end dates, or may project the end dates of the payment period and loan period based on the student's progress** as of his or her withdrawal date using the same procedure as it uses to project the student's payment period completion date when it is determining the number of days in the payment period in Step 2 of the R2T4 calculation (see Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program). **An institution also has the discretion to use the original payment period and loan period end dates or to project those end dates when performing this proration for a student who has withdrawn from a clock hour program.** An institution must be consistent in its use of original end dates or projected end dates.

When determining what aid to include in Step 1 of an R2T4 calculation for a student who withdraws from a payment period or period of enrollment that includes an abbreviated loan period, a school follows the rules for Step 1 in R2T4 calculations described earlier in this chapter under *Student's Title IV aid information, Title IV aid disbursed, and Title IV aid that could have been disbursed*. In addition, when the loan period for a student does not correspond with the payment period as defined in 34 CFR 668.4 and used in the R2T4 calculation, the school must prorate the loan funds to determine the amount that should be attributed to the payment period from which the student withdrew.

### Example of an R2T4 Calculation With an Abbreviated Loan and Overlapping Payment Periods

Consider a one year credit-hour nonterm program that consists of 24 semester hours and 30 weeks of instructional time. The school’s defined academic year for the program is also 24 semester hours and 30 weeks. The school performs its R2T4 calculations on a payment period basis.

A student transfers into the program beginning on 8/24/18, but the academic year for the most recent Direct Loan the student received at the student’s prior school ends on 10/9/18. Therefore, the student is awarded a Direct Subsidized Loan (DLP 1) of \$1,000 (the difference between the annual loan limit at the new school and the loan amount received during the overlapping academic year period at the prior school) with an abbreviated loan period that begins on 8/24/18 and ends on 10/9/18. The student does not receive any other type of Title IV aid during that period.

Remember that when an R2T4 calculation is performed on a payment period basis, the definition of a payment period for clock-hour programs and nonterm credit hour programs is the time it takes a student to complete half the hours and the weeks of instructional time in the program or the defined academic year, whichever is shorter.

The student begins attendance in the program on 8/24/18. If the student stays on schedule with her coursework, her first Title IV payment period will end on 12/4/18.

The student receives two disbursements of \$500 each of Direct Loan funds from the DLP 1 (the \$1000 loan awarded for the abbreviated loan period—a first disbursement of \$500 on 8/24/18 and a second disbursement of \$500 on 9/19/18. On September 25, the school originated a second Direct Loan (DLP 2) for a total of \$2,400 with a loan period that extends from 10/10/18 through 3/11/19 (the period during which the student is expected to complete the remaining portion of the program). The school must wait to make the first disbursement of the second loan until the student has completed the abbreviated loan period (the period of overlap with the academic year at her prior school).

Due to a family emergency, the student officially withdraws on 9/29/18.

<b>Title IV Payment Period1(PP1)</b> 8/24/18–12/4/18  12 Hours and 103 days of Instructional Time	+	<b>Title IV Payment Period 2(PP2)</b> 12/5/18–3/11/19  12 Hours and 98 days of Instructional Time	24 hours and 201 days
DLP1/ Abbreviated Loan Period 8/24/18–10/9/18 (47 days) First Disbursement 8/24/18 Second Disbursement 9/6/18		DLP2 / Second Loan Period 10/10/18–3/11/19 (154 days)  First Disbursement Scheduled for 10/10/18 Second Disbursement Scheduled for 1/11/19	201 days
	56 day overlap between DLP2 & PP1		

### Example of an R2T4 Calculation With an Abbreviated Loan and Overlapping Payment Periods (Continued)

When the school performs the R2T4 calculation for the student, it performs the calculation on a payment period basis and uses the payment period that began on 8/24/18 and was to end on 12/4/18. The school includes the \$1,000 of Subsidized Direct Loan funds that was disbursed to the student as “Aid disbursed.” Because the school originated the second loan prior to the student’s withdrawal and the first disbursement of that loan was scheduled to be made prior to the end of Title IV Payment Period 1 (12/14/18) the school must include as *Aid that could have been disbursed*, that portion of the proceeds from the loan for second loan period (LP2) prorated to the days that are part of the first Title IV payment period (PP1).

$$\frac{\text{(Days in Loan Period 2 that fall in PP1) } 56}{\text{(Total Days in Loan Period 2) } 154} \times 2400 = \$864.00$$

In the example above, the school may not make a post-withdrawal disbursement of funds from the second loan period because the student failed to complete the abbreviated loan period and begin the second loan period.

If the student had completed Title IV Payment Period 1 and then withdrawn, the \$1,536.00 of the proceeds of the second loan prorated for Title IV Payment Period 2 would be the basis for any required R2T4 calculation.

### *When a student receiving Title IV aid dies during the payment period or period of enrollment*

If a school determines that a student has died during a period, it must perform an R2T4 calculation. If the R2T4 calculation indicates that an institution is required to return Title IV funds, the school must return the Title IV funds for which it is responsible.

The student's estate is not required to return any Title IV funds disbursed to the student. Therefore, an institution should neither report a grant overpayment for a deceased student to the National Student Loan Data System (NSLDS), nor refer a grant overpayment for a deceased student to Debt Resolution Services. If an institution had previously reported a grant overpayment for a student who is deceased to Debt Resolution Services, it should inform Debt Resolution Services that it has received notification that the student is deceased.

The regulations governing the Direct Loan Program provide for a discharge of a borrower's obligation to repay a Federal Direct Loan if the borrower dies (including a Direct PLUS Loan borrower's obligation to repay a Direct PLUS Loan if the student on whose behalf the parent borrowed dies). If a school is aware that a student who has died has any outstanding Title IV loan debt, the school should contact the student's estate and inform it of the actions it can take to have the student's Title IV loan debt cancelled.

If a Title IV credit balance created from **funds disbursed before the death of the student** exists after the completion of the R2T4 calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance in one of the following three ways:

1. In accordance with the cash management regulations, pay authorized charges at the institution (including previously paid charges that are now unpaid due to the return of Title IV funds by the institution).
2. Return any Title IV grant overpayments owed by the student for **previous withdrawals** from the present school (the school may deposit the funds in its federal funds account and make the appropriate entry in G5).



If the institution has previously referred the grant overpayment to Debt Resolution Services, the institution should provide Debt Resolution Services with documentation that the student has died so that Debt Resolution Services can delete the overpayment from its records.

3. Return any remaining credit balance to the Title IV programs.

### STEP 3: AMOUNT OF TITLE IV AID EARNED BY THE STUDENT

The amount of Title IV aid earned by the student is determined by multiplying the percentage of Title IV aid earned (Box H on the worksheet) by the total of *Title IV program Aid disbursed* plus the *Title IV aid that could have been disbursed* to the student or on the student's behalf (Box G on the worksheet).

#### Amount of Title IV aid earned by the student

34 CFR 668.22(e)(1)

### STEP 4: TOTAL TITLE IV AID TO BE DISBURSED OR RETURNED

If the student receives less Title IV aid than the amount earned, the school must offer a disbursement of the earned aid that was not received. This is called a post-withdrawal disbursement. If the student receives more Title IV aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order.

#### Title IV aid to be disbursed or returned

34 CFR 668.22(a)(4) or (5)

#### Part 1—Post-withdrawal disbursements

If a post-withdrawal disbursement (PWD) is due, a school stops at Step 4, Box J on the worksheet. A school may use the post-withdrawal Disbursement Tracking Sheet to track the handling of the post-withdrawal disbursement, or it may use a form developed by someone other than the Department. A school must maintain written records of its post-withdrawal disbursements.

#### Post-withdrawal disbursements

34 CFR 668.22(a)(6)

The requirements for a post-withdrawal disbursement are similar in many areas to the requirements under Subpart K — Cash Management of the Student Assistance General Provisions regulations. However, in some cases, the post-withdrawal disbursement requirements differ from the cash management requirements.

#### R2T4 Calculation Required

For a student who withdraws after the 60% point in time, even though a return of Title IV aid is not required, a school may have to complete an R2T4 calculation to determine whether the student is eligible for a post-withdrawal disbursement.

Any post-withdrawal disbursement due must meet the current required conditions for late disbursements. For example, the Department must have processed a SAR or ISIR with an official expected family contribution (EFC) prior to the student's loss of eligibility. These conditions are listed in the chart *Conditions and Limitations on Late Disbursements* in Volume 4. A school is required to make (or offer as appropriate) post-withdrawal disbursements. A post-withdrawal disbursement must be made within 180 days of the date the institution determines that the student withdrew. The amount of a post-withdrawal disbursement is determined by following the requirements for calculating earned Title IV aid and has no relationship to incurred educational costs.



**A school may not make a post-withdrawal disbursement of Title IV funds to the account or estate of a student who has died.**

## Disburse grant before loan

### Disburse grant before loan

34 CFR 668.22(6)(i)

#### Disburse Grant Before Loan—Example

If a student is due a post-withdrawal disbursement of \$500, and the student has received \$400 of \$1,000 in Federal Pell Grant funds that could have been disbursed and \$1,200 of the \$2,000 in Federal Direct Loan funds that could have been disbursed, the available undisbursed funds are \$600 in Federal Pell Grant funds and \$800 in Direct Loan funds.

Any portion of the \$500 post-withdrawal disbursement that the school makes must be from the \$600 in available Federal Pell Grant funds.

A post-withdrawal disbursement, whether credited to the student's account or disbursed to the student or parent directly, must be made from available grant funds before available loan funds. *Available grant or loan funds* refers to Title IV program assistance that could have been disbursed to the student but was not disbursed as of the date of the institution's determination that the student withdrew.

The regulations do not address how a school should ensure that Title IV funds are disbursed to the proper individual. However, a school may not require a student who has withdrawn from a school (or a parent of such a student, for Direct PLUS Loan funds) to pick up a post-withdrawal disbursement in person. Because the student is no longer attending the school, he or she may have moved out of the area and may be unable to return to the school to pick up a post-withdrawal disbursement.

### Summary of actions a school must take before making a post-withdrawal disbursement

The actions a school must take before it may disburse funds from a post-withdrawal disbursement vary depending on the source of the funds.

A school must obtain confirmation from a student, or parent for a Direct Parent PLUS Loan, before making any disbursement of loan funds from a post-withdrawal disbursement.

#### TIP

Because the COD system will not accept requests for other than whole dollars for the Direct Loan Program, the amount a school may be required to enter on the Post-Withdrawal Tracking Sheet may have to be rounded down to the next whole dollar.

## Post-withdrawal disbursement of Title IV grant funds

A school is permitted to credit a student's account with the post-withdrawal disbursement of Title IV grant funds without the student's permission for current charges for tuition, fees, and room and board (if the student contracts with the school) up to the amount of outstanding charges. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.



A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges or for educationally related activities. (See *Volume 4* for more information on student and parent authorizations.)

A school must credit the student's account with the post-withdrawal disbursement for current charges within 180 days of the date of determination.

A school must disburse any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. Moreover, the school must make the disbursement as soon as possible but no later than 45 days after the date of the school's determination that the student withdrew.

### Time frame for post-withdrawal disbursement of grant funds

34 CFR 668.22(a)(6)(ii)(B)(1)

#### School Activity Between Performing an R2T4 Calculation and Making a PWD

An institution may not delay its disbursement processes while it ascertains whether a student wishes to receive the grant funds the student is entitled to. However, while the institution is processing the disbursement or notifying the student about his or her eligibility for a post-withdrawal disbursement of loan funds, the school may, at its discretion, notify the student that it may be beneficial to turn down all or a portion of the grant funds to preserve his or her grant eligibility for attendance at another institution.

Of course, if a student should independently contact the institution and state that he or she does not wish to receive a grant disbursement, the institution is not required to make the disbursement.

## Post-withdrawal disbursement of Title IV loan funds

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### Time frame for notification of eligibility for post-withdrawal disbursement of loan funds

34 CFR 668.22(a)(6)(iii)(A)

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### Cash management requirements for student and parent authorizations

34 CFR 668.165(b)

A school must notify a student, or parent for a Direct Parent PLUS Loan, in writing prior to making any post-withdrawal disbursement of loan funds, whether those loan funds are to be credited to the student's account or disbursed directly to the student (or parent). The information provided in this notification must include the information necessary for the student, or parent for a Direct Parent PLUS Loan, to make an informed decision as to whether the student or parent would like to accept any disbursement of loan funds and must be provided within 30 days of the date of a school's determination that a student has withdrawn. In addition, the notice must request confirmation of any post-withdrawal disbursement that the student or parent, as applicable, wishes the school to make.

The notice must identify the type and amount of the loan funds the school wishes to credit to the student's account or disburse directly to the student or parent, and explain that a student, or parent for a Direct Parent PLUS Loan, may accept or decline all or a portion of the funds. The notice must also explain to the student, or parent for a Direct Parent PLUS Loan, the obligation to repay the loan funds whether they are disbursed to the student's account or directly to the borrower.

The notice must also make clear that a student, or parent for a Direct Parent PLUS Loan, may not receive as a direct disbursement loan funds that the institution wishes to credit to the student's account unless the institution agrees to do so. If the student, or parent for a Direct Parent PLUS Loan, does not wish to accept some or all of the loan funds that the institution wishes to credit to the student's account, the institution must not disburse those funds.

In the information a school provides to a student when the school informs the student that he or she is due a post-withdrawal disbursement of loan funds, the school should include information about the advantages of keeping loan debt to a minimum. If a post-withdrawal disbursement includes loan proceeds, unless the recipient needs the funds to pay educational costs, the school might want to suggest that the student cancel the loan. With a student's permission, Title IV grant funds due a student in a post-withdrawal disbursement can be used to pay down a Title IV loan, thereby reducing any post-withdrawal disbursement made directly to the student.

The school must document the result of the notification process and the final determination made concerning the disbursement and maintain that documentation in the student's file.

If a school has completed post-withdrawal loan notification (described previously) and confirmed a student's desire for any Direct Loan funds included in the post-withdrawal disbursement, the school is permitted to credit a student's account with the post-withdrawal disbursement without additional permission from the student (or parent, in the case of a Direct PLUS Loan) for current charges as described earlier.

A school may combine providing loan counseling, obtaining authorization to credit loan funds to a student's account for outstanding charges, and obtaining authorization to make a direct disbursement to the student.

Once a school has received confirmation from a student, or parent in case of a Direct PLUS Loan, that he or she wants to receive the post-withdrawal disbursement of loan funds, a school must make the post-withdrawal disbursement of Title IV loan proceeds as soon as possible but no later than 180 days after the date of the school's determination that the student withdrew.

### Separate authorization required for educationally related expenses

A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges for educationally related activities. (See *Volume 4* for more information on student and parent authorizations.)

### Crediting a student's account

An institution should not request Title IV funds for a post-withdrawal disbursement unless and until it has determined that it can disburse any post-withdrawal disbursement within three business days of receiving the funds.

The requirements for the treatment of Title IV funds when a student withdraws reflect the cash management requirements for disbursing Title IV funds. An institution must obtain a student's authorization to credit a student's account with Title IV funds for charges other than current charges for tuition, fees, and room and board (if the student contracts with the school.) (See *Volume 4* and *Appendix F—Institutional Reporting and Disclosure Requirements*.)

#### Outstanding Charges Example

Consider a student who is due a post-withdrawal disbursement of \$800. The institutional charges that the student was originally assessed by the school totaled \$2,300. However, under the institution's refund policy, the institution may only keep \$600 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes \$150 for a bus pass. The outstanding charges on the student's account that would be entered in Box 2 of the post-withdrawal Disbursement Tracking Sheet are \$750 (the \$600 in institutional charges plus the \$150 owed for the bus pass).

A portion of the \$800 the institution must disburse under the post-withdrawal disbursement provisions may (with authorization if they are loan funds) be used to satisfy the outstanding balance. If the student has provided written authorization to credit Title IV funds to his account and use them for noninstitutional educational charges, the school may credit \$750 to institutional charges and offer \$50 to the student. If the student has not provided (and does not provide) written authorization to use the funds for noninstitutional educational charges, the school may only credit \$600 to institutional charges and must offer \$200 to the student.

Outstanding charges on a student's account are charges for which the institution will hold the student liable after the application of any applicable refund policy. These are the institutional charges, after any adjustment, that reflect what the student will owe for the current term after his or her withdrawal, any other current charges, plus any permitted minor prior year charges.

A school may credit a student's account for **prior award year charges** in accordance with the cash management requirements (see *Volume 4*). Schools should make every effort to explain to a student that all or a portion of his or her post-withdrawal disbursement has been used to satisfy any charges from prior award years.

### **Notice to a student offering a post-withdrawal disbursement—flexibility in notifying students**

To avoid having to contact a student multiple times, a school may use one contact to:

- ◆ notify a borrower about his or her loan repayment obligations;
- ◆ obtain permission to credit loan funds to a student's account to cover unpaid institutional charges;
- ◆ obtain permission to make a post-withdrawal disbursement of grant or loan funds for other than institutional charges; and
- ◆ obtain permission to make a post-withdrawal disbursement of loan funds directly to a student.

A school must send the notification as soon as possible, but **no later than 30 calendar days after the date that the school determines the student withdrew**.

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#### **Deadline for responding to an offer of a post-withdrawal disbursement of loan funds**

34 CFR 668.22(a)(6)(iii)(A)(5)

In the notification, the school must advise the student or parent that an institution may set a deadline of 14 days or more. Any deadline must apply to both confirmation of loan disbursements to the student's account and direct disbursements of a post-withdrawal disbursement. The notification must make it clear that if the student or parent does not respond to the notification within the time frame, the school is not required to make the post-withdrawal disbursement. However, a school may choose to make a post-withdrawal disbursement based on an acceptance received from a student or parent after the school's deadline.

A school that chooses to honor a late response must disburse all the funds accepted by the student or parent as applicable. The school cannot credit the student's account in accordance with the student's request, but decline to disburse post-withdrawal funds accepted as a direct disbursement. If a response is not received from the student or parent within the permitted time frame, or the student declines the funds, the school must return (or, in the case of grant funds, redisburse to another eligible student) any earned funds that the school was holding to the Title IV programs.

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal disbursement, per the student's or parent's instructions, the school must disburse the loan funds within 180 days of the date of the institution's determination that the student withdrew. (For additional information, see the discussion under *Date of the institution's determination that the student withdrew* in Chapter 1.) Note that the date of the institution's determination that the student withdrew is the same date that triggers the 30-day period that the school has for notifying the student or parent of any post-withdrawal disbursement available for direct disbursement. Consequently, the sooner a school sends the notification to a student or parent, the more time the school has to make any accepted post-withdrawal disbursement.

If authorization from a student (or parent for a Direct PLUS Loan) is received after the deadline and the school chooses not to make a post-withdrawal disbursement of loan funds, the school must notify the student (or parent) that the post-withdrawal disbursement will not be made and why. This notification must be made in writing. If an authorization from the student (or parent for a Direct PLUS Loan) is never received, or if the school chooses to make a post-withdrawal disbursement of loan funds per the recipient's instructions on an authorization received after the deadline, the school does not need to notify the student.

### **Student's Response to an Offer of a PWD**

A student's or parent's response to an offer of a direct disbursement of Title IV loan funds from a post-withdrawal disbursement does not have to be in writing. However, a school must document the response.

### Example of the Post-Withdrawal Disbursement Requirements

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has ceased attending. The school determines that because Michael has earned \$900 in Title IV Program assistance that he has not received, he is due a post-withdrawal disbursement of \$900. When Michael withdrew, only \$600 of the \$1,000 in Federal Pell Grant funds that could have been disbursed had been disbursed. Of the \$500 in Direct Loan funds that could have been disbursed, none had been disbursed. The school determines that Michael has \$50 in outstanding tuition charges and \$100 in outstanding library fines for the payment period. The school obtained permission from Michael at the beginning of the term (prior to his withdrawal) to credit his account for educationally related charges other than tuition, fees, and room and board. Because available grant funds must be used before available loan funds to make a post-withdrawal disbursement, the school credits Michael's account with \$150 of his Federal Pell Grant funds. On November 12 (the last date school could have sent the funds was December 24th—45 days after the date of the school's determination that the student withdrew), the school sends the remaining \$250 in Pell Grant funds to Michael. On the same day (the last date the school could have sent the notification was December 9th—30 days after the school's determination that the student withdrew), the school sends a notification to Michael stating that:

1. He is due a post-withdrawal disbursement of \$500 in Direct Loan funds to be disbursed directly to him.
2. Michael may accept all, a portion, or none of the \$500 in Direct Loan funds.
3. Any Direct Loan funds that Michael accepts will have to be repaid.
4. The school is obligated to make a post-withdrawal disbursement of loan funds only if Michael accepts the funds by November 25, which is 14 days after the school sent the notification.

Note that a school may allow more than 14 days for a response.

Michael responds on November 19 and informs the school that he is accepting \$250 of the \$500 in Direct Loan funds. The school has until June 9 (180 days after November 10—the date the school determined that the student withdrew) to make the disbursement (34 CFR 668.22(a)(6)(iii)(C)). The school must document the notification and the final determination pursuant to it (whether the student accepts a partial or full disbursement or declines the entire disbursement (34 CFR 668.22(a)(6)(iv)).

## Part 2 — Title IV aid to be returned

If the student receives more Title IV aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. The amount of Title IV aid to be returned is determined by subtracting the amount of earned Title IV aid (Box I) from the amount of Title IV aid that was actually disbursed to the student (Box E).

### STEP 5: AMOUNT OF UNEARNED TITLE IV AID DUE FROM THE SCHOOL

When a return of Title IV funds is due, the school and the student may both have a responsibility for returning funds. Funds that are not the responsibility of the school to return must be returned by the student. Although these requirements talk in terms of returning funds, a school is not required to actually return its share before the student. Rather, it is the R2T4 calculation of the amount of assistance the school is responsible for returning to the Title IV accounts that must be calculated first. Thus, the student's repayment obligation is determined after the school's share is calculated.

The school must return the lesser of:

- ◆ the amount of Title IV funds that the student does not earn, or
- ◆ the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned.

The percentage **not** earned (Box M) is determined by subtracting the percentage of Title IV aid earned (Box H) from 100%.

#### *Aid disbursed to the student before institutional charges are paid*

Consider a case in which, to assist a student with living expenses, a school elects to disburse an anticipated credit balance to a student rather than pay itself for institutional charges from the first Title IV funds the school receives. Then, the student withdraws before the school receives anticipated aid from all the Title IV programs. The R2T4 calculations indicate the school must return funds, but the school had passed through all funds to the student. **The school still must return the funds it is responsible for returning as a result of the R2T4 calculation.**



#### Title IV aid to be returned

34 CFR 668.22(a)(4)

#### Step 5: Amount of unearned Title IV aid due from the school

34 CFR 668.22(g)

#### A school's policy and the R2T4 requirements

Title IV funds are provided under the assumption that they are used to pay institutional charges ahead of all other aid.

#### Disbursement Prohibited

A school may not disburse the proceeds of a Title IV loan when it knows that the loan will not be repaid by the borrower. Therefore, a school may not disburse the proceeds of a Direct PLUS Loan taken out by a parent who has died, even though the student for whose benefit the loan was intended remains alive and otherwise eligible.

If a school receives the proceeds of a Direct PLUS Loan made to a parent who has died, it must return the funds to the Department.

## Institutional charges

Institutional charges are used to determine the portion of unearned Title IV aid that the school is responsible for returning. Schools must ensure the inclusion of all appropriate fees as well as applicable charges for books, supplies, materials, and equipment in Step 5, Part L of the R2T4 calculation. (See *Institutional versus noninstitutional charges* and *Demonstrating a real and reasonable opportunity* in Chapter 1.) Institutional charges do not affect the amount of Title IV aid that a student earns when he or she withdraws.



If an institution enters into a contract with a third party to provide institutional housing, the institution must include the cost of housing as an institutional charge in an R2T4 calculation if a student living in the third-party housing withdraws.

### Use of institutional charges in determining a school's responsibility for return

The institutional charges used in the calculation are always the charges that were assessed the student for the entire payment period or period of enrollment, as applicable, prior to the student's withdrawal. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (e.g., for dropping or adding a class or changing enrollment status). If, after a student withdraws, the institution changes the amount of institutional charges it assessed a student or decides to eliminate all institutional charges, those changes affect neither the charges used in the R2T4 calculation nor aid earned in the R2T4 calculation. (Please see *Step 3—Amount of Title IV aid Earned by the Student*, for a further discussion of aid earned and institutional charges.)



Institutional charges may not be reduced even if other sources of aid are used to pay those charges. For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition. The R2T4 regulations presume Title IV program funds are used to pay institutional charges ahead of all other sources of aid.

When an institution that offers courses in a nonterm credit-hour format calculates the aid for which the student is eligible, it does so using costs associated with the number of courses it expects the student to complete in the period for which aid is awarded. If the student later withdraws, the charges entered in Step 5 of the R2T4 calculation must include the charges for all the courses the student was initially expected to complete.



### Institutional charges

34 CFR 668.22(g)(1)(ii)  
34 CFR 668.22(g)(2)  
DCL GEN-00-24 December 2000  
DCL GEN-12-21 November 2012

### Determining charges

34 CFR 668.22(a)  
34 CFR 668.22(g)(2)(ii) and  
DCL GEN-00-24 December 2000

### Treatment of Work-Study Funds

Federal Work-Study funds are not included in the calculation of earned Title IV funds when a student withdraws. This remains the case even if a student has granted permission for a percentage of the student's Federal Work-Study earnings to be credited to his or her account to pay educational charges.

### Fees as noninstitutional charges

Application fees are excluded from institutional charges because they are not an educational cost. (Federal Register, Volume 59, No. 82, April 29, 1994, page 22356.)

### Effect of other assistance

Federal Register, Volume 64, No. 210,  
November 1, 1999, page 59032

### Administrative Fees

Administrative fees are not excluded from Return of Title IV Funds calculations.

### TIP

If a student drops classes or a school drops a student's classes on the same day that the student withdraws, the dropped classes have no effect on institutional charges included in the R2T4 calculation.

### Effects of a post-withdrawal reduction in charges

If a student withdraws and, as a result of applying an institutional refund policy, the school reverses, reduces, or cancels a student's charges, the R2T4 requirements still apply. The statute mandates that an otherwise eligible student who begins attendance at a school and is disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal earns a portion of those Title IV funds. If, as a result of the withdrawal, an institution adjusts or eliminates a student's institutional charges, or changes a student's enrollment status, the changes made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22. Moreover, the charges used in the R2T4 calculation are always the charges on the student's account prior to withdrawal. However, if a student's enrollment status changed prior to and unrelated to the withdrawal, the effect of that change on institutional charges should be reflected in any R2T4 calculation.

### Effects of waivers on institutional charges

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered a financial aid resource, and the full amount of the tuition and fees must be included in Step 5, Part L of the R2T4 calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the R2T4 calculation. (See DCL GEN 00-24, December 2000, for a further discussion of waivers and the R2T4 calculation.)

#### How the Cash Management Regulations Might Affect the Determination of Institutional Charges in an R2T4 Calculation

The cash management regulations determine the amount of Title IV aid a school may retain for institutional charges for a payment period (See the discussion under *Apportioning and prorating charges* in **Volume 4, Chapter 2** for a complete discussion.) The amount determined under those regulations must be used in determining institutional charges in an R2T4 calculation (Step 5, Part L).

Although a school may not be allowed to retain the amount charged for books and supplies beyond what is attributed to the payment period, they may always exclude from institutional charges the documented cost to the school (what the school paid for the items) of unreturnable equipment and returnable equipment not returned in good condition (See the discussion under *Institutional vs noninstitutional charges* in **Chapter 1** and, for an example, see *Case Study 5* in **Chapter 3**.)

#### Waiver Example

An institution charges state residents \$900 per semester. Out-of-state students are charged an additional \$2,000 for a total of \$2,900. However, the institution grants waivers of the out-of-state charges to out-of-state athletes. The waiver is considered a payment to those charges, and the full \$2,900 would need to be included in any R2T4 calculation.

**Order of return of Title IV funds**

34 CFR 668.22(i)

**Time frame for return of Title IV funds**

34 CFR 668.22(j)(1)

**If a School Has Not Drawn Federal Funds**

If a school has not drawn down federal funds or has made disbursements that exceed the amount the school has drawn, the school does not need to deposit funds in its federal account. Of course, the school's accounting records must show that institutional funds were used to credit the student's account.

**Return of Title IV Funds When a School Does Not Maintain a Separate Federal Bank Account**

The Department considers a school that maintains Title IV funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if:

- the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and reconciled to its general ledger,
- the subsidiary ledger for each Title IV program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of Title IV program funds received and disbursed by the school, and
- the school updates the relevant subsidiary ledger accounts in its general ledger no later than 30 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to a Title IV program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

**STEP 6: RETURN OF TITLE IV FUNDS BY THE SCHOOL***Order of return of Title IV funds*

A school must return Title IV funds to the programs from which the student received aid during the payment period or period of enrollment as applicable, in the following order, up to the net amount disbursed from each source:

- ◆ Unsubsidized Direct Loans (other than Direct PLUS Loans)
- ◆ Subsidized Direct Loans
- ◆ Direct PLUS Loans
- ◆ Federal Pell Grants for which a return of Title IV funds is required
- ◆ FSEOG for which a return of Title IV funds is required
- ◆ TEACH Grants for which a return of Title IV funds is required
- ◆ Iraq and Afghanistan Service Grant, for which a return of Title IV funds is required.

*Time frame for the return of Title IV funds*

A school **must** return unearned funds for which it is responsible **as soon as possible** but no later than 45 days from the determination of a student's withdrawal.

A school will be considered to have returned funds timely if the school does one of the following **as soon as possible** but no later than 45 days after the date it determines that the student withdrew:

- ◆ deposits or transfers the funds into the school's federal funds bank account, and then awards and disburses the funds to another eligible student;
- ◆ returns the funds to the Department electronically using the "Refund" function in G5;
- ◆ issues a check to the Department.

A school is considered to have issued a check timely if the school's records show that the check was issued within 45 days of the date the school determined that the student withdrew and the date on the cancelled check shows that the bank endorsed that check no more than 60 days after the date the school determined that the student withdrew.

### **Downward adjustment of FSA grant disbursement records and Direct Loan disbursement records required**

Returns of FSA grant funds (except FSEOG and Iraq and Afghanistan Service Grants), other than funds that are being returned to stay in compliance with the excess cash requirements, **must be offset by downward reductions to a student's record in COD.** Likewise, all returns of Direct Loan funds must be offset by downward reductions to a student's record in COD.

In addition, when all or a portion of a Direct Loan is cancelled (either because the borrower requested the cancellation within the regulatory time frames or to comply with statutory or regulatory requirements), the school must make the appropriate adjustment to the student's record in COD.

All returns of FSA Grants and Direct Loan funds previously disbursed (unclaimed credit balances) should be made through the G5 system.

### **Returning Direct Loan funds**

If a school is required to return Direct Loan funds to comply with a regulatory or statutory requirement, even if more than 120 days have elapsed since the disbursement date, the school must return Direct Loan funds through G5. The school returns Direct Loan funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

#### **No *de minimis* Provision for Schools**

**TIP**

The *de minimis* provision that waives returns of grant funds from students when the original amount to be returned is less than \$50.00 does not apply to schools. A school must return the full amount owed to any Title IV program that the school is responsible for returning. However, a school does not have to return amounts of less than \$1.00.

### Amending a FISAP After the Close of an Award Year or After a School Has Submitted a Final FISAP for an Award Year

To amend its FISAP, a school must log into COD and access the Campus-Based section from the School tab. From the FISAP Dashboard, select the correct FISAP for editing. After making and saving the appropriate updates, proceed to validate and submit. If the December 15 revision deadline has passed, schools will be prompted to submit a Change Request. In the explanation box, the school should provide

- the FISAP part, section number, and line number(s) on which the changes were made;
- the amount of the change; and
- a description of the conditions that require the revision (e.g., to comply with the requirements of 34 CFR 668.22).

After providing all of the required information, the school clicks the **Submit** button and then affirms that it wants to **Continue to Submit**.

The Campus-Based staff will evaluate the school's submission. If a school's request is denied, the Campus-Based staff will inform the school why its request was denied. If the school's request is approved, the Campus-Based staff will notify the school by sending an email to the individual on record as the school's financial aid director (in Field 19) that the school's FISAP has been unlocked and that school has five days to submit the revised working copy as the final copy.

For assistance with amending a previous year's FISAP, schools should call the COD School Relations Center at: 800-848-0978.

### Returning funds after 240 days

*In all cases, a school will have to request permission to make a change to its Fiscal Operations Report (FISAP) after December 15 following the close of the award year.*

If FSA Grant funds (other than FSEOG and Iraq and Afghanistan Service Grants) must be returned after 240 days, a school must:

- ◆ enter the student's revised Pell Grant award in COD;
- ◆ return the funds to the Department through G5, if applicable; and
- ◆ make the appropriate change to the FISAP (see sidebar).

Note that for Pell Grant funds from a prior award year, a school may not use the funds for an eligible student in the current year.

If FSEOG funds must be returned after 240 days, a school must:

- ◆ enter the student's revised FSEOG award both in the individual student's account and the school's FSEOG ledger;
- ◆ either return the funds to the Department through G5 **OR** carry them forward to the next award year; and
- ◆ make the appropriate change to the FISAP (see sidebar).

If Perkins Loan funds from a prior award year must be returned after 240 days, a school must:

- ◆ reimburse its Perkins Loan fund;
- ◆ report those funds as income in Part III, Section A of the FISAP; and
- ◆ reduce the student's Perkins Loan balance and make an accounting entry to tie that reduction to the journal entry for the aforementioned reimbursement of its Perkins Loan fund.

The school should not make any changes to the student's Perkins promissory note.

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school's FWS account. If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

## STEP 7: INITIAL AMOUNT OF UNEARNED TITLE IV AID DUE FROM THE STUDENT

The statute specifies that a student is responsible for all unearned Title IV program assistance that the school is not required to return. The initial amount of unearned Title IV aid due from the student (or parent, for Direct PLUS Loan funds) (Box Q) is determined by subtracting the amount returned by the school (Box O) from the total amount of unearned Title IV funds to be returned (Box K). This is called the initial amount due from the student because a student does not have to return the full amount of any grant repayment due. Therefore, the student may not have to return the full initial amount due.

## STEP 8: REPAYMENT OF STUDENT LOANS

The student loans that remain outstanding (Box R) consist of the loans disbursed to the student (Box B) minus any loans the school repaid in Step 6 (Box P). These outstanding loans are repaid by the student according to the terms of the student's promissory notes.

## STEP 9: TITLE IV GRANT FUNDS TO BE RETURNED BY A STUDENT

The regulations limit the amount a student must repay to the amount by which the original overpayment amount exceeds 50% of the total grant funds **disbursed** to or that **could have been disbursed** to the student for the payment period or period of enrollment.

The initial amount of unearned Title IV grant aid due from the student (Box S) is found by subtracting the loans to be repaid by the student (Box R) from the initial amount of unearned aid due from the student (Box Q).

The amount of grant overpayment due from a student (Box U) is limited to the amount by which the original grant overpayment (Box S) exceeds half of the total Title IV grant funds disbursed and could have been disbursed to the student (Box T).

## STEP 10: RETURN OF TITLE IV GRANT FUNDS BY THE STUDENT

### Initial amount due from student

34 CFR 668.22(h)

The student is obligated to return any Title IV overpayment in the same order that is required for schools.

### Return of Title IV funds by the student

34 CFR 668.22(h)(3)(i) and (ii)

Grant overpayments may be resolved through:

- ◆ full and immediate repayment to the institution;
- ◆ repayment arrangements satisfactory to the school; or
- ◆ overpayment collection procedures negotiated with Default Resolution Group.

## A SCHOOL'S RESPONSIBILITIES IN THE RETURN OF TITLE IV FUNDS BY THE STUDENT

*A school has responsibilities that continue beyond completing the R2T4 calculation and returning the funds for which it is responsible. Here we discuss the institution's participation in the return of funds by the student.*

### Grant overpayments

### Grant overpayments, retaining eligibility

34 CFR 668.22(h)(4)

The applicable regulations limit the amount of grant funds a student must repay to one-half of the grant funds the student received or could have received during the applicable period. Moreover, repayment terms for students who owe Title IV grant overpayments were established to ensure that students who could not immediately repay their debt in full had the opportunity to continue their eligibility for Title IV funds. Students who owe overpayments as a result of withdrawals initially will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of:

- ◆ the date the school sends the student notice of the overpayment, or
- ◆ the date the school was required to notify the student of the overpayment.

Within 30 days of determining that a student who withdrew must repay all or part of a Title IV grant, a school must notify the student that he or she must repay the overpayment or make satisfactory arrangements to repay it. In its notification, a school must inform the student of the following five items:

1. The student owes an overpayment of Title IV funds.
2. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the school sent or was required to send notification to the student.
3. There are three positive actions a student can take to extend his or her eligibility for Title IV funds beyond 45 days:
  - a) The student may repay the overpayment in full to the school.
  - b) The student may sign a repayment agreement with the school. **Two years is the maximum time a school may allow for repayment.**
  - c) The student may sign a repayment agreement with the Department.
4. If the student fails to take one of the positive actions during the 45-day period, the school will report the student's overpayment to NSLDS and refer the student to the Default Resolution Group for collection.
5. The student should contact the school to discuss his or her options.

**Reminder**

A school must have procedures in place that ensure the school immediately refers for collection (to the Default Resolution Group) any student who violates the terms of the repayment agreement (including failing to repay the full amount within two years).

The Department may take enforcement action against schools that fail to refer students for collection as required by the regulations.

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**Satisfactory repayment arrangements**

668.22(h)(4)(i)(B) & (C)

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**Repayment arrangements with schools**

34 CFR 668.22(h)(4)(iii)

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**Two-year maximum**

668.22(h)(4)(iii)(B)

If the student takes no positive action during the 45-day period, the school should both refer the student for collection AND report the overpayment immediately to NSLDS on the NSLDS Professional Access website under the AID tab, "Overpayment List" menu option after the 45-day period has elapsed. (Because making this change in the NSLDS system is a simple process, we expect an institution will complete making the change within a few days of the end of the 45-day period.)

### *When a student receives additional funds during the 45-day period of extended eligibility*

#### **45-Day Period Example**

On October 30, during the fall semester, a student withdraws and owes a grant overpayment. On November 29, the school notifies the student of the overpayment. The student has 45 days (until January 13) to repay the overpayment in full or to make arrangements with the institution or the Department to repay the overpayment.

The spring semester begins on January 7, before the 45-day period ends, and the student receives Title IV aid for the spring semester on January 10. The student then fails to repay the overpayment in full or sign a repayment agreement by the end of the 45-day period—January 13. The student is not required to return the Title IV funds received on January 10. However, the student becomes ineligible for additional Title IV funds on January 14 and remains ineligible until he or she enters into a repayment agreement with the Department.

Students who owe overpayments as a result of withdrawals generally will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of (a) the date the school sends the student notice of the overpayment, or (b) the date the school was required to notify the student of the overpayment.

A student who receives Title IV funds within that period of extended eligibility and then fails to return the overpayment or make repayment arrangements becomes ineligible for additional Title IV program funds on the day following the 45-day period. However, any Title IV program funds received by the student during the 45-day period were received while the student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who loses his or her eligibility for Title IV funds at the expiration of the 45-day period will remain ineligible for additional Title IV funds until the student enters into a repayment agreement with the Department.

**If, at any time, a student who previously negotiated a repayment arrangement fails to comply with the terms of his or her agreement to repay, that student immediately becomes ineligible for additional Title IV funds.** Any Title IV program funds received by the student between the time the student negotiated the repayment arrangement and the time the student violated the agreement were received while the student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who violates the terms of a repayment agreement and loses eligibility remains ineligible for Title IV funds until the student has made satisfactory repayment arrangements with the Department.



If, in either of the two aforementioned cases, the student withdraws a second time, any unearned funds from the disbursements that were made while the student was still eligible would have to be returned in accordance with the R2T4 requirements.

### **Examples of the Relationship Between the Date of Notification and the Expiration of the 45-Day Period**

#### **Example 1—A school sends notification to a student within the 30 days allowed.**

If a school sends notification to a student within the 30 days allowed, the 45-day period begins on the day after the school sends the notification to the student. If a school determines on August 20 that a student withdrew and owes a repayment and the school sends notification to the student on September 1 (within the 30 days allowed), then the first day of the 45-day period is September 2. Unless the student takes positive action to resolve the overpayment before the end of the 45-day period, the student loses his or her eligibility on the 45th day. Thus, in this case, the last day of the student's eligibility for Title IV funds is October 16.

#### **Example 2—A school fails to notify the student or notifies the student after the 30 days allowed.**

If the school fails to notify the student or notifies the student after the 30 days allowed, the 45-day period begins on the day after the end of the 30-day period (the date by which the school should have sent the notification to the student). Consider a school that determines on August 1 that a student withdrew on June 15. The school should have sent the student a letter by July 15. Because it failed to do so, the first day of the 45-day period is the day after the end of the 30-day period (July 16). Unless the student takes action to resolve the overpayment, the last day of the student's eligibility for Title IV funds is August 29, the end of the 45-day period that began on July 16.

**If a student agrees to a repayment arrangement and then fails to meet the terms of that arrangement, the student's eligibility ends as of the date the student fails to comply with the terms of the repayment arrangement.**

### Student overpayments of \$50 or less

#### Student overpayments less than \$50.00

34 CFR 668.22(h)(3)(ii)

A student does not have to repay a grant overpayment of \$50.00 or less for grant overpayments resulting from the student’s withdrawal. As a result, a grant overpayment of \$50.00 or less will not make the student ineligible to receive Title IV aid should the student return to school. A school is not required to attempt recovery of that overpayment, report it to NSLDS, or refer it to Default Resolution Group.

**These *de minimis* amounts are program specific.** That is, if an R2T4 calculation resulted in a student having to return \$150.00 in Pell Grant funds and \$40.00 in FSEOG funds, the student would have to return the Pell Grant funds, but the FSEOG funds would be considered *de minimis* and treated as described above.

If a school is currently holding an overpayment resulting from a withdrawal for which the original amount (after the grant protection was applied) was less than \$50.00, the school should delete the overpayment in NSLDS by following these steps:

1. On the NSLDS Professional Access website, go to the “Aid Tab.”
2. From the Overpayment List page, select the overpayment to be deleted by clicking on the blue number icon.
3. On the Overpayment Display page, verify that this is the overpayment you want to delete, and then click the Delete button.
4. On the Overpayments Delete Confirmation page, click the Confirm Button.

This standard does not apply to remaining grant overpayment balances. That is, a student must repay a grant overpayment that has been reduced to \$50.00 or less because of payments made. An overpayment for which the original amount was more than \$50.00 that has a current balance of less than \$50.00 may not be written off.

Note: Default Resolution Group will not accept referrals for which the original amount was less than \$25.

**This provision does not apply to funds that a school is required to return.** A school must return the full amount owed to any Title IV program that the school is responsible for returning. However, a school does not have to return amounts of less than \$1.00.



### *Payments on a student's behalf*

The grant protection always applies to the repayment of grant funds for which the student is responsible, regardless of who actually returns the funds. If an institution chooses to return all or a portion of a grant overpayment that otherwise would be the responsibility of the student to return, the grant protection still applies. If an institution returns a grant overpayment for a student, the student would no longer be considered to have a Title IV grant overpayment and, as such, no reporting to NSLDS is required and no referral to Default Resolution Group for collection is allowed. This would be true whether the institution simply returned the overpayment for the student or returned the overpayment and created a debit on the student's school account.

### *Recording student payments and reductions in the Title IV grant programs*

For reductions and payments to awards, schools should record reductions and payments by entering a replacement value.

If, through its R2T4 calculation, a school determines that a student has received an overpayment of Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant funds, the school should reduce the student's award/disbursements and return the funds.

First, reduce the student's award/disbursements by entering a replacement value in the COD system. The replacement value will be the original values less only the amount the school has returned (the sum of: (a) that amount the school is responsible for returning, plus (b) any portion of the grant overpayment that otherwise would be the responsibility of the student but which the school has chosen to return for the student, plus (c) any portion of the grant overpayment the school has collected from the student). Do not reduce the award/disbursement by the amount the student must return unless the student has made a payment.

If a school receives a payment for a current-year overpayment that has not been referred to Default Resolution Group, the school should NOT send the payment to Default Resolution Group. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

- ◆ If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant account and make the appropriate entry in the COD system.

- ◆ If a student makes a payment on any previous year's Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

If, through its R2T4 calculation, a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its *federal funds account* and award the funds to other needy students. If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

For information on handling student payments after you have referred an overpayment to Default Resolution Group, see the discussion under *Accepting payments on referred overpayments* later in this chapter.



**A school should never make a downward adjustment in COD to reflect funds the school has referred to the Department for collection. Doing so will create a negative disbursement record.**

**TIP**

### *Recording student payments and reductions in the Direct Loan Program*

If, through its R2T4 calculation, a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.



The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

#### **The Department Stopped Accepting Paper Checks for Direct Loan Refunds of Cash in 2014**

In an effort to increase efficiency and improve funds control, Federal Student Aid now requires schools to refund cash electronically via the G5 website. This method is faster and more secure than manual/paper processing, and is less likely to result in errors.

On January 1, 2015, FSA stopped accepting Direct Loan refunds of cash sent manually via paper check. As a result, schools are required to update their processes to refund cash electronically via the G5 website at **<https://www.g5.gov>**.

For additional information on refunding cash via G5, refer to the G5 website at **<https://www.g5.gov>** or call the G5 Hotline at **888-336-8930** or **202-401-6238** for assistance.

For questions about refunding cash, contact the COD School Relations Center at **800-848-0978** or **571-392-3737**. You may also email **[CODSupport@ed.gov](mailto:CODSupport@ed.gov)**.

**NSLDS**

DCL GEN-98-14, July 1998

You must use the NSLDS **Professional Access** website to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (DPA) must have signed up at least one user for Overpayment updates for NSLDS online services at <https://fsawebenroll.ed.gov>.

DCL GEN-04-08 gives the most recent technical specifications.

**Reporting required**

If a student is determined to have withdrawn from a school, the student is no longer considered to be enrolled and in attendance. Therefore, the student is no longer eligible for an in-school status or in-school deferment, and the school must report the student as withdrawn in NSLDS Enrollment Reporting.

34 CFR 685.309 (b)

**Reporting Overpayments  
to NSLDS**

DCL GEN-98-14, July 1998

All new Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which a data element has changed must be reported.

All data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available at:  
[ifap.ed.gov/ifap/byYear.jsp?type=nsldsmaterials](http://ifap.ed.gov/ifap/byYear.jsp?type=nsldsmaterials)

The email address for NSLDS  
Customer Support is:

**NSLDS@ed.gov**

The phone number for  
SCHOOL USE ONLY  
is  
**1-800-999-8219**

**Notifying the Department**

A school is never required to enter into a repayment agreement with a student; rather, a school may refer an overpayment to the Department at any time **after** the student has had the opportunity to pay off the overpayment in full to the school or indicate his or her intent to negotiate repayment arrangements with Default Resolution Group. However, if a school reports a student overpayment (for which a student has not negotiated repayment arrangements) to NSLDS before the 45-day period has elapsed, the student will appear to be ineligible for Title IV aid. Since students retain their eligibility for 45 days, schools should provide students with every opportunity to repay their debt or negotiate repayment arrangements before reporting it to NSLDS and referring it to Default Resolution Group.

**Important:** Default Resolution Group is unable to respond to a student-initiated request to negotiate a repayment arrangement until a school has referred the student's account for collection. In addition, Debt Resolution Services uses the information about the student in the NSLDS while conversing with a student.

To ensure a student overpayment has been reported and referred to the Department, when the school is communicating with a student about making repayment arrangements with the Department, **the school should make it clear that the student should contact the school before contacting the Department.** Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Schools are encouraged to negotiate similar repayment agreements with students. However, **schools' repayment arrangements with students must provide for complete repayment of the overpayments within two years of the date of the institutions' determination that the students withdrew.**

There are exceptions to the recommendation that a school wait the full 45 days before reporting a student overpayment through NSLDS. If, during the 45-day period, a student indicates that he or she cannot repay his or her debt in full and wishes to negotiate a repayment agreement with the Department, the school should immediately report the overpayment to NSLDS and refer the overpayment to Default Resolution Group. Likewise, if a student contacts a school that will not be offering institutional repayment agreements and indicates that he or she cannot pay the overpayment within the 45 days, the school should immediately report the overpayment to NSLDS and refer the overpayment to Default Resolution Group. Default Resolution Group will need time to receive and record an overpayment before it can respond to a student inquiry. Schools should advise students to wait at least 10 days before contacting Default Resolution Group.

After a school has reported and referred a student's overpayment, the school should provide the student with the phone number and postal address for Default Resolution Group. A student can contact Default Resolution Group by calling 1-800-621-3115 or by writing **Default Resolution Group** at the following address:

U.S. Department of Education  
Default Resolution Group  
P.O. Box 5609  
Greenville, Texas 75403

### *Reporting and referring overpayments*



Referring overpayments for collection is a separate process from reporting overpayments to NSLDS. Reporting is the process of creating within NSLDS a record of a student's overpayment. Referring is the process of turning over a student's debt to Default Resolution Group. Students who pay their debts in full during the 45-day period should neither be reported to NSLDS nor referred for collection.

A school reports overpayments to NSLDS via the NSLDS Professional Access website. A school sends referrals to Default Resolution Group —through the U.S. Mail to the following address:

Student Loan Processing Center—Overpayments  
P.O. Box 415  
Greenville, Texas 75403

If a student who owes a repayment of a Title IV grant calls Default Resolution Group before Debt Resolution Services has received and recorded the student's overpayment, Default Resolution Group will examine the student's record in NSLDS. If a school has reported the overpayment to NSLDS correctly, the Default Resolution Group will inform the student that the overpayment is being processed and that the student should call back in 10 days for further information. If a student calls Default Resolution Group before a school has reported the student's overpayment to NSLDS, The Default Resolution Group will find no record of the overpayment and will tell the student to contact the school to resolve the discrepancy.

**A student who does not take positive action during the 45-day period becomes ineligible for Title IV funds** on the 46th day from the earlier of (1) the date the school sends a notification to the student of the overpayment; or (2) the date the school was required to notify the student of the overpayment. The student will remain ineligible until the student enters into a satisfactory repayment agreement with the Department. An overpayment resulting from a student's withdrawal remains an overpayment until it is repaid in full. Though a student may regain Title IV eligibility by negotiating and satisfying the requirements of a satisfactory repayment arrangement, the information on the student's NSLDS account will continue to reflect the status of the overpayment until the debt is repaid in full.



If a school enters into a repayment arrangement with a student who owes an overpayment, the school should immediately report the repayment arrangement using the online NSLDS **Professional Access website**. The school should report the status (Indicator field) of an overpayment for which it has entered a repayment agreement as "Satisfactory Arrangements Made." After the information is reported to NSLDS, any future output from the CPS (SARs and ISIRs) will show that the student owes a repayment of a Title IV grant and that the student has negotiated a satisfactory repayment arrangement with the school.

As long as the student fulfills his or her commitment under the repayment arrangement, the NSLDS overpayment status of "Satisfactory Arrangements Made" will indicate that, though the student owes an overpayment, the student remains eligible for Title IV funds. **If, at any time, a student fails to comply with the terms of the student's agreement to repay, or if the student fails to complete repayment in the two years allowed, the school must immediately update the student's overpayment status (Indicator field) to "Overpayment."** From that point on, NSLDS will inform schools that the student is not eligible for Title IV funds.



### Required referrals

A school must refer to the Department/Default Resolution Group a student who

- ◆ does not satisfy the requirements of a repayment agreement with the school;
- ◆ fails to contact the school during the 45-day period;
- ◆ fails, during the 45-day period, to pay his or her overpayment in full or enter into a repayment arrangement; or
- ◆ fails to complete repayment in the two years allowed.



All referrals to Default Resolution Group must be made on institutional letterhead.



Remember to include your school's Reporting Pell Grant Identification Number on the referral.



If a school is referring to Default Resolution Group a student overpayment previously reported to NSLDS, the school must also update the information previously reported to NSLDS by changing the Source field from “School” to “Transfer.” If a school is referring a student who has failed to satisfy the terms of his or her repayment agreement, the school should also change the status code (indicator field) from “Satisfactory Arrangement Made” to “Overpayment.” If a school is referring for collection a student not previously reported to NSLDS, the school must report the account to NSLDS as a referred overpayment, enter “TRF-Transfer” as the initial source in the Source field and “Overpayment” as the overpayment status (indicator field).

To refer student overpayments for collection, schools should use a format similar to the one found in the Appendix to this volume as *Information Required when Referring Student Overpayments to Default Resolution Group* and send the document to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.

To avoid creating a double record for a single overpayment, **the school must enter for the *Dates of Disbursements* the exact same dates the school used when it created the NSLDS record. In addition, for *Award year*, a school must ensure that it enters the year the disbursement was made.**

Once Default Resolution Group has accepted a referred student overpayment, Default Resolution Group will transmit the information to NSLDS and “EDR Region” will replace “Transfer” as the appropriate contact source for information about the overpayment. On its Overpayment Referral, schools must provide their school's Pell Grant Identification Number. Schools should **not** enter their Routing Identifier.

#### **If your school does not have a Pell Grant ID**

If you are referring a TEACH Grant to Default Resolution Group for collection and your school does not have a Pell Grant ID, on the “Overpayment Referral Form,” under “School Information,” you must provide your OPEID.

If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact Default Resolution Group by calling:

1-800-621-3115

A student can contact us by going to:

<https://myeddebt.ed.gov/borrower>

and selecting “Contact Us.”

### Summary

- ◆ If, during the 45-day period, a student repays his or her debt in full to the institution, the institution should neither report the overpayment in NSLDS nor refer the student to Default Resolution Group.
- ◆ If, during the 45-day period, a student signs a repayment agreement with the institution, the institution should immediately (within a few days) make the appropriate entries in NSLDS using the online NSLDS Professional Access screens.
- ◆ If, during the 45-day period, a student indicates that he or she will not or cannot repay the overpayment and wishes to negotiate a repayment agreement with the Department, the school should immediately (within a few days) report the overpayment on the NSLDS Professional Access website, and refer the overpayment to Default Resolution Group.
- ◆ If the institution will not be offering institutional repayment arrangements to students and, during the 45-day period a student indicates that he or she cannot repay the debt in full, the institution should immediately (within a few days) report the overpayment on the NSLDS Professional Access website and refer the overpayment to Default Resolution Group.
- ◆ If a student fails to take any positive action during the 45-day period, upon the expiration of that period, the institution should immediately (within a few days) report the overpayment on the NSLDS Professional Access website and refer the overpayment to Default Resolution Group.
- ◆ If a student signs a repayment agreement with an institution and, at any time, then fails to fulfill the terms of that agreement, the institution should immediately (within a few days) report the overpayment on the NSLDS Professional Access website and refer the overpayment to Default Resolution Group.

### Accepting payments on referred overpayments

A school may continue to accept payment on a Title IV grant overpayment after the overpayment has been referred to the Department. (Before accepting the funds, the school should verify the Department has accepted the debt by examining the “Source” field on the NSLDS Professional Access Overpayment List screen). A school that accepts a check made out to the Department on an overpayment that has been referred to Default Resolution Group must:

1. note the student’s name and Social Security Number (SSN) on the check;
2. indicate that the payment is for an overpayment of a Title IV grant; and
3. forward the payment to Default Resolution Group National Payment Center at:

**National Payment Center**  
**P.O. Box 105028**  
**Atlanta, Georgia 30348-5028**

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Default Resolution Group, the school should write its own check to the Department and attach a letter indicating that the check is for a Title IV grant overpayment. **The school must submit a separate letter for each student. A school may not include multiple students in a letter because the letters are imaged to borrower’s accounts.** The school must include in its letter for each student who made a payment, the student’s name, Social Security number, and amount paid.

If a school receives a payment for an overpayment previously referred to Default Resolution Group, and if the overpayment was made in the current award year and the payment will retire the student’s debt in full, the institution must take the following three steps:

1. Deposit the payment in its appropriate institutionally maintained federal funds account.
2. Make the appropriate entry in the COD system (the replacement value).
3. Send a letter or fax to Default Resolution Group identifying the student and indicating that the student’s overpayment has been completely repaid. This will allow the Department to properly update its records in both the Default Resolution Group system and NSLDS.

#### TIP

#### Payment In Full

Any time a school receives a payment (including the application of a Title IV credit balance) that will repay an overpayment in full, the school must also update its original submission to NSLDS by changing the entry on the “Overpayment Update Screen” for the Indicator Field to “Repaid.”



The fax number (*this process cannot be performed via email*) for this purpose and school use only is:

**903-454-2312**

In the fax or letter, a school must include the following six items:

1. award year of the overpayment (current award year only);
2. student's Social Security number;
3. student's last name, first name, and middle initial;
4. student's date of birth;
5. type of overpayment—Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or TEACH Grant; and
6. the disbursement date the institution used to create the overpayment record in NSLDS.

### *Corrections or recalls of referred overpayments*

If you determine that a student you referred to Default Resolution Group does not owe an overpayment or that the amount you referred was incorrect, you should fax a letter on college/university letterhead explaining the situation to Default Resolution Group at:



The phone number for  
Default Resolution Group is:  
1-800-621-3115

**903-454-2312**

**Important:** You should not send a revised referral form when making changes or corrections.

The letter must include the following:

- ◆ student's last name, first name and middle initial;
- ◆ student's Social Security number;
- ◆ award year of the overpayment;
- ◆ disbursement date the institution used to create the overpayment record in NSLDS;
- ◆ amount originally referred; and
- ◆ description of the issue and the requested action.

Default Resolution Group will cease collection efforts and change the record in NSLDS so that the overpayment will be shown as "Repaid."

### *When a student loses eligibility at a former school while receiving aid at a second school*

If a student who owes a Title IV overpayment due to a withdrawal from one school receives additional Title IV aid at another school (based upon the student's having entered into an agreement with either Default Resolution Group or the first school) and then fails to meet the requirements of the agreement, Default Resolution Group or the school, as appropriate, will update NSLDS to show that the student is no longer eligible due to his or her violation of the agreement. The NSLDS postscreening process will then cause a new ISIR record to be created and sent to all schools listed in the CPS record.

As noted previously under *When a student receives additional funds during the 45-day period of extended eligibility*, the student loses eligibility as soon as he or she fails to meet the terms of the repayment agreement. The second school is not liable for any aid it disbursed after the student became ineligible but prior to being notified of the ineligibility via the NSLDS postscreening process.

As provided for in previous guidance (GEN-96-13, Q&A 13 and 15), once the school receives a record from NSLDS showing that a student is not eligible, it may no longer disburse Title IV aid to the student and must assist the Department in requiring the student to repay any funds he or she was not eligible to receive.

If a student who is receiving Title IV aid at an institution with which he or she has entered into a repayment agreement for a previous overpayment resulting from a withdrawal violates the terms of that agreement, the institution must immediately cease disbursing Title IV aid to the student. The school must immediately update the NSLDS record and refer the overpayment to Default Resolution Group.

<b>Withdrawal Dates for a School That is Not Required to Take Attendance</b>			
<b>Withdrawal Type</b>	<b>Circumstance</b>	<b>Student's Withdrawal Date <sup>1</sup></b>	<b>Date of the Institution's Determination That the Student Has Withdrawn</b>
<b>Official Notification</b>	The student begins the school's withdrawal process, or  The student otherwise provides official notification to the school of intent to withdraw.	The date the student begins the school's withdrawal process, or  The date that the student otherwise provides the notification  (If both circumstances occur, use the <b>earlier</b> withdrawal date.)	The student's withdrawal date or the date of notification, whichever is <b>later</b>
<b>Official Notification Not Provided</b>	Official notification not provided by the student because of circumstances beyond the student's control  All other instances where student withdraws without providing official notification	The date that the school determines is related to the circumstance beyond the student's control  The midpoint of the payment period or period of enrollment, as applicable	The date that the school becomes aware that the student has ceased attendance <sup>2</sup>
<b>Leave of Absence Related</b>	The student does not return from an approved leave of absence, or  The student takes an unapproved leave of absence.	The date that the student began the leave of absence	The earlier of the dates of the end of the leave of absence or the date the student notifies the school he or she will not be returning to that school  (In the case of an unapproved absence, the date that the student began the leave of absence)
<b>Withdrawal After Rescission of Official Notification</b>	The student withdraws after rescinding a previous official notification of withdrawal.	The student's original withdrawal date from the previous official notification	The date the school becomes aware that the student did not, or will not, complete the payment period or period of enrollment

1. In place of the dates listed, a school may always use, as a student's withdrawal date, the student's last date of attendance at an academically related activity if the school documents that the activity is academically related and that the student attended the activity.
2. For a student who withdraws without providing notification to the school, the school must determine the withdrawal date no later than 30 days after the end of the earliest of the (1) payment period or period of enrollment (as appropriate), (2) academic year, or (3) educational program.

## Sample Summary of the Requirements of 34 CFR 668.22 (To Provide to Students as Part of Consumer Information)

### Treatment of Title IV Aid When a Student Withdraws

The law specifies how your school must determine the amount of Title IV program assistance that you earn if you withdraw from school. The Title IV programs that are covered by this law are Federal Pell Grants, Iraq and Afghanistan Service Grants, TEACH Grants, Direct Loans, Direct PLUS Loans, and Federal Supplemental Educational Opportunity Grants (FSEOGs).

Though your aid is posted to your account at the start of each period, you earn the funds as you complete the period. If you withdraw during your payment period or period of enrollment (your school can define these for you and tell you which one applies to you), the amount of Title IV program assistance that you have earned up to that point is determined by a specific formula. If you received (or your school or parent received on your behalf) less assistance than the amount that you earned, you may be able to receive those additional funds. If you received more assistance than you earned, the excess funds must be returned by the school and/or you.

The amount of assistance that you have earned is determined on a pro rata basis. For example, if you completed 30% of your payment period or period of enrollment, you earn 30% of the assistance you were originally scheduled to receive. Once you have completed more than 60% of the payment period or period of enrollment, you earn all the assistance that you were scheduled to receive for that period.

If you did not receive all of the funds that you earned, you may be due a post-withdrawal disbursement. If your post-withdrawal disbursement includes loan funds, your school must get your permission before it can disburse them. You may choose to decline some or all of the loan funds so that you don't incur additional debt. Your school may automatically use all or a portion of your post-withdrawal disbursement of grant funds for tuition, fees, and room and board charges (as contracted with the school). The school needs your permission to use the post-withdrawal grant disbursement for all other institutional charges. If you do not give your permission (some schools ask for this when you enroll), you will be offered the funds. However, it may be in your best interest to allow the school to keep the funds to reduce your debt at the school.

There are some Title IV funds that you were scheduled to receive that cannot be disbursed to you once you withdraw because of other eligibility requirements. For example, if you are a first-time, first-year undergraduate student and you have not completed the first 30 days of your program before you withdraw, you will not receive any Direct Loan funds that you would have received had you remained enrolled past the 30th day.

If you receive (or your school or parent receive on your behalf) excess Title IV program funds that must be returned, your school must return a portion of the excess equal to the lesser of:

1. your institutional charges multiplied by the unearned percentage of your funds, or
2. the entire amount of excess funds.

The school must return this amount even if it didn't keep this amount of your Title IV program funds.

If your school is not required to return all of the excess funds, you must return the remaining amount.

For any loan funds that you must return, you (or your parent for a Direct PLUS Loan) repay in accordance with the terms of the promissory note. That is, you make scheduled payments to the holder of the loan over a period of time.

Any amount of unearned grant funds that you must return is called an overpayment. The maximum amount of a grant overpayment that you must repay is half of the grant funds you received or were scheduled to receive. You do not have to repay a grant overpayment if the original amount of the overpayment is \$50 or less. You must make arrangements with your school or the Department of Education to return the unearned grant funds.

The requirements for Title IV program funds when you withdraw are separate from any refund policy that your school may have. Therefore, you may still owe funds to the school to cover unpaid institutional charges. Your school may also charge you for any Title IV program funds that the school was required to return. If you don't already know your school's refund policy, you should ask your school for a copy. Your school can also provide you with the requirements and procedures for officially withdrawing from school.

If you have questions about your Title IV program funds, you can call the Federal Student Aid Information Center at 1-800-4-FEDAID (1-800-433-3243). TTY users may call 1-800-730-8913. Information is also available on Student Aid on the Web at <https://studentaid.ed.gov/sa/>.

<b>Return of Title IV Funds Requirements and Deadlines</b>		
<b>Party Responsible</b>	<b>Requirement</b>	<b>Deadline</b>
School	<b>Determining withdrawal date</b> for student who withdraws without providing notification	30 days after the end of the earlier of: <ul style="list-style-type: none"> <li>• Payment or enrollment period</li> <li>• Academic year in which student withdrew</li> <li>• Educational program from which student withdrew</li> </ul>
School	<b>Return of unearned Title IV funds</b>	As soon as possible but no later than 45 days after date school determined student withdrew
School	<b>Post-withdrawal disbursement to student's account for:</b> Outstanding current (allowable) charges (tuition and fees, room and board, etc.). Minor (e.g., under \$200) prior year charges that the school has authorization to retain	As soon as possible but no later than 180 days after the date school determined student withdrew, in accordance with requirements for disbursing Title IV funds, 34 CFR 668.164
School	<b>Written notification providing the student (or parent) the opportunity to accept all or part of a post-withdrawal disbursement of Title IV loan funds, Direct Loan, or Direct PLUS Loan) to the student's account</b>	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(iii)(A)
School	<b>Written notification of student's eligibility for a direct post-withdrawal disbursement of Title IV loan funds in excess of outstanding current (educationally related) charges</b>	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(iii)(A)
School	<b>Post-withdrawal disbursement to student for earned Title IV funds in excess of outstanding current (educationally related) charges</b>	From the date school determined student withdrew (1) loans as soon as possible but no later than 180 days (2) grants as soon as possible but no later than 45 days
School	<b>Notification to student (or parent) of outcome of late request for a post-withdrawal disbursement to student</b> (request received by school after the specified period and school chooses not to make disbursement)	Not specified but as soon as possible
School	<b>Notification to student of grant overpayment</b>	Within 30 days of date school determined student withdrew
School	<b>Referral of student to Default Resolution Group</b> if student does not pay overpayment in full, does not enter into repayment agreement, or fails to meet terms of repayment agreement	Not specified but as soon as possible
Student (or parent)	<b>Submit response instructing school to make post-withdrawal disbursement</b>	Within specified number of days school allows for response
Student	<b>Return of unearned Title IV funds</b>	Loans—according to terms of the loan. Grants—within 45 days of earlier of date school sent or was required to send notice

Return of Title IV Funds Requirements for Notification		
Party Responsible	Notification	Requirements
School	Report of student to NSLDS if student does not pay overpayment in full, does not enter into repayment agreement, or fails to meet terms of repayment agreement	No later than 45 days from the date student is notified of overpayment
School	Consumer Information	<ul style="list-style-type: none"> <li>• School's withdrawal policy.</li> <li>• School's refund policy.</li> <li>• Office(s) designated to receive official notifications of intent to withdraw.</li> <li>• Requirements regarding returns of Title IV funds</li> </ul>
School	Written notification of student's eligibility for a direct post-withdrawal disbursement of Title IV loan funds in excess of outstanding current (educationally related) charges	<ul style="list-style-type: none"> <li>• Identify type and amount of the Title IV loan funds that will make up the post-withdrawal disbursement not credited to student's account.</li> <li>• Explain that student or parent may accept all or part of the disbursement.</li> <li>• Advise student or parent that no post-withdrawal disbursement of Title IV loan funds will be made unless school receives response within the time frame established by the school</li> </ul>
School	Response (written or electronic) to late request for post-withdrawal disbursement (that school chooses not to make)	Outcome of request
School	Repayment Agreement	<ul style="list-style-type: none"> <li>• Terms permitting student to repay overpayment while maintaining eligibility for Title IV funds.</li> <li>• <b>Repayment in full within two years</b> of date school determined student withdrew</li> </ul>
Student enrolled in a series of modules	Of intent to return to a module that begins later in the same payment period or period of enrollment	<p>Close to the date that the student ceases attendance at any point prior to completing the payment period or period of enrollment and before the school is required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the R2T4 requirements.</p> <ul style="list-style-type: none"> <li>• For students enrolled in nonterm and nonstandard-term programs, the later module must begin no later than 45 calendar days after the end of the module the student ceased attending.</li> <li>• For students enrolled in modules within a term, the later module must begin and end within the term.</li> </ul>

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# Case Studies in Withdrawal and Return of Title IV Funds



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## **Case Study 1: Penny Jones**

Calculating the return of Title IV funds for a student attending a two-year community college (semester) who is receiving Title IV grants and loans (partially disbursed), and is due a post-withdrawal disbursement

## **Case Study 2: Bob Ellison**

Calculating the return of Title IV funds when a student receiving Title IV grants and loans at a low-cost public community college that measures progress in credit hours withdraws, and both the school and the student must return grant funds

## **Case Study 3: Richard Sherman**

When a student receiving Title IV grants and loans at a school that uses the aggregate method for matching the school's FSEOG federal allocation, withdraws unofficially

## **Case Study 4: Harry Springer**

When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a period of enrollment basis, withdraws unofficially

## **Case Study 5: Jordan Aire**

When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a payment period basis, withdraws unofficially

## **Case Studies 6 and 7: Thompson S. Hunter**

When a student receiving Title IV grants at a school that utilizes a term-based modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis, officially withdraws, returns, and withdraws again

## **Case Study 8: Eli Kraut**

When a student receiving Title IV grants at a school that utilizes a nonterm modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis, officially withdraws

## **Case Study 9: Baker Jeffries**

When a student receiving Title IV grants at a school that utilizes a nonterm modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis, officially withdraws

## CASE STUDY 1: PENNY JONES

*Calculating the return of Title IV funds for a student attending a two-year community college (semester) who is receiving Title IV grants and loans (partially disbursed), and is due a post-withdrawal disbursement*

### Learning Objectives

Learn to complete Steps 1 – 4 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution’s determination that the student withdrew;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- identify the information a school must maintain in its files when a student is eligible for a post-withdrawal disbursement, and complete a Post-Withdrawal Tracking Sheet.

#### School Profile

Everyone Should Have an Education Community College (ESECC) is a two-year, public, semester-based institution that measures academic progress in credit hours.

Academic Year (AY)/Program	2 semesters 32 weeks
Period	16 weeks 110 calendar days
Period Start Date	August 23
Institutionally Scheduled Break	None
Required to Take Attendance	No

The school’s AY is 32 weeks and 24 semester hours.

**Student Profile**

Penny Jones is a first-year student in Virginia. Charges to her account for the first semester are as follows:

Tuition and Fees	\$	1,000.00/16-week semester
Technology Fee	\$	100.00/16-week semester
Books and Supplies	\$	400.00/16-week semester
Health Insurance	\$	200.00/academic year

Charges remaining on Penny's account after the withdrawal:

Tuition	\$	100.00
---------	----	--------

School Authorized to Credit  
Account for Other Charges: Yes (all charges)

Penny's financial aid package included the following annual awards:

Pell Grant	\$	2,000.00
Direct Subsidized Loan	\$	3,500.00
State Grant	\$	500.00
College Grant	\$	200.00

**Discussion**

On the first day of the fall semester, August 23, Penny received the following disbursements to her student account:

Pell Grant	\$	1,000.00
Net Direct Subsidized Loan	\$	0.00
State Grant	\$	500.00
College Grant	\$	100.00

Although Penny is grateful for the assistance, she is concerned about meeting her living costs for the year.

On October 8, Penny came to the Financial Aid Office to advise that she doesn't think she is doing very well and is considering dropping out prior to November 1, the last day to withdraw from classes without academic penalty. To help her make a decision, she requests information on the withdrawal process. You are fairly certain that Penny is having a hard time adjusting to college life and want to encourage her to hang in until the end of the semester, December 10. After you provide her preliminary information, you ask her if it is her intent to withdraw. Penny says that she needs some time to think it over and makes a follow-up appointment for October 13.

When Penny comes to see you on October 13, she indicates that the last class she attended was on September 30. Because she doesn't see how she can get caught up on the work she's missed, she is adamant about withdrawing, so you give her instructions on completing the college's official withdrawal process and advise her where she can get the appropriate forms. Penny picks up the forms from the registrar on October 14. She turns the completed forms in on October 15.

Let's review some basic information about Penny as well as our learning objectives for this case. Penny attended a two-year community college, which was on the semester system. Students earned academic credits based on credit hours taken. Before withdrawing, Penny received her Pell Grant disbursement but not her Direct Loan.

The first thing we'll need to do is to decide on the date of the school's determination that Penny withdrew. Then, we'll complete Step 1: Student's Title IV Aid Information, which includes:

- Title IV aid disbursed, and
- Title IV aid that could have been disbursed.

### Solution

The date of the institution's determination is the date you were advised by Penny that she had decided to withdraw (October 13). On the earlier date, October 8, she was only thinking about withdrawing.

Date of the institution's determination that the student withdrew = October 13.

Note that for a student who provides notification to the institution of his or her withdrawal, the *date of determination* is the student's withdrawal date, or the date of notification of withdrawal, whichever is later (34 CFR 668.22(l)(3)(i)). In this case, the dates are identical, October 13.

The withdrawal date for Title IV purposes, October 13, is described in *Step 2*.

### Step 1: Student's Title IV Aid Information

<b>Box A.</b>	Title IV grants aid disbursed	
	Pell Grant	\$ 1,000.00
<b>A.</b>	=	\$ 1,000.00
<b>Box B.</b>	Net Title IV loans disbursed =	\$ 0.00
<b>Box C.</b>	Title IV grants that could have been disbursed =	\$ 0.00

**Box D.** Penny’s Direct Loan had not been disbursed yet. But, she was eligible for the disbursement. Net Title IV loans that could have been disbursed = \$ 1,700.00

$$D = \$ 1,700.00$$

**Box E.** Although Penny also received disbursements of state and institutional aid, only Title IV aid is considered in the return of funds calculation. Title IV aid disbursed = \$1,000.00.

$$E = \$ 1,000.00$$

**Box F.** Box F is equal to the \$1,000.00 from Box A plus \$0.00 from Box C. Box F = \$1,000.

$$F = \$ 1,000.00$$

**Box G.** Both the disbursed Pell (Box A) and undisbursed Direct Loan (Box D) are included in Box G. Total Title IV aid disbursed plus Title IV aid that could have been disbursed = \$2,750.

Pell Grant (Box A)	\$ 1,000.00
Net Direct Subsidized Loan (Box D)	\$ 1,700.00
Total Title IV aid disbursed plus could have been disbursed (Box G)	\$ 2,700.00

$$G = \$ 2,700.00$$

### Step 2: Percentage of Title IV Aid Earned

1. Payment period start date = August 23
2. Payment period end date = December 10
3. Withdrawal date = October 13

**Note:** Since ESECC does not take attendance and is not required by an outside entity to take attendance, the withdrawal date is the date Penny began the official school withdrawal process. Since the school includes the financial aid office as one of those places where the student can begin the withdrawal process, Penny’s withdrawal date is October 13.

Although the school’s refund policy is that the withdrawal date is the date a student turns in the signed withdrawal forms—which she did on October 15—that date is superseded for a student receiving Title IV aid by the federal requirement to use the date the student begins the withdrawal process or otherwise provides official notification (October 13).

Although Penny stopped attending classes on September 30, she didn’t notify the school (begin the official withdrawal process) until October 13. When she came to see you on October 8, she was only thinking about withdrawing.

Of course, the school could have documented a last date of attendance at an academically-related activity and used that as her withdrawal date if it so chose.

**Box H.** Percentage of payment period completed

- Since the student attended a credit-hour school, the percentage of aid completed is calculated by dividing the number of calendar days completed by the total number of calendar days in the payment period. Number of calendar days completed in payment period = 52 (August 23–October 13).
- Because the semester does not include a scheduled break of five or more consecutive days, all of the calendar days in the period from August 23 to December 10 are counted. Number of calendar days in payment period = 110.

Note: Days in a period are counted as follows:

1. the first day of the payment period is the first scheduled day of academically related activity;
  2. the last day of the payment period is the last scheduled day of academically related activity;
  3. the school must count the date of withdrawal as a date of attendance.
- $52 \text{ days} \div 110 \text{ days} = .4727$ , rounded to .473, or 47.3%. Percentage of payment period completed = 47.3%.

Because this percentage is less than 60%, the percentage of Title IV aid earned,

$$\text{H.} = 47.3\%$$

**Step 3: Amount of Title IV Aid Earned by the Student**

**Box I.**  $47.3\%$  (Percentage of Title IV aid earned from Box H)  $\times$  \$ 2,700.00 (Total Title IV aid disbursed plus Title IV aid that could have been disbursed from Box G) = \$1,277.10.  
Amount of Title IV aid earned by the student (Box I) = \$1,277.10.

$$\text{I.} = \$1,277.10$$

**Step 4: Total Title IV Aid to Be Disbursed or Returned**

**Box J.** Because the total aid earned (Box I) is greater than the total aid disbursed (Box E), Penny is due a post-withdrawal disbursement.  $\$1,277.10$  (Box I)  $-$   $\$1,000.00$  (Box E) =  $\$277.10$ .  
post-withdrawal disbursement (Box J) =  $\$277.10$ .

$$\text{J.} = \$277.10$$

If a post-withdrawal disbursement is due the student, you stop here on the worksheet. Your next step is to begin compiling the information a school must maintain in its files when a student is eligible for a post-withdrawal disbursement (ESECC has chosen to use FSA's Post-withdrawal Tracking Sheet), and providing the required notifications to the student.

## THE POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET

The FAO performed the Return calculation on October 15 and determined that Penny was eligible for a post-withdrawal disbursement of \$277.10 (Step 4, Box J).



**However, the COD system will not accept requests for other than whole dollars (no cents) for the Direct Loan Program.** Therefore, the school must round down to, request, and disburse \$277.00.

Because the post-withdrawal disbursement would be composed entirely of loan funds, the school could not credit any funds to Penny's account or disburse any funds to her directly without sending Penny written notification advising her of her responsibility to repay the funds and obtaining Penny's confirmation that she still wanted them.

Therefore, on October 20, the school sent Penny a letter explaining that:

- she was eligible for a post-withdrawal disbursement of Subsidized Direct Loan funds in the amount of \$277.00;
- she could accept some or all of the funds;
- Penny was obligated to repay any loan funds she accepted;
- if she accepted the disbursement, \$100 would be credited to her account for unpaid charges and that Penny could not receive that \$100;
- if she accepted the disbursement, the school would make a direct disbursement directly to her of \$177.00; and
- she has until November 13 (24 days from the day the school mailed the letter)<sup>1</sup> to accept the disbursement, and that if her response was received after that date, the school did not have to make the disbursement.

On November 13, the school received confirmation from Penny that she accepted all of the funds.

On November 15, the school drew down \$277.00 in Subsidized Direct Loan funds through G5, credited the \$277.00 to Penny's account, took \$100 for unpaid charges and sent Penny a check for the credit balance of \$177.00. (Note that the school could have drawn down the funds, credited the student's account with \$100.00, and sent the student the balance of \$177.00, but we do not require a school to deviate from its normal cash management procedures and establish a different type of audit trail for post-withdrawal disbursements.)

The FAO placed a record of all the aforementioned in Penny's permanent financial aid file.

<sup>1</sup> The regulations now allow a school to set a deadline later than 14 days, provided the later deadline applies to both confirmation of loan disbursements to the student's account and direct disbursements of a post-withdrawal disbursement of loan disbursements to the student's account and direct disbursements of a post-withdrawal disbursement.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Penny Jones	Social Security Number	Example 1
Date form completed	10 / 15 /	Date of school's determination that student withdrew	10 / 13 /
Period used for calculation (check one)	<input checked="" type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	1000.00		A. 1000.00
2. FSEOG			+ B.
3. TEACH Grant			E. \$ 1000.00
4. Iraq and Afghanistan Service Grant			
	A. 1000.00 Subtotal	C. Subtotal	F. Total Title IV grant aid disbursed and that could have been disbursed for the period.
			A. 1000.00
			+ C.
			= F. \$ 1000.00
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period.
5. Unsubsidized Direct Loan			A. 1000.00
6. Subsidized Direct Loan		1700.00	B.
7. Perkins Loan			C.
8. Direct Grad PLUS Loan			+ D. 1700.00
9. Direct Parent PLUS Loan			= G. \$ 2700.00
	B. Subtotal	D. 1700.00 Subtotal	

## STEP 2: Percentage of Title IV Aid Earned

08 / 23 /	12 / 10 /	10 / 13 /
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**  
Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

52	÷	110	=	47.3 %
<small>Completed days</small>		<small>Total days</small>		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H. 47.3 %**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

47.3 %	X	2700.00	=	I. \$ 1277.10
<small>Box H</small>		<small>Box G</small>		

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

1277.10	-	1000.00	=	J. \$ 277.10
<small>Box I</small>		<small>Box E</small>		

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

**POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET**

Student's Name	Penny Jones	Social Security Number	Example 1
Date of school's determination that student withdrew	10 / 13 /		

**I. Amount of Post-withdrawal Disbursement (PWD)**

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1** \$ 277.00

**II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account**

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2** \$ 100.00  
(Note: Prior-year charges cannot exceed \$200.)

**III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent**

From the total Post-withdrawal Disbursement due (Box 1), subtract the Post-withdrawal Disbursement to be credited to the student's account (Box 2). This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

\$ 277.00 — \$ 100.00 = **Box 3** \$ 177.00  
Box 1 Box 2

**IV. Allocation of Post-withdrawal Disbursement**

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Perkins						
Subsidized Direct			100.00	177.00	177.00	177.00
Unsubsidized Direct						
Direct Grad Plus						
Direct Parent Plus						
<b>Totals</b>						

**V. Authorizations and Notifications**

Post-withdrawal disbursement loan notification sent to student and/or parent on 10 / 20 /

Deadline for student and/or parent to respond 11 / 13 /

- Response received from student and/or parent on 11 / 13 /  Response not received  
 School does not accept late response

**VI. Date Funds Sent**

Date Direct Disbursement mailed or transferred Grant / / Loan 11 / 15 /

## CASE STUDY 2: BOB ELLISON

*Calculating the return of Title IV funds when a student receiving Title IV grants and loans at a low-cost public community college that measures progress in credit hours withdraws and both the school and the student must return grant funds.*

### Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution’s determination that the student withdrew for a student who officially withdraws;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned;
- apply the Title IV grant protection; and
- apply the *de minimis* grant repayment provision.

#### School Profile

West Coast Community College (WCCC) is a two-year public, credit-hour institution.

Academic Year/Program:	2 semesters 32 weeks and 24 semester hours
Period:	16 weeks 110 calendar days
Period Start Date:	January 8
Period End Date:	May 4
Institutionally Scheduled Break:	Yes, 7 days
Taking Attendance Required:	No
Method for Matching FSEOG:	Fund-specific

**Student Profile**

Bob Ellison is a first-time freshman at WCCC. Charges to his account are as follows:

Tuition and Fees:                   \$       1,000.00/16-week semester

School Authorized to Credit  
Account for Other Charges:           Yes (all charges)

Bob's financial aid package includes the following annual awards:

Pell Grant	\$	2,800.00
FSEOG	\$	2,400.00

**Discussion**

Bob Ellison enrolled as a first-time freshman at (WCCC) for the spring semester on January 8. On January 18, Bob got a call from the state treasurer informing him that the programming job he had applied for six months ago was his for the taking. That same day, Bob contacted the Financial Aid Office to: (1) advise it that he was withdrawing from WCCC, (2) begin WCCC's formal withdrawal process (11 calendar days into the semester), and (3) find out what to do next. All of his financial aid for the semester had been disbursed.

**Solution**

The date of the institution's determination that Bob withdrew is the day he contacted the Financial Aid Office to advise the school that he was withdrawing from WCCC: January 18.

**Step 1: Student's Title IV Aid Information**

**Box A.** Because WCCC uses the fund-specific method of matching FSEOG funds, 100% of Bob's FSEOG grant is used in the calculation. Title IV grant aid disbursed = \$2,600.00.

Pell Grant	\$	1,400.00
FSEOG	\$	1,200.00
<b>A. =</b>		\$ 2,600.00

**Box B.** Net Title IV loans disbursed = \$ 0.00.

**Box C.** Grants that could have been disbursed = \$ 0.00.

**Box D.** Net Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 2,600.00 + 0.00 = \$ 2,600.00$ .

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period =  $A + C = 2,600.00 + 0.00 = \$ 2,600.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period =  $A + B + C + D = 2,600.00 + 0.00 + 0.00 + 0.00 = \$ 2,600.00$ .

### Step 2: Percentage of Title IV Aid Earned

1. Payment period start date = January 8.
2. Payment period end date = May 4.
3. Date of withdrawal = January 18.
4. Percentage of payment period completed:
  - Number of calendar days completed = 11 calendar days.
  - Number of calendar days in payment period = 110 calendar days.
  - $11 \text{ days} \div 110 \text{ days} = .100$ . Percentage of payment period completed = 10.0%.

**Box H.** Because this percentage is 60% or less, the percentage of Title IV aid earned = 10.0%.

### Step 3: Amount of Title IV Aid Earned by Student

**Box I.** Multiply 10.0% (Percentage of Title IV aid earned from Box H)  $\times$  \$2,600.00 (Total Title IV aid disbursed plus Title IV aid that could have been disbursed from Box G) = \$260.00 Amount of Title IV aid earned by student = \$260.00.

I. = \$260.00

### Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K. Post-withdrawal disbursement = N/A.

**Box K.** Because the total aid disbursed (Box E) is greater than the total aid earned (Box I), Title IV aid will need to be returned.

$\$2,600.00$  (Box E) –  $\$260.00$  (Box D) =  $\$2,340.00$ . Title IV aid to be returned =  $\$2,340.00$ .

**Step 5: Amount of Unearned Title IV Aid Due from the School**

**Box L.** Institutional charges for the payment period or period of enrollment = \$1,000.00.

Tuition and Fees	\$	1,000.00
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**Box M.** Subtract 10.0%, the percentage of Title IV aid earned (Box H), from 100% ( $100\% - 10.0\% = 90.0\%$ ). Percentage of Title IV aid unearned = 90.0%.

**Box N.** First, calculate the unearned institutional charges. \$1,000.00 (institutional charges from Box L)  $\times$  90.0% (% Title IV aid unearned from Box M) = \$900.00. Amount of unearned institutional charges = \$900.00.

**Box O.** Then, compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount for Box O.

Box K =	\$	2,340.00
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Box N =	\$	900.00
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Amount of unearned Title IV aid due from the school = \$900.00.

**Step 6: Return of Funds by the School**

**Box P.** The student had no loans, so the total loans the school must return = \$0.00

Box P =	\$	0.00
---------	----	------

The student's Pell Grant (\$1,025.00) exceeds the amount the school must return (\$900.00), so the school must return \$900.00 to the Federal Pell Grant program. The school must return the funds as soon as possible, but no later than **45 days** from the date it determined Bob withdrew.

**Step 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid that the school must return (\$900.00 from Box O) from the total amount of Title IV aid that is to be returned (\$2,340.00 from Box K).  $\$2,340.00 - \$900.00 = \$1,440.00$ . Initial amount of unearned Title IV aid due from student = \$1,440.00.

**Step 8: Repayment of the Student's Loans**

**Box R.** The student had no loans, so the total loans the student must return = \$0.00.

### Step 9: Grant Funds to be Returned

#### Box S. Initial amount of Title IV grants for the student to return

Subtract the amount of loans to be repaid by the student (\$0.00 from Box R) from the initial amount of unearned Title IV aid due from the student (\$1,440.00 from Box Q) to find the initial amount of Title IV grants for the student to return.  $\$1,440.00 - \$0.00 = \$1,440.00$ .

#### Box T. Amount of grant protection

Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (\$2,600.00 from Box F) by 50%. Amount of grant protection =  $\$2,600.00 \times 50.0\% = \$1,300.00$ .

#### Box U. Title IV grant funds for the student to return

Subtract the protected amount of Title IV grants (\$1,300.00 from Box T) from the initial amount of Title IV grants for student to return (\$1,440.00 from Box S). Total grants for student to return =  $\$1,440.00 - \$1,300.00 = \$140.00$ .

### Step 10: Return of Grant Funds by the Student

#### Amount of Title IV grants for the student to return

- Subtract the amount the school had to return to the Federal Pell Grant program (\$900.00) from the amount Federal Pell Grant disbursed to the student (\$1,400.00). Remaining unearned Pell Grant balance =  $\$1,400.00 - \$900.00 = \$500.00$ .
- Since the \$500 remaining in Pell Grant funds exceeds the \$140.00 for the student to return, WCCC informs Bob that he must repay the \$140.00 and that he has 45-days to make repayment arrangements or his overpayment. WCCC also informs Bob that if he fails to repay or make arrangements to repay the overpayment, he will be referred to the Department and will lose eligibility for additional Title IV funds.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

<b>Student's Name</b> <input style="width: 90%;" type="text" value="Bob Ellison"/>	<b>Social Security Number</b> <input style="width: 90%;" type="text" value="Example 2"/>
<b>Date form completed</b> <input style="width: 25%;" type="text" value="01"/> / <input style="width: 25%;" type="text" value="19"/> / <input style="width: 25%;" type="text" value=""/>	<b>Date of school's determination that student withdrew</b> <input style="width: 25%;" type="text" value="01"/> / <input style="width: 25%;" type="text" value="18"/> / <input style="width: 25%;" type="text" value=""/>
<b>Period used for calculation (check one)</b> <input checked="" type="checkbox"/> <b>Payment period</b> <input type="checkbox"/> <b>Period of enrollment</b>	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	
1. Pell Grant	1400.00		<b>E. Total Title IV aid disbursed for the period.</b> <input style="width: 100%;" type="text" value="A. 2600.00"/> + <input style="background-color: #f0f0f0;" type="text" value="B. "/> <b>E. \$</b> <input style="width: 100%;" type="text" value="2600.00"/>
2. FSEOG	1200.00		
3. TEACH Grant			
4. Iraq and Afghanistan Service Grant			
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
<b>A. 2600.00</b>		<b>C. Subtotal</b>	
Subtotal		Subtotal	
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**Student's Name**

**Social Security Number**

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

—  = **K.\$**

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	<input type="text" value="1000.00"/>
Room	<input type="text"/>
Board	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>

**Total Institutional Charges** = **L.\$**   
*(Add all the charges together)*

**M. Percentage of unearned Title IV aid**

100% —  % = **M.**  %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

X  % = **N.\$**

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	<input type="text"/>
2. Subsidized Direct Staff Loan	<input type="text"/>
3. Perkins Loan	<input type="text"/>
4. Direct Grad PLUS Loan	<input type="text"/>
5. Direct Parent PLUS Loan	<input type="text"/>
<b>Total loans the school must return = P.\$</b> <input type="text"/>	
6. Pell Grant	<input type="text" value="900.00"/>
7. FSEOG	<input type="text"/>
8. TEACH Grant	<input type="text"/>
9. Iraq and Afghanistan Service Grant	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

—  = **Q.\$**

Box K                      Box O

▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

—  = **R.\$**

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

—  = **S.\$**

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box S) by 50%.

X  = **T.\$**

Box S

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

—  = **U.\$**

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text" value="140.00"/>
2. FSEOG	<input type="text"/>
3. TEACH Grant	<input type="text"/>
4. Iraq and Afghanistan Service Grant	<input type="text"/>

## CASE STUDY 3: RICHARD SHERMAN

*When a student receiving Title IV grants and loans at a school that uses the Aggregate method for matching the school's FSEOG federal allocation withdraws unofficially*

### Learning Objectives

Learn to complete Steps 1–9 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution's determination that the student withdrew for a student who withdraws unofficially;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- apply the Title IV grant protection.

#### School Profile

The Ultra Large State University (ULSU) is a four-year, semester-based, public institution that measures academic progress in credit hours and uses the Fund Specific method for matching the school's FSEOG federal allocation with state grant funds.

Academic Year/Program	2 semesters 30 weeks and 24 semester hours
Period	15 weeks 100 calendar days
Period Start Date	September 1
Institutionally Scheduled Break	None
Required to Take Attendance	No
Method for Matching FSEOG	Fund Specific

### Student Profile

Richard Sherman is a third-year student with a 3.5 cumulative GPA majoring in engineering.

Tuition and fees	\$	4,000.00/15-week semester
Room	\$	1,000.00/15-week semester
Board	\$	1,000.00/15-week semester
Books and Supplies (credit voucher at school store)	\$	500.00/15-week semester

School Authorized to Credit  
Account for Other Charges: Yes (all charges)

Richard’s financial aid package included the following **annual** awards:

Pell Grant	\$	5,500.00
State Grant	\$	1,000.00
FSEOG (Federal Portion)	\$	4,000.00
Subsidized Direct Loan	\$	4,000.00

All of Richard’s financial aid for the first semester (i.e., one-half of his annual awards) was disbursed on the first day of classes.

### Discussion

Richard is a brilliant computer engineering major in his third year at The ULSU. Over the summer between his second and third year, Richard developed and submitted to Gigantic Computer Corporation (GCC) an idea for a new memory chip. In October, Richard got a six-figure offer of employment from GCC. Richard was so excited by the offer that he packed his bags and headed for Seattle without telling anyone at the school that he was leaving.

Instructors at The ULSU must report a last date of attendance (LDA) whenever they submit a non-passing grade, and those dates appear on a report of Title IV recipients who failed to earn a passing grade in any of their classes that is provided by the Computer Center to the financial aid office at the end of each grading period.

On December 16, after grades have been submitted for the fall semester, the Computer Center at The ULSU ran the program that identified Title IV recipients who failed to earn a passing grade in any of their classes. When the aid office received and evaluated the report for the fall semester, it found that Richard’s LDA was October 10. Because Richard did not provide official notification of his withdrawal, he is considered an unofficial withdrawal.

At the beginning of the semester, the following awards were posted to Richard's account at ULSU.

Pell Grant	\$	2,750.00
State Grant	\$	500.00
FSEOG	\$	2,000.00
Net Subsidized Direct	\$	1,930.00

### Solution

The date of the institution's determination that Richard withdrew is the date the aid office received and processed the report from the Computer Center. Date of institution's determination that the student withdrew = December 16.

Note: For a student who withdraws without providing notification to a school that is not required to take attendance, the school must determine the withdrawal date no later than 30 days after the end of the earlier of (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

### Step 1: Student's Title IV Aid Information

**Box A.** ULSU enters the following data in Step 1.

Title IV grant aid disbursed		
Pell Grant	\$	2,750.00
FSEOG	\$	2,000.00
<b>A.</b>	=	\$ 4,750.00

**Box B.** Net Title IV loans disbursed,  
Subsidized Direct Loan = \$ 1,930.00

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Net Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period = A + B = 4,750.00 + 1,930.00  
= \$ 6,680.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period  
= A + C = 4,750.00 + 0.00 = \$ 4,750.00.

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period  
= A + B + C + D = 4,750.00 + 1,930.00 + 0.00 + 0.00 = \$ 6,680.00.

## Step 2: Percentage of Title IV Aid Earned

Because Richard did not officially withdraw from school and The ULSU does not take attendance and is not required to take attendance by an outside agency (other than for a one day snapshot for state census purposes), the school may use either the midpoint of the payment period or the last date of Richard's attendance in an academically related activity as the withdrawal date. The school elects to choose the midpoint of the period as Richard's withdrawal date.

1. Payment period start date = September 1
2. Payment period end date = December 9
3. Date of withdrawal = October 20<sup>1</sup>
4. Percentage of payment period completed
  - Number of calendar days completed = 50<sup>2</sup>
  - Number of calendar days in the payment period = 100
  - $50 \text{ days} \div 100 \text{ days} = 0.5000$ . Percentage of payment period completed = 50.0%

**Box H.** Because this percentage is 60% or less, the percentage of Title IV aid earned = 50.0%.

## Step 3: Amount of Title IV Aid Earned by the Student

**Box I.** 50.0% (Percentage of Title IV aid earned from Box H)  $\times$  \$6,680.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = \$3,340.00. Amount of Title IV aid earned by the student = \$3,340.00.

## Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K.  
Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.  
 $\$6,680.00$  (Box E)  $-$   $\$3,340.00$  (Box I) =  $\$3,340.00$ . Title IV Aid to be returned =  $\$3,340.00$ .

## Step 5: Amount of Unearned Title IV Aid Due from the School

**Box L.** Institutional charges for the payment period or period of enrollment = \$6,500.00.

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1, 2 The midpoint of the period, or 50 of 100 days.

Tuition and fees	\$	4,000.00
Room	\$	1,000.00
Board	\$	1,000.00
Books	\$	500.00

**Box M.** Subtract the percentage of Title IV earned from Box H (50.0%) from 100.0%.  
 $100\% - 50.0\% = 50.0\%$ . Percentage of Title IV aid unearned = 50.0%.

**Box N.** Calculate the amount of unearned charges. \$6,500.00 (institutional charges from Box L) X  
 50% (% of Title IV aid unearned from Box M) = \$3,250.00.  
 Amount of unearned institutional charges = \$3,250.00.

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional  
 charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	3,340.00
Box N =	\$	3,250.00

Amount of unearned Title IV aid due from the school = \$3,250.00.

### STEP 6: Return of Funds by the School

**Box P.** The only Title IV loan disbursement Richard received was a Subsidized Direct  
 Loan disbursement of \$1,930.00. Since \$1,930.00 is less than the \$3,250.00 (Box O)  
 the school must return the entire \$1,930.00. Box P = \$1,930.00.

After the school returns \$1,930.00 to the Direct Loan program, \$1,320.00 remains to be  
 returned by the school (\$3,250 (from Box O) – \$1,930 (from Box P)). Richard received  
 \$2,000.00 in Pell Grant funds, so the school returns the \$1,320.00 to the Pell Grant Program.

### STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

**Box Q.** Subtract the amount of Title IV aid the school must return (\$3,250.00 from Box O) from  
 the total amount of Title IV aid that is to be returned (\$3,340.00 from Box K) to find the  
 initial amount of Title IV aid due from the student.  $\$3,340.00 - \$3,250.00 = \$90.00$ .

### STEP 8: Repayment of the Student's Loans

**Box R.** Subtract the Total Loans the school must return (\$1,930.00 from Box P) from the net  
 loans disbursed to the student (\$1,930.00 from Box B) to find the total of the loans the  
 student must repay  $\$1,930.00 - \$1,930.00 = \$0.00$ .

## STEP 9: Grant Funds to be Returned

### Box S. Initial amount of Title IV grants for the student to return

Subtract the amount of loans to be repaid by the student (\$0.00 from Box R) from the initial amount of unearned aid due from the student (\$90.00 from Box Q) to find the initial amount of Title IV grants for the student to return.  $\$90.00 - \$0.00 = \$90.00$ .

### Box T. Amount of grant protection

Multiply the total of Title IV grant aid disbursed or could have been disbursed for the payment period or period of enrollment (\$4,740.00 from Box F) by 50.0%.  $\$4,740 \times 50.0\% = \$2,370.00$ .

### Box U. Title IV grant funds for the student to return

Subtract the amount of grant protection (\$2,375.00 from Box T) from the initial amount of Title IV grants for the student to return (\$90.00 from Box S) to find the Title IV grant funds for the student to return.  $\$90.00 - \$2,375.00 = \$0.00^1$ .

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<sup>1</sup> If this amount is less than or equal to \$0.00, enter = NA, and stop here. Richard is not required to return any Title IV grant funds.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

<b>Student's Name</b>	Richard Sherman	<b>Social Security Number</b>	Example 3
<b>Date form completed</b>	12 / 17 /	<b>Date of school's determination that student withdrew</b>	12 / 16 /
<b>Period used for calculation (check one)</b>		<input type="checkbox"/> <b>Payment period</b>	<input type="checkbox"/> <b>Period of enrollment</b>

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	2750.00		<b>A.</b> 4750.00
2. FSEOG	2000.00		<b>B.</b> 1930.00
3. TEACH Grant			<b>E. \$</b> 6680.00
4. Iraq and Afghanistan Service Grant			
<b>A.</b> 4750.00 Subtotal		<b>C.</b> Subtotal	
<b>F. Total Title IV grant aid disbursed and that could have been disbursed for the period.</b>			
<b>A.</b> 4750.00		<b>A.</b> 4750.00	
<b>B.</b>		<b>C.</b>	
<b>+ F. \$</b> 4750.00			
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period.
5. Unsubsidized Direct Loan			<b>A.</b> 4750.00
6. Subsidized Direct Loan	1930.00		<b>B.</b> 1930.00
7. Perkins Loan			<b>C.</b>
8. Direct Grad PLUS Loan			<b>D.</b>
9. Direct Parent PLUS Loan			<b>+ G. \$</b> 6680.00
<b>B.</b> 1930.00 Subtotal		<b>D.</b> Subtotal	

## STEP 2: Percentage of Title IV Aid Earned

9 / 1 /	12 / 9 /	10 / 20 /
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**  
Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

50	÷	100	=	50.00 %
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.** 50.00 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

50.0 %	X	6680.00	=	<b>I. \$</b> 3340.00
Box H		Box G		

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

[ ]	-	[ ]	=	<b>J. \$</b> NA .
Box I		Box E		

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

**Student's Name** Richard Sherman

**Social Security Number** Example 3

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

6680.00  $-$  3340.00 = **K.\$** 3340.00

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	4000.00
Room	1000.00
Board	1000.00
Books	500.00
Other	
Other	

**Total Institutional Charges** = **L.\$** 6500.00  
(Add all the charges together)

**M. Percentage of unearned Title IV aid**

100%  $-$  50.0 % = **M.** 50.0 %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

6500.00  $\times$  50.0 % = **N.\$** 3250.00

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** 3250.00

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	
2. Subsidized Direct Staff Loan	1930.00
3. Perkins Loan	
4. Direct Grad PLUS Loan	
5. Direct Parent PLUS Loan	
<b>Total loans the school must return = P.\$ 1930.00</b>	
6. Pell Grant	1320.00
7. FSEOG	
8. TEACH Grant	
9. Iraq and Afghanistan Service Grant	

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

3340.00  $-$  3250.00 = **Q.\$** 90.00

Box K                      Box O

▶ If Box Q is  $\leq$  zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

1930.00  $-$  1930.00 = **R.\$** 0.00

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

90.00  $-$  0.00 = **S.\$** 90.00

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

4750.00  $\times$  50% = **T.\$** 2375.00

Box F

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

90.00  $-$  2375.00 = **U.\$** NA .

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. FSEOG	
3. TEACH Grant	
4. Iraq and Afghanistan Service Grant	

## CASE STUDY 4: HARRY SPRINGER

*When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a period of enrollment basis, withdraws unofficially.*

### Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Clock-Hour Program worksheet, and be able to:

- determine withdrawal date for student who did not provide notification of intent to withdraw at a school required to take attendance;
- determine the scheduled clock hours;
- calculate the percentage of the period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

Quality Tech School (QTS) is a proprietary school that measures academic progress in clock hours.

Academic Year/Program/ Period of Enrollment	900 hours/30 weeks
Payment Period	450 hours
Period Start Date	January 8
Period End Date	August 3
Institutionally Scheduled Break	None
Required to Take Attendance	Yes
Period used in Return calculation	Period of Enrollment

**Student Profile**

Harry Springer enrolled at QTS for a 30-week program of study period consisting of 900 clock hours offered over 30 weeks. The first payment period is 450 clock hours. Charges to Harry’s account are as follows:

Tuition and fees	\$	8,000.00/30-week program
Room	\$	non-residential program
Board	\$	non-residential program
Books and Supplies	\$	500.00/program

School Authorized to Credit Account for Other Charges: Yes (all charges)

Harry’s financial aid package included the following **annual** awards:

Pell Grant	\$	4,000.00
Subsidized Direct Loan	\$	3,500.00

All of Harry’s financial aid for the first payment period (450 clock hours, i.e., one-half his annual awards) was disbursed on the first day of classes.

**Discussion**

On the first day of the winter period, January 8, Harry received the following disbursements to his student account:

Pell Grant	\$	2,000.00
Net Subsidized Direct Loan	\$	1,700.00

Everything seemed to be going very well for Harry. It wasn’t until January 26 that the school discovered Harry hadn’t been attending classes and didn’t plan on returning. The director of the program notified the aid office that Harry’s last day of attendance was January 17 (through which time Harry was scheduled to have attended 45 hours), and the aid office began the withdrawal process and required calculations.

**Solution**

The date of the institution's determination that Harry withdrew (January 26) is the date the aid office received the information from the Director of Student Services. Because QTS is required to take attendance, Harry's withdrawal date is his last day of attendance at an academically related activity, January 17.

At the beginning of the enrollment period, the following awards were posted to Harry's account at QTS.

Pell Grant	\$	2,000.00
Subsidized Direct Loan	\$	1,700.00

**Step 1: Student's Title IV Aid Information**

**Box A.** Title IV grant aid disbursed

Pell Grant	\$	2,000.00
------------	----	----------

<b>A. =</b>	\$	2,000.00
-------------	----	----------

**Box B.** Net Title IV loans disbursed

Net Subsidized Direct Loan	\$	1,700.00
----------------------------	----	----------

<b>B. =</b>	\$	1,700.00
-------------	----	----------

**Box C.** Because QTS uses the period of enrollment as the basis for its Return calculation, the \$2,000 in Pell funds Harry was scheduled to receive once he had completed the first 450 hours of his program is included as Title IV grants that could have been disbursed.

<b>C. =</b>	\$	2,000.00
-------------	----	----------

**Box D.** Because QTS uses the period of enrollment as the basis for its Return calculation, the \$1,700.00 in Subsidized Direct Loan funds Harry was scheduled to receive once he had completed the first 450 hours and the calendar midpoint of his program of his program is included as Title IV loans that could have been disbursed.

<b>D. =</b>	\$	1,700.00
-------------	----	----------

**Box E.** Total Title IV aid disbursed for the period of enrollment =  $A + B = 2,000.00 + 1,700.00 = \$ 3,700.00$ .

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the period of enrollment =  $A + C = 2,000.00 + 2,000.00 = \$ 4,000.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the period of enrollment =  $A + B + C + D = 2,000.00 + 1,700.00 + 2,000.00 + 1,700.00 = \$ 7,400.00$ .

## Step 2: Percentage of Title IV Aid Earned

Because QTS is required to take attendance by an outside agency, the school must use the last date of Harry's attendance in an academically related activity as determined from its attendance records as the withdrawal date. Harry's last date of attendance was January 17.

1. Period of enrollment start date = January 8.
2. Period of enrollment end date = August 3.
3. Date of withdrawal = January 17.

### Box H. Percentage of period completed

Only scheduled hours are used to determine the percentage of the period completed by a student withdrawing from a clock-hour program. The percentage of the period completed by a student is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment as of the day the student withdrew by the total number of clock hours in the same period.

- Number of clock hours Harry was scheduled to complete by January 17 = 45.
- Number of clock hours in the period of enrollment = 900.
- $45 \text{ clock hours} \div 900 \text{ clock hours} = 0.050$ .

Percentage of period of enrollment completed = 5.0%.

Because this percentage is 60% or less, the percentage of Title IV aid earned, Box H = 5.0%.

## Step 3: Amount of Title IV Aid Earned by the Student

**Box I.** 5.0% (Percentage of Title IV aid earned from Box H) ~~X~~ \$ 7,400.00 (Total of the Title IV aid disbursed and could have been disbursed for the period of enrollment from Box G) = \$370.00. Amount of Title IV aid earned by the student = \$370.00.

## Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$\$ 3,700.00 \text{ (Box E)} - \$370.00 \text{ (Box I)} = \$3,330.00$ . Title IV Aid to be returned = \$3,330.00.

**Step 5: Amount of Unearned Title IV Aid Due from the School**

**Box L.** Institutional charges for the period of enrollment = \$8,500.00.

Tuition and fees	\$	8,000.00
Books & Supplies	\$	500.00

**Box M.** Subtract the percentage of Title IV earned from Box H (5.0%) from 100.0%.  $100\% - 5.0\% = 95.0\%$ . Percentage of Title IV aid unearned = 95.0%.

**Box N.** Calculate the amount of unearned charges. \$8,500.00 (institutional charges from Box L)  $\times$  95% (Percentage of Title IV aid unearned from Box M) = \$8,075.00.  
Amount of unearned institutional charges = \$8,075.00.

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	3,330.00
Box N =	\$	8,075.00

Amount of unearned Title IV aid due from the school = \$3,330.00.

**STEP 6: Return of Funds by the School**

**Box P.** The only Title IV loan disbursement Richard received was a Subsidized Direct Loan disbursement of \$1,700.00. Since \$1,700.00 is less than the \$3,330.00 (Box O) the amount for school to return, the school must return the entire \$1,700.00 to the Direct Loan Program.

**P =** \$ 1,700.00

After the school returns \$1700.00 to the Direct Loan program, the balance to be returned by the school is \$1,630.00 (\$3,330.00 [from Box O] – \$1700.00 [from Box P]). Harry received \$2,000.00 in Pell Grant funds, so the school returns the \$1,630.00 to the Pell Grant Program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Harry withdrew.

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid the school must return (\$3,330.00 from Box O) from the total amount of Title IV aid that is to be returned (\$3,330.00 from Box K) to find the initial amount of Title IV aid due from the student.  $\$3,330.00 - \$3,330.00 = \$0.00$ .

### STEP 8: Repayment of the Student's Loans

**Box R.** Subtract the total loans the school must return (\$1700.00 from Box P) from the net loans disbursed to the student (\$1,700.00 from Box B) to find the total of the loans the student must repay  $\$1,700.00 - \$1,700.00 = \$0.00$ .

Since the amount from Box Q (\$0.00) is equal to (or less than) the amount from Box R (\$0.00), the calculation ends here.

# Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name	Harry Springer	Social Security Number	Example 4
Date form completed	1 / 27 /	Date of school's determination that student withdrew	1 / 26 /
Period used for calculation (check one)	<input type="checkbox"/> Payment period	<input checked="" type="checkbox"/> Period of enrollment	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	2000.00	2000.00	A. 2000.00
2. FSEOG			+ B. 1700.00
3. TEACH Grant			= E. \$ 3700.00
4. Iraq and Afghanistan Service Grant			
<b>A. 2000.00</b> Subtotal			<b>C. 2000.00</b> Subtotal
			F. Total Title IV grant aid disbursed and that could have been disbursed for the period.
			A. 2000.00
			+ C. 2000.00
			= F. \$ 4000.00
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period.
5. Unsubsidized Direct Loan			A. 2000.00
6. Subsidized Direct Loan	1700.00	1700.00	B. 1700.00
7. Perkins Loan			C. 2000.00
8. Direct Grad PLUS Loan			+ D. 1700.00
9. Direct Parent PLUS Loan			= G. \$ 7400.00
<b>B. 1700.00</b> Subtotal			<b>D. 1700.00</b> Subtotal

## STEP 2: Percentage of Title IV Aid Earned

Withdrawal date: 1 / 17 /

**H. Determine the percentage of the period completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

45	÷	900.00	=	5.0 %
Hours scheduled to complete		Total hours in period		

▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.  
▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H. 5.0 %**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

5.0 %	x	7400.00	=	I. \$ 370.00
Box H		Box G		

## STEP 4: Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

### J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

	-		=	J. \$	NA .
Box I		Box E			

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

### K. Title IV aid to be returned

From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

3700.00	-	370.00	=	K. \$	3330.00
Box E		Box I			

Student's Name

Social Security Number

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	8000.00
Room	
Board	
Books	500.00
Other	
Other	

Total Institutional Charges (Add all the charges together) = **L.\$** 8500.00

**M. Percentage of unearned Title IV aid**

100% -  = **M.** 95.0 %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).

**x**  = **N.\$** 8075.00

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** 3330.00

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	
2. Subsidized Direct Loan	1700.00
3. Perkins Loan	
4. Direct Graduate PLUS Loan	
5. Direct Parent PLUS Loan	
<b>Total loans the school must return = P.\$</b> 1700.00	
6. Pell Grant	1630.00
7. FSEOG	
8. TEACH Grant	
9. Iraq and Afghanistan Service Grant	

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

-  = **Q.\$** 0.00

Box K                      Box O

▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8.

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

-  = **R.\$** 0.00

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

-  = **S.** .

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

**x**  = **T.** .

Box F

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

-  = **U.** .

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. FSEOG	
3. TEACH Grant	
4. Iraq and Afghanistan Service Grant	

## CASE STUDY 5: JORDAN AIRE

*When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a payment period basis withdraws unofficially.*

### Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds When a Student Withdraws from a Clock-Hour Program worksheet, and be able to:

- determine withdrawal date for student who did not provide notification of intent to withdraw at a school required to take attendance;
- determine the scheduled clock hours;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- prorate the student's charges to determine the correct amount of institutional charges for the payment period;
- decide whether the cost of unreturned equipment can be excluded; and
- determine the amount to be offered to the student or returned.

NEW

NEW

#### School Profile

Learn to Earn Technical School (LETS) is a proprietary school that measures academic progress in clock hours.

Academic Year/Program/  
Period of Enrollment                      900 hours/26 weeks

Payment Period                              450 hours/13 weeks

Payment Period Start Date              April 3

Payment Period End Date                June 30

Institutionally Scheduled Break        None

Required to Take Attendance            Yes

Period Used in Return Calculation    Payment Period

**Student Profile**

Jordan Aire enrolled at LETS for a 26-week program of study consisting of 900 clock hours offered over 26 weeks. The first payment period is 450 clock hours. Charges to Jordan’s account are as follows:

Tuition and fees	\$	6,000.00/26-week program
Room	\$	non-residential program
Board	\$	non-residential program
Books and Supplies	\$	500.00/program

School authorized to retain Title IV funds and credit account for other charges: Yes (all charges)

Authorized to retain credit balance No

Jordan’s financial aid package included the following annual awards:

Pell Grant	\$	4,000.00
Subsidized Direct Loan	\$	3,500.00

All of Jordan’s financial aid for the first payment period (450 clock hours, i.e., one-half his annual awards) was disbursed on the first day of classes.

**Discussion**

On the first day of the period, April 3, Jordan received the following disbursements to his student account:

Pell Grant	\$	2,000.00
Net Subsidized Direct Loan	\$	1,700.00

On May 1, the Retention Specialist at LETS is informed by the director of Jordan’s program that since April 20, Jordan has not been attending classes. The Retention Specialist contacts Jordan who tells him that he’s been ill but plans on coming back to school during the next week. Since this falls within the time period for excused absences allowed by school policy, as well as absences allowed by the state and the school’s accrediting agency, the school delays taking any action. However, on May 8 when the Retention Specialist follows up with the Program Director, he finds that Jordan has not returned to school. Since Jordan has now exceeded the number of absences allowed by school policy, LETS must administratively withdraw Jordan from school.

Note: Remember that institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution’s determination that the student withdrew should be no later than 14 days after the student’s withdrawal date.

The institution is not required to administratively withdraw a student who has been absent for 14 days. However, after 14 days, it is expected to have determined whether the student intends to return to classes or has withdrawn. Moreover, the institution must return any unearned funds within 45 days of the date of the institution's determination that Jordan withdrew (May 4).

As part of Jordan's enrollment agreement, LETS provided Jordan with a kit that included all the books and supplies that he would need throughout the program (the entire period of enrollment). The kit is returnable, but Jordan does not return the kit after he withdraws.

### Solution

Jordan's withdrawal date is his last day of attendance as determined from the school's attendance records, April 20.

The school must use May 4 (14 days from the student's last day of attendance) as the date of the institution's determination that the student withdrew.

At the beginning of the payment period, the following awards were posted to Jordan's account at LETS.

Pell Grant	\$	2,000.00
Net Subsidized Direct Loan	\$	1,700.00

### Step 1: Student's Title IV Aid Information

**Box A.** Title IV grant aid disbursed –  
Pell Grant \$ 2,000.00

**A. =** \$ 2,000.00

**Box B.** Net Title IV loans disbursed –  
Subsidized Direct Loan = \$ 1,700.00

**B. =** \$ 1,700.00

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 2,000.00 + 1,700.00$   
= \$ 3,700.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period  
=  $A + C = 2,000.00 + 0.00 = \$ 2,000.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period  
 $= A + B + C + D = 2,000.00 + 1,700.00 + 0.00 + 0.00 = \$ 3,700.00.$

### Step 2: Percentage of Title IV Aid Earned

Because LETS is required to take attendance by an outside agency, the school must use the last date of Jordan’s attendance in an academically related activity as determined from its attendance records as the withdrawal date. Jordan’s last date of attendance was April 20.

1. Payment Period start date = April 3.
2. Payment Period end date = June 30.
3. Date of withdrawal = April 20.

**Box H.** Percentage of payment period completed

Only scheduled hours are used to determine the percentage of the period completed by a student withdrawing from a clock-hour program. The percentage of the period completed by a student is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment as of the day the student withdrew, by the total number of clock hours in the same period.

- Number of clock hours Jordan was scheduled to complete by April 20 = 90
- Number of clock hours in the payment period = 450
- $90 \text{ clock hours} \div 450 \text{ clock hours} = 0.20$

Percentage of payment period completed = 20.0%

Because this percentage is 60% or less, the percentage of Title IV aid earned in Box H = 20.0%.

### Step 3: Amount of Title IV Aid Earned by the Student

**Box I.** 20.0% (percentage of Title IV aid earned from Box H)  $\times$  \$3,700.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = \$740.00. Amount of Title IV aid earned by the student = \$740.00.

### Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.

$\$3,700.00$  (Box E)  $-$   $\$740.00$  (Box I) =  $\$2,960.00$ . Title IV Aid to be Returned =  $\$2,960.00$ .

## Step 5: Amount of Title IV Aid Due from the School

**Box L.** Total institutional charges for the payment period

Before entering data in Step 5, Part L, of the Return calculation a school that charges by the period of enrollment but performs its Return calculation on a payment period basis must determine whether it must enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, first, the school prorates all institutional charges. Then, the school determines the amount actually retained. The school compares the two results and enters in Step 5, Part L, the greater of the two amounts (per the provisions in 34 CFR 668.22(g)(3)(ii)). LETS did not obtain an authorization to retain funds in excess of the prorated amount. Therefore, in this case the amount retained and the prorated amount are the same. The school enters \$250.00 as the charge for books and supplies.

**TIP**

### Prorated Charges

Tuition and fees	\$3,000.00
Books & supplies	\$250.00

Total initial prorated institutional charges for the payment period = \$3,250.00.

**Clarification**

Now, LETS determines whether it can exclude the cost of Jordan's kit from the amount it enters in Step 5, Part L. The equipment was returnable, but Jordan did not return it in good condition within 20 days of withdrawing. Since a school may exclude from institutional charges the documented cost to the school (what the school paid for the items) of unreturnable equipment and returnable equipment not returned in good condition, LETS can exclude the documented cost of the kit from Jordan's total institutional charges for the payment period. When LETS originally purchased the kit, it documented that the kit cost \$300.00, so LETS excludes \$300.00 from Jordan's institutional charges, resulting in an adjusted final total of \$2,950 (\$3,250.00 – \$300.00) that the school will enter in Step 5, Part L.

**L =** \$2,950.00

**Box M.** Subtract the percentage of Title IV earned from Box H (20.0%) from 100.0%.  $100\% - 20.0\% = 80.0\%$ . percentage of Title IV aid unearned = 80.0%.

**M =** 80.0%

**Box N.** Calculate the amount of unearned charges. \$2,950.00 (institutional charges from Box L) **X** 80% (percentage of Title IV aid unearned from Box M) = \$2,360.00.

**N =** \$2,360.00

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$2,960.00
Box N =	\$2,360.00

**O = \$2,360.00**

### STEP 6: Return of Funds by the School

**Box P.** Jordan received a Subsidized Direct Loan disbursement of \$1,700.00. Since \$1,700.00 is less than the \$2,360.00 (Box O) the school must return \$1,700.00 to the Department. Box P = \$1,700.00.

After the school returns \$1,700.00 to the Title IV loan programs, the balance to be returned by the school is \$660.00 (\$2,360.00 [from Box O] – \$1,700.00 [from Box P]). Jordan received \$2,000.00 in Pell Grant funds, so the school returns \$660.00 to the Pell Grant Program.

The school must return any unearned funds within 45 days from the date of the institution’s determination that Jordan withdrew (May 4).

### STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

**Box Q.** Subtract the amount of Title IV aid the school must return (\$2,360.00 from Box O) from the total amount of Title IV aid that is to be returned (\$2,960.00 from Box K) to find the initial amount of Title IV aid due from the student.  $\$2,960.00 - \$2,360.00 = \$600.00$ .

**Q = \$600.00**

### STEP 8: Repayment of the Student’s Loans

**Box R.** Subtract the total loans the school must return (\$1,700.00 from Box P) from the net loans disbursed to the student (\$1,700.00 from Box B) to find the total of the loans the student must repay  $\$1,700.00 - \$1,700.00 = \$0.00$ .

**R = \$0**

**Box S.** Subtract the amount of loans to be repaid by the student in Box R (\$0) from the initial amount of unearned Title IV aid due from the student Box Q (\$600.00) to find the initial amount of Title IV grants for the student to return  $\$600.00 - 0.00 = \$600$ .

**S = \$600.00**

**Box T.** Multiply the total Title IV grant aid disbursed and could have been disbursed for the period in Box F (\$2,000.00) by 50% to find the amount of grant protection.

$$\$2,000.00 \times 50\% = \$1,000.00.$$

$$\mathbf{T} = \quad \quad \quad \$ \quad 1,000.00$$

**Box U** Subtract the amount of grant protection in Box T (\$1,000.00) from the initial amount of Title IV grants for the student to return in Box S (\$600.00) to find the Title IV grants for the student to return  $\$600.00 - \$1,000.00 = -\$400.00$ .

$$\mathbf{U} = \quad \quad \quad \$ \quad -400.00$$

Since the amount in Box U is less than or equal to zero, the student does not have to return any Title IV grant funds, and the calculation is complete.

# Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

<b>Student's Name</b>	Jordan Aire	<b>Social Security Number</b>	Example 5
<b>Date form completed</b>	5 / 9 /	<b>Date of school's determination that student withdrew</b>	5 / 4 /
<b>Period used for calculation (check one)</b>		<input checked="" type="checkbox"/> <b>Payment period</b>	<input type="checkbox"/> <b>Period of enrollment</b>

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	2000.00		A. 2000.00
2. FSEOG			+ B. 1700.00
3. TEACH Grant			= E. \$ 3700.00
4. Iraq and Afghanistan Service Grant			
	<b>A. 2000.00</b> Subtotal	<b>C.</b> Subtotal	<b>F. Total Title IV grant aid disbursed and that could have been disbursed for the period.</b>
			A. 2000.00
			+ C.
			= F. \$ 2000.00
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period.
5. Unsubsidized Direct Loan			A. 2000.00
6. Subsidized Direct Loan	1700.00		B. 1700.00
7. Perkins Loan			C.
8. Direct Grad PLUS Loan			+ D.
9. Direct Parent PLUS Loan			= G. \$ 3700.00
	<b>B. 1700.00</b> Subtotal	<b>D.</b> Subtotal	

## STEP 2: Percentage of Title IV Aid Earned

**Withdrawal date** 4 / 20 /

**H. Determine the percentage of the period completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

90	÷	450	=	20.0	%
Hours scheduled to complete		Total hours in period			

▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.  
 ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H. 20.0 %**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

20.0	%	x	3700.00	=	I. \$ 740.00
Box H			Box G		

## STEP 4: Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

	-		=	J. \$ NA .
Box I		Box E		

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

**K. Title IV aid to be returned**  
From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

3700.00	-	740.00	=	K. \$ 2960.00
Box E		Box I		

Student's Name

Social Security Number

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

<b>L. Institutional charges for the period</b>	Tuition	<input type="text" value="3000.00"/>
	Room	
	Board	
	Books	<input type="text" value="250.00"/>
	Other	<input type="text" value="-300.00"/>
	Other	
<i>Total Institutional Charges (Add all the charges together)</i>		<b>= L.\$</b> <input type="text" value="2950.00"/>

**M. Percentage of unearned Title IV aid**  
 100% -  % = **M.**  %  
Box H

**N. Amount of unearned charges**  
 Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).  
 X  % = **N.\$**   
Box L                      Box M

**O. Amount for school to return**  
 Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.  
**O.\$**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	
2. Subsidized Direct Loan	<input type="text" value="1700.00"/>
3. Perkins Loan	
4. Direct Graduate PLUS Loan	
5. Direct Parent PLUS Loan	
<b>Total loans the school must return = P.\$</b> <input type="text" value="1700.00"/>	
6. Pell Grant	<input type="text" value="660.00"/>
7. FSEOG	
8. TEACH Grant	
9. Iraq and Afghanistan Service Grant	

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).  
 -  = **Q.\$**   
Box K                      Box O  
 ▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8.

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).  
 These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.  
 -  = **R.\$**   
Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.  
 ▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**  
 From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).  
 -  = **S.**   
Box Q                      Box R

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.  
 X  = **T.**   
Box F

**U. Title IV grant funds for student to return**  
 From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).  
 -  = **U.**   
Box S                      Box T  
 ▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.  
**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. FSEOG	
3. TEACH Grant	
4. Iraq and Afghanistan Service Grant	

## CASE STUDY 6: THOMPSON S. HUNTER

*When a student receiving Title IV grants at a school that utilizes a term-based modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis, officially withdraws*

### Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- determine whether or not the student must be considered as withdrawn;
- determine the total number of days the student was in attendance;
- recalculate the student’s eligibility for Pell and Campus-Based funds;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

Las Vegas School of Digital Journalism (LSDJ) is a public residential institution that utilizes a term-based modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	2 semesters/ 32 weeks and 24 semester hours
Payment Period	1 semester 117 calendar days
Period Start Date	August 22
Period End Date	December 16
Institutionally Scheduled Break	Yes
Required to Take Attendance	No
Period used in Return calculation	Payment Period

**School Profile, continued**

Scheduled starting and ending dates for modules within the term.

Start	End
August 22	September 16
September 19	October 14
October 17	November 11
November 14	December 16

A scheduled break begins after the last class on Friday, November 18. Classes resume on Monday, November 28. The scheduled break is nine days long.

Though it is not a school that is required to take attendance, LSDJ has a school policy of using a student's last date of attendance at an academically related activity as the withdrawal date when a student withdraws from a program offered in modules.

**Student Profile**

Thompson Hunter is an independent, third-year student enrolled at LSDJ for 12 credits offered in four modules. In each module, a student is enrolled in one course that begins and ends on a fixed date. In Thompson's case, each course is worth three credits.

Charges to Thompson's account for the **payment** period are as follows:

Tuition and fees	\$	1,200.00/12 credits
------------------	----	---------------------

School Authorized to Credit Account for Other Charges:	Yes (all charges)
---	-------------------

Thompson's financial aid package is based on the following academic year (9-month budget):

Tuition	\$	2,400.00
Room	\$	2,800.00
Board	\$	1,600.00
Books	\$	800.00
Personal Expenses	\$	800.00
Travel	\$	800.00

Thompson’s financial aid package included the following **annual** awards:

Pell Grant	\$	5,550.00
FSEOG	\$	3,650.00

All of Thompson’s financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

### Discussion

On the first day of the period, August 22, Thompson received the following disbursements to his student account:

Pell Grant	\$	2,775.00
FSEOG	\$	1,825.00

On October 14, Thompson comes to see you. He tells you that his dog Gonzo has just had 10 puppies. He fears that if he’s not around to help her, something terrible might happen to the puppies, and he doesn’t want to deal with the self-loathing that would result. He feels it is best if he withdraws from the first semester now.

When a student withdraws from one of a series of modules in a term-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer three questions:

1. After beginning attendance in the payment period or period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

If the answer is no, this is not a withdrawal. If the answer is yes, go to question 2.

In Thompson’s case, the answer to Question 1 is **Yes**; you go on to Question 2.

2. When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other courses?

If the answer is yes, this is not a withdrawal; (Note, however that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

In Thompson’s case, the answer to Question 2 is **No**; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period?

If the answer is yes, this is not a withdrawal, unless the student does not return. If the answer is no, this is a withdrawal, and the Return of Title IV Funds requirements apply.

In Thompson’s Case, the answer is **No**; you must treat Thompson as a withdrawal.

Therefore, though Thompson completed the first two modules in the semester, since he doesn't intend on returning to a module in this semester, the revised Return regulations require that LSDJ treat him as a withdrawn student.

Because Thompson failed to begin attendance in all of the classes on which his Pell Grant was based, before performing the required Return calculation, LSDJ must recalculate Thompson's Pell based on his enrollment in just the two modules he began—six credits or half time. Thompson's scheduled annual Pell award as a half-time student is \$2,775. His revised first semester award is \$1,388.00. LSDJ must return \$1,387.00 (the difference between Thompson's initial Pell disbursement of \$2,775.00 and his new award of \$1,388.00), and include only his new award of \$1,388.00 in the Return calculation. The school returns the \$1,387.00 through G5 and reduces Thompson's Pell Grant in COD to \$1,388.00.

In addition, since Thompson was receiving Campus-Based aid (FSEOG), the school has to recalculate his eligibility for Campus-Based funds, eliminating the costs attributable to the modules that he did not begin attending to see whether a reduction of the Campus-Based aid is necessary. Based on a revised COA of \$3,600.00 for the fall semester and revised Pell Grant of \$1,388.00, Thompson's remaining first-semester need is \$2,212.00. That is more than his FSEOG of \$1,825.00. Therefore, LSDJ does not need to reduce Thompson's FSEOG award before performing the Return calculation.

LSDJ performed a R2T4 calculation using Thompson's last day of attendance of October 14 as his withdrawal date (as per school policy); \$1,388.00 as the amount of Pell Grant disbursed; and \$1,825.00 as the amount of FSEOG funds disbursed. On October 24, LSDJ returned the funds for which it was responsible to the appropriate programs, and made the appropriate adjustments in COD.

### Solution

Per school policy, Thompson’s withdrawal date is his last day of attendance at an academically related activity as determined from the school’s attendance records, October 14.

At the beginning of the semester, the following awards were posted to Thompson’s account at LSDJ.

Pell Grant	\$	2,775.00
FSEOG	\$	1,825.00

### Step 1: Student’s Title IV Aid Information

**Box A.** After recalculating and returning the Pell Grant funds for which Thompson was ineligible, the Title IV grant aid disbursed was

Pell Grant	\$	1,388.00
FSEOG	\$	1,825.00
A. =	\$	3,213.00

**Box B.** Net Title IV loans that could have been disbursed = \$ 0.00.

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 3,213.00 + 0.00 = \$ 3,213.00$ .

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period =  $A + C = 3,213.00 + 0.00 = \$ 3,213.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period =  $A + B + C + D = 3,213.00 + 0.00 + 0.00 + 0.00 = \$3,213.00$ .

## Step 2: Percentage of Title IV Aid Earned

LSDJ has an institutional policy of using the last date of attendance in an academically related activity as determined from its attendance records as the withdrawal date for students who cease attendance before completing more than 60 percent of the payment period. Thompson's last date of attendance was October 14.

1. Payment Period start date = August 22.
2. Payment Period end date = December 16.
3. Date of withdrawal = October 14.
4. Percentage of payment period completed
  - Number of calendar days completed = 54
  - Number of calendar days in the payment period = 108 (117 – 9 day scheduled break)
  - $54 \text{ days} \div 108 \text{ days} = 0.50$ . percentage of payment period completed = 50.0%

Box H. Because this percentage is 60% or less, the percentage of Title IV aid earned = 50.0%.

## Step 3: Amount of Title IV Aid Earned by the Student

**Box I.** 50.0% (percentage of Title IV aid earned from Box H) X \$3,213.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = \$1,606.50. Amount of Title IV aid earned by the student = \$1,606.50.

## Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.

$\$3,213.00 \text{ (Box E)} - \$1,606.50 \text{ (Box I)} = \$1,606.50$ . Title IV Aid to be returned = \$1,606.50.

**Step 5: Amount of Title IV Aid Due from the School**

**Box L.** The institutional charges on Thompson’s account are the charges initially assessed for the payment period. Note that books and supplies are not included because Thompson had an opportunity to purchase them elsewhere, and did.

Tuition and fees	\$	1,200.00
Room	\$	1,400.00
Board	\$	<u>800.00</u>
Box L =	\$	3,400.00

**Box M.** Subtract the percentage of Title IV earned from Box H (50.0%) from 100.0%.  
 $100\% - 50.0\% = 50.0\%$ . percentage of Title IV aid unearned = 50.0%.

**Box N.** Calculate the amount of unearned charges. \$3,400.00 (institutional charges from Box L) X 50.0% (% of Title IV aid unearned from Box M) = \$1,700.00.

Amount of unearned institutional charges = \$1,700.00.

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	1,606.50
Box N =	\$	1,700.00

Amount of unearned Title IV aid due from the school = \$1,606.50.

**STEP 6: Return of Funds by the School**

**Box P.** Thompson received a recalculated Pell Grant disbursement of \$1,388.00. Since \$1,388.00 is less than the \$1,606.50 (Box O) the school must return, the school must return the \$1,388.00 to the Pell Grant Program and an additional \$218.50 ( $1,606.50 - 1,388.00$ ) to the FSEOG program through the G5 system. The school must also reduce Thompson’s Pell Grant in COD to \$0.00.

The school must return any unearned funds within 45 days from the date of the school’s determination that Thompson withdrew.

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid the school must return (\$1,606.50 from Box O) from the total amount of Title IV aid that is to be returned (\$1,606.50 from Box K) to find the initial amount of Title IV aid due from the student.  $\$1,606.50 - \$1,606.50 = \$0.00$ .

Box Q =                   \$           0.00

Because Box Q is \$0.00, no further calculation is needed.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Thompson Hunter	Social Security Number	Example 6
Date form completed	10 / 20 /	Date of school's determination that student withdrew	10 / 17 /
Period used for calculation (check one)	<input checked="" type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed											
1. Pell Grant	1388.00		<b>E. Total Title IV aid disbursed for the period.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">3213.00</td></tr> <tr><td colspan="2" style="text-align: center;">+</td></tr> <tr><td colspan="2" style="text-align: center;">B.</td></tr> <tr><td colspan="2" style="text-align: center;">=</td></tr> <tr><td colspan="2" style="text-align: center;">E. \$ 3213.00</td></tr> </table>	A.	3213.00	+		B.		=		E. \$ 3213.00	
A.	3213.00												
+													
B.													
=													
E. \$ 3213.00													
2. FSEOG	1825.00												
3. TEACH Grant													
4. Iraq and Afghanistan Service Grant													
<b>A.</b> 3213.00 Subtotal		<b>C.</b> Subtotal											
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed											
5. Unsubsidized Direct Loan			<b>F. Total Title IV grant aid disbursed and that could have been disbursed for the period.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">3213.00</td></tr> <tr><td colspan="2" style="text-align: center;">+</td></tr> <tr><td colspan="2" style="text-align: center;">C.</td></tr> <tr><td colspan="2" style="text-align: center;">=</td></tr> <tr><td colspan="2" style="text-align: center;">F. \$ 3213.00</td></tr> </table>	A.	3213.00	+		C.		=		F. \$ 3213.00	
A.	3213.00												
+													
C.													
=													
F. \$ 3213.00													
6. Subsidized Direct Loan													
7. Perkins Loan													
8. Direct Grad PLUS Loan													
9. Direct Parent PLUS Loan													
<b>B.</b> Subtotal		<b>D.</b> Subtotal											
			<b>G. Total Title IV aid disbursed and that could have been disbursed for the period.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">3213.00</td></tr> <tr><td colspan="2" style="text-align: center;">+</td></tr> <tr><td colspan="2" style="text-align: center;">D.</td></tr> <tr><td colspan="2" style="text-align: center;">=</td></tr> <tr><td colspan="2" style="text-align: center;">G. \$ 3213.00</td></tr> </table>	A.	3213.00	+		D.		=		G. \$ 3213.00	
A.	3213.00												
+													
D.													
=													
G. \$ 3213.00													

## STEP 2: Percentage of Title IV Aid Earned

08 / 22 /	12 / 16 /	10 / 14 /
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date. LESS 9-DAY SCHEDULED BREAK

**H. Percentage of payment period or period of enrollment completed**  
 Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more AND days that the student was on an approved leave of absence).

54	÷	108	=	50.0 %
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.** 50.0 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

50.0 %	X	3213.00	=	I. \$ 1606.50
Box H		Box G		

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
 From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I	-	Box E	=	J. \$ NA .
-------	---	-------	---	------------

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

**Student's Name** Thompson Hunter

**Social Security Number** Example 6

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

3213.00  $-$  1606.50 = **K.\$** 1606.50

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	1200.00
Room	1400.00
Board	800.00
Other	
Other	
Other	

**Total Institutional Charges** = **L.\$** 3400.00  
(Add all the charges together)

**M. Percentage of unearned Title IV aid**

100%  $-$  50.0 % = **M.** 50.0 %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

3400.00  $\times$  50.0 % = **N.\$** 1700.00

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** 1606.50

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	
2. Subsidized Direct Staff Loan	
3. Perkins Loan	
4. Direct Grad PLUS Loan	
5. Direct Parent PLUS Loan	

**Total loans the school must return** = **P.\$** .

6. Pell Grant	1388.00
7. FSEOG	218.50
8. TEACH Grant	
9. Iraq and Afghanistan Service Grant	

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

1606.50  $-$  1606.50 = **Q.\$** 0.00

Box K                      Box O

▶ If Box Q is  $\leq$  zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

$\square - \square = \mathbf{R.\$}$  .

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

$\square - \square = \mathbf{S.\$}$  .

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box S) by 50%.

$\square \times 50\% = \mathbf{T.\$}$  .

Box S

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

$\square - \square = \mathbf{U.\$}$  .

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. FSEOG	
3. TEACH Grant	
4. Iraq and Afghanistan Service Grant	

## CASE STUDY 7: THE RETURN OF THOMPSON S. HUNTER

*When a student receiving Title IV grants at a school that utilizes a term-based modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis, officially withdraws, returns within the payment period, and withdraws again.*

### Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- identify the steps that must be taken when a student who withdrew from a term-based program offered in modules returns within the payment period;
- determine the numerator and denominator when calculating the percentage of the payment period completed for a student who withdraws, returns and withdraws again.
- recalculate the student’s eligibility for Pell and Campus-Based funds;
- calculate the percentage of the payment period the student completed, and the percentage and the amount of Title IV aid earned by the student;
- determine if the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned, and if so, how much the school must return and
- determine the amount to be offered to the student or returned by him.

#### School Profile

Las Vegas School of Digital Journalism (LSDJ) is public residential institution that utilizes a term-based modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	2 semesters/ 32 weeks and 24 semester hours
Payment Period	1 semester 117 calendar days
Period Start Date	August 22
Period End Date	December 16
Institutionally Scheduled Break	Yes
Required to Take Attendance	No
Period used in Return calculation	Payment Period

**School Profile, continued**

Scheduled starting and ending dates for modules within the term.

Start	End
August 22	September 16
September 19	October 14
October 17	November 11
November 14	December 16

A scheduled break begins after the last class on Friday, November 18. Classes resume on Monday, November 28. The scheduled break is nine days long.

Though it is not a school that is required to take attendance, LSDJ has a school policy of using a student's last date of attendance at an academically related activity as the withdrawal date when a student withdraws from a program offered in modules.

**Student Profile**

Thompson Hunter is an independent third-year student enrolled at LSDJ for 12 credits offered in four modules. In each module a student is enrolled in one course that begins and ends on a fixed date. In Thompson's case, each course is worth three credits.

Charges to Thompson's account for the **payment** period are as follows:

Tuition and fees	\$	1,200.00/12 credits
------------------	----	---------------------

School Authorized to Credit Account for Other Charges:	Yes (all charges)
--	-------------------

Thompson's financial aid package is based on the following academic year (9-month budget):

Tuition	\$	2,400.00
Room	\$	2,800.00
Board	\$	1,600.00
Books	\$	800.00
Personal Expenses	\$	800.00
Travel	\$	800.00

**Student Profile (Continued)**

Thompson’s financial aid package included the following annual awards:

Pell Grant	\$	5,550.00
FSEOG	\$	3,650.00

All of Thompson’s financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

**Discussion**

On November 11, Thompson Hunter (the student from Case Study 6) walks into your office with the news that his wife Barbara Ann has quit her acting job in LA and moved back to Las Vegas. Longing for a normal family life, Barbara Ann is more than happy to care for Gonzo and the puppies. Thompson would like to re-enter the program when the fourth module begins on November 14.

When Thompson returns for module four, 34 CFR 668.22(a)(2)(iii)(A) applies. That regulation provides that, if a student withdraws from a term-based credit-hour program offered in modules and re-enters the same program prior to the end of the payment period, the student is treated as if he or she did not cease attendance for purposes of determining the student’s aid awards for the period. The student is considered to be in the same payment period he or she was in at the time of the withdrawal and retains his or her original Title IV eligibility for that payment period, provided the student’s enrollment status continues to support the same amount of those funds. To do this, the school must:

- recalculate Thompson’s Title IV program eligibility based upon enrollment in modules 1, 2, and 4 and then re-disburse any Title IV, HEA program funds that had been disbursed and then returned under the Return of Title IV Funds provisions, adjusting, if necessary, for any change in his enrollment status;
- disburse any Title IV, HEA program funds for which Thompson was otherwise eligible that had not yet been disbursed at the time he withdrew, adjusting for the change in enrollment status; and
- cancel any Title IV overpayments assessed Thompson as a result of the prior withdrawal.

When Thompson returns in module four, the three credits for that module are added to the six credits that Thompson completed previously. Nine credits at LSDJ are the minimum number required for three-quarter-time enrollment status. Therefore, the school must recalculate Thompson’s eligibility for Title IV assistance as a three-quarter time student. Thompson’s scheduled annual Pell award as a three-quarter-time student is \$4,163.00, and his one-semester award is \$2,081.50.

After recalculating Thompson’s eligibility from full time to half time when he withdrew previously, the school returned \$1,387.00 (the difference between Thompson’s initial Pell disbursement of \$2,775.00 and his half-time award of \$1,388.00). The school then included only his new award of \$1,388.00 in the Return calculation and returned the entire amount as a result of the calculation. The school also reduced his Pell award in COD to \$0.00. When Thompson returns, the school must once again adjust his award in COD (this time to his three-quarter-time award of \$2,081.50) and draw down and disburse \$2,081.50 to his account.

In addition, the school has to recalculate Thompson’s eligibility for Campus-Based funds, adding the costs attributable to the additional module that he has begun attending, to see whether a modification of his Campus-Based aid is necessary. Based on a revised COA of \$4,100.00 for the fall semester and revised Pell Grant of \$2,081.50, Thompson’s remaining first-semester need is \$2,018.50. That is greater than his initial FSEOG award of \$1,825.00. Therefore, since it has not already awarded the \$218.50 that it returned previously to another eligible student, the school re-awards and disburses the \$218.50 in FSEOG funds to Thompson.

When the aid officer reviews the results of the previous Return calculation, he finds that Thompson had not been required to return any Title IV funds; therefore, there are no student overpayments to cancel.

On the first day of module four, November 14, LSDJ made the following disbursements to his student account:

Pell Grant	\$	2,081.50
FSEOG	\$	218.50

(restoring his total to \$1,825)

After class on December 5, Thompson once again comes to see you. He says that his uncle Raoul (born in England under mysterious circumstances) has just discovered that he is in line to be the Duke of Marlboro. Raoul must go to England immediately to claim the title, and he’s willing to cover the cost of Thompson’s traveling with him to the investiture. Therefore, Thompson has decided to withdraw immediately.

When a student withdraws from one of a series of modules in a term-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer three questions:

1. After beginning attendance in the payment period or period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

If the answer is no, this is not a withdrawal. If the answer is yes, go to question 2.

In Thompson’s case, the answer to Question 1 is Yes; you go on to Question 2.

2. When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other courses?

If the answer is yes, this is not a withdrawal. (Note, however, that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

In Thompson’s case, the answer to Question 2 is No; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period? (If this were a non-standard term or nonterm program, this would have to be no later than 45 calendar days after the end of the module the student ceased attending.)

If the answer is yes, this is not a withdrawal unless the student does not return. If the answer is no, this is a withdrawal, and the Return of Title IV Funds requirements apply.

In Thompson’s case, the answer is *No*; you must treat Thompson as a withdrawal.

Thompson began attendance in all of the classes on which his Pell Grant was based (modules 1,2, and 4). Therefore, the school did not need to recalculate Thompson’s revised Pell Grant. In addition, since Thompson began attendance in all of the classes on which his Campus-Based aid (FSEOG) was based, the school did not have to recalculate his eligibility for Campus-Based funds.

**Solution**

Per school policy, Thompson’s withdrawal date is his last day of attendance at an academically related activity as determined from the school’s attendance records, December 5.

**Step 1: Student’s Title IV Aid Information**

**Box A.** Since Thompson had begun all modules (classes) on which his Pell and Campus-Based aid was based, the Title IV grant aid disbursed was –

Pell Grant	\$ 2,081.50
FSEOG	\$ 1,825.00
	\$ 3,906.50
<b>A. =</b>	\$ 3,906.50

**Box B.** Net Title IV loans that could have been disbursed = \$ 0.00.

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period = A + B = 3,906.50 + 0.00 = \$ 3,906.50.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 3,906.50 + 0.00 = \$ 3,906.50.

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 3,906.50 + 0.00 + 0.00 + 0.00 = \$3,906.50

## Step 2: Percentage of Title IV Aid Earned

Though it is not a school that is required to take attendance, LSDJ has a school policy of using a student's last date of attendance at an academically related activity as the withdrawal date when a student withdraws from a program offered in modules.

The total number of days in the payment period is the original 108 days. While the student did not begin module three, since module three was included in the original payment period or period of enrollment and used to determine the amount of Title IV, HEA funds eligibility, the days from module three are included in the denominator.

The total number of completed calendar days in the period reflects the completed days in modules one, two, and four. From the previous Return calculation, we know that Thompson completed 54 days in modules one and two. He completed 13 days in module 4 (22 days less the 9-day scheduled break). The total number of days completed (the days completed in modules one, two, and four) are the sum of the days completed during each period or 67 days (54 + 13).

1. Payment Period start date = August 22.
2. Payment Period end date = December 16.
3. Date of withdrawal = December 5.
4. Percentage of payment period completed
  - Number of calendar days completed in modules one, two, and four = 67
  - Number of calendar days in the payment period = 108 (117 – 9-day scheduled break)
  - $67 \text{ days} \div 108 \text{ days} = 0.62$ . Percentage of payment period completed = 62.0%

**Box H.** Because this percentage is greater than 60%, the percentage of Title IV aid earned = 100.0%. Note that although no return is required, the school must complete Step 3 in order to determine whether 100% of his aid has been disbursed or Thompson was due a post-withdrawal disbursement.

Percentage of Title IV aid earned = 100.00%

## Step 3: Amount of Title IV Aid Earned by the Student

**Box I.**  $100.0\%$  (percentage of Title IV aid earned from Box H) X \$3,843.50. (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = \$3,843.50.

Amount of Title IV aid earned by the student = \$3,843.50.

**Box J.** When we subtract the amount of Title IV aid disbursed, \$3,843.50 (Box E) from the amount of Title IV earned, \$3,843.50 (Box I), the aid officer found that the answer is \$0.00. Therefore, Thompson has received all the Title IV aid to which he was entitled and is not due a post-withdrawal disbursement.

No further action is necessary.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Thompson Hunter	Social Security Number	Example 7
Date form completed	12 / 06 /	Date of school's determination that student withdrew	12 / 05 /
Period used for calculation (check one)	<input checked="" type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed																									
1. Pell Grant	2081.50		<b>E. Total Title IV aid disbursed for the period.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">3906.50</td></tr> <tr><td colspan="2" style="text-align: center;">+</td></tr> <tr><td>B.</td><td></td></tr> <tr><td colspan="2" style="text-align: center;">=</td></tr> <tr><td>E. \$</td><td style="text-align: right;">3906.50</td></tr> </table>	A.	3906.50	+		B.		=		E. \$	3906.50														
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Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed																									
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G. \$	3906.50																										
6. Subsidized Direct Loan																											
7. Perkins Loan																											
8. Direct Grad PLUS Loan																											
9. Direct Parent PLUS Loan																											
<b>B.</b> Subtotal		<b>D.</b> Subtotal																									

## STEP 2: Percentage of Title IV Aid Earned

08 / 22 /	12 / 16 /	12 / 5 /	
Start date	Scheduled end date	Date of withdrawal	

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date. LESS 9-DAY SCHEDULED BREAK

**H. Percentage of payment period or period of enrollment completed**  
Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more AND days that the student was on an approved leave of absence).

67	$\div$	108	$=$	62.0	<b>%</b>
Completed days		Total days			

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.** 100.0 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

100.0 %	<b>X</b>	3906.50	<b>=</b>	I. \$	3906.50
Box H		Box G			

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

<b>J.</b>	<b>-</b>		<b>=</b>		
Box I		Box E			

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

## CASE STUDY 8: ELI KRAUT

*When a student receiving Title IV grants and loans at a school that utilizes a nonterm modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis officially withdraws and is not scheduled to return within 45 days.*

### Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- determine whether or not a student must be considered a withdrawal;
- determine if it is necessary, and if so, recalculate the student’s eligibility for Pell and Campus-Based funds;
- determine the total number of days the student was in attendance, and the numerator and denominator when calculating the percentage of the payment period completed;
- calculate the percentage of the payment period the student completed, and both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

The Giant School of Sports Medicine (GSSM) is a private, for profit institution that utilizes a nonterm modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	24 credits/ 32 weeks
Payment Period	12 credit hours 4 modules (each of 4 weeks duration) 16 weeks
Period Start Date	August 1
Period End Date	November 18
Institutionally Scheduled Break	No
Required to Take Attendance	No
Period Used in Return Calculation	Payment Period

**School Profile, continued**

Scheduled starting and ending dates for modules within the payment period.

Start	End
August 1	August 26
August 29	September 23
September 26	October 21
October 24	November 18

**Student Profile**

Eli Kraut is a dependent, fourth-year student enrolled at GSSM for 12 credits offered in four modules. In each four-week module, a student enrolls in one course that begins and ends on a fixed date. In Eli’s case, each course is worth three credits.

Charges to Eli’s account for the payment period are as follows:

Tuition and fees                      \$        3,200.00/12 credits

School Authorized to Credit  
 Account for Other Charges:                      Yes (all charges)

Eli’s financial aid package is based on the following nine month academic year cost of attendance (COA).

Tuition	\$	6,400.00
Room	\$	3,200.00
Board	\$	3,200.00
Books	\$	1,600.00
Personal Expenses	\$	3,200.00
Travel	\$	800.00
		<hr/>
Total COA	\$	18,400.00

**Student Profile, Continued**

Eli's financial aid package included the following **annual** awards:

Pell Grant	\$	5,550.00
FSEOG	\$	4,000.00
Subsidized Direct Loan	\$	5,500.00
Federal Work Study (FWS)	\$	3,350.00

Except for his FWS award, all of Eli's financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

**Discussion**

On the first day of the period, August 1, Eli received the following disbursements to his student account:

Pell Grant	\$	2,775.00
FSEOG	\$	2,000.00
Net Subsidized Direct Loan	\$	2,700.00

On August 25, Eli comes to see you. He tells you that his twin brother, Jake, has just won an all-expenses paid Mediterranean cruise for two and has invited Eli (the lucky dog) to accompany him on the cruise. Eli has decided not to miss this chance of a lifetime. He intends to drop modules two and three, and return for the fourth module on October 24. On August 26, Eli completes module one and withdraws.

When a student withdraws from one of a series of modules in a nonterm-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer three questions:

1. After beginning attendance in the payment period or period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

If the answer is no, this is not a withdrawal. If the answer is yes, go to question 2.

In Eli's case, the answer to Question 1 is **Yes**; you go on to Question 2.

2. When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other courses?

If the answer is yes, this is not a withdrawal. (Note, however that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

In Eli's case, the answer to Question 2 is **No**; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period? For nonterm and nonstandard term programs, this must be no later than 45 calendar days after the end of the module the student ceased attending.

If the answer is yes, this is not a withdrawal unless the student does not return. If the answer is no, this is a withdrawal, and the Return of Title IV Funds requirements apply.

**Note:** CFR 34 668.22(a)(2)(i)(C) provides that a student in a nonterm or nonstandard term program is considered to have withdrawn for Title IV purposes if the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days, unless the student is on an approved leave of absence. 34 CFR 668.22(a)(2)(ii)(A)(2) provides that, for a nonterm or nonstandard term program, an institution must treat as a withdrawal a student who ceases attendance in a module, notwithstanding a student's confirmation of attendance in a future module in the payment period or period of enrollment if that module does not begin within 45 days of the end of the module the student ceased attending. (For additional information see *Withdrawals from programs offered in modules* in Chapter 2.)

The module in which Eli will be returning (module 4) does not start until October 24. That is 59 days from August 26, the end of the first module. Therefore, in Eli's case, the answer to Question 3 is **No**; you must treat Eli as a withdrawal.

Because Eli failed to begin attendance in all of the classes on which his Title IV aid was based, before performing the required Return calculation GSSM must recalculate Eli's eligibility for Title IV funds based on his enrollment in just the one module he began—three credits, or less than half time.

**Note:** Pell Grant awards for students in clock-hour programs and programs without terms are always based on the *Payment Schedule for Determining Full-Time Awards*. Therefore, a school does not have to recalculate a Pell Grant when a student attending a nonterm program or clock-hour program withdraws.

The school does have to recalculate Eli's eligibility for Campus-Based aid (FSEOG and FWS), eliminating the costs attributable to the modules that he did not begin attending, to see whether a reduction of the Campus-Based aid was necessary. After eliminating the expenses associated with the period of non-attendance, the school determined that the COA (for Campus-Based purposes) associated with Eli's enrollment in the one module was \$2,600.00. The loan funds that Eli had already received (and for which his eligibility does not have to be recalculated—\$2,700.00) plus his Pell Grant (\$2,775.00), plus the \$500.00 in FWS Eli has earned to date equal \$5,975.00. Since \$5,975.00 exceeds Eli's revised COA of \$2,500.00, the aid officer determined that Eli was not eligible for any FSEOG funds, so the school had to reduce Eli's FSEOG award to \$0.00 and either award the \$2,000.00 in FSEOG funds to another eligible student or return them to ED. Note that Pell Grants and earned FWS funds are never reduced to address an overpayment.

**Note:** Any time a student enrolled in a clock-hour or nonterm program changes his or her enrollment status, the school must recalculate the student's COA to determine if the student's eligibility for Campus-Based funds has changed. The school may not include in the COA costs associated with any classes the student failed to begin. Moreover, when a student enrolled in a clock-hour or nonterm program withdraws, a school that calculates Returns on a period of enrollment basis may not include costs associated with any future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days in the student's COA.

GSSM performed a R2T4 calculation using Eli's last day of attendance of August 26 as his withdrawal date; \$2,775.00 as the amount of Pell Grant disbursed; \$0.00 as the amount of FSEOG funds disbursed; and \$2,700.00 as the amount of Subsidized Direct Loan funds disbursed. On September 4, GSSM returned the funds for which it was responsible to the appropriate programs.

### Solution

Eli's withdrawal date is his last day of attendance at an academically related activity as determined from the school's attendance records, August 26.

At the beginning of the payment period, the following awards were posted to Eli's account at GSSM.

Pell Grant	\$	2,775.00
FSEOG	\$	2,000.00
Net Subsidized Direct Loan	\$	2,700.00

### Step 1: Student's Title IV Aid Information

**Box A.** After recalculation, the Title IV grant aid disbursed was

Pell Grant	\$	2,775.00
FSEOG	\$	0.00
<b>A. =</b>	\$	2,775.00

**Box B.** Net Title IV loans disbursed

Subsidized Direct Loan	\$	2,700.00
<b>B. =</b>	\$	2,700.00

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 2,775.00 + 2,700.00$   
= \$ 5,475.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period  
=  $A + C = 2,775.00 + 0.00 = \$ 2,775.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period  
=  $A + B + C + D = 2,775.00 + 2,700.00 + 0.00 + 0.00 = \$5,475.00$ .

## Step 2: Percentage of Title IV Aid Earned

For Title IV purposes, Eli’s withdrawal date is August 26, the day he dropped modules two and three and notified the school that he would not be returning until the start of module four. Note that because Eli didn’t drop modules two and three before withdrawing, the days in those modules are included in the number of days in the payment period.

1. Payment Period start date = August 1.
2. Payment Period end date = November 18.
3. Date of withdrawal = August 26.
4. Percentage of payment period completed
  - Number of calendar days completed = 26
  - Number of calendar days in the payment period = 110
  - $26 \text{ days} \div 110 \text{ days} = 0.2363$ . Percentage of payment period completed = 23.6%

**Box H.** Because this percentage is 60% or less, the percentage of Title IV aid earned = 23.6%.

## Step 3: Amount of Title IV Aid Earned by the Student

**Box I.** 23.6% (percentage of Title IV aid earned from Box H) X \$5,525.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = \$1,292.10. Amount of Title IV aid earned by the student = \$1,292.10.

I. = \$1,292.10

## Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

\$5,475.00 (Box E) – \$1,292.10 (Box I) = \$4182.90. Title IV Aid to be returned = \$4182.90.

K. = \$4182.90.

### Step 5: Amount of Title IV Aid Due from the School

**Box L.** The institutional charges on Eli's account are the charges initially assessed for the payment period. Note that books and supplies are not included because Eli had an opportunity to purchase them elsewhere, and did.

Tuition and fees	\$	3,200.00
Room	\$	1,600.00
Board	\$	1,600.00
Box L =	\$	6,400.00

**Box M.** Subtract the percentage of Title IV earned from Box H (23.6%) from 100.0%.  
 $100\% - 23.6\% = 76.4\%$ . Percentage of Title IV aid unearned = 76.4%.

**M** = 76.4%

**Box N.** Calculate the amount of unearned charges. \$6,400.00 (institutional charges from Box L) **X** 76.4% (% of Title IV aid unearned from Box M) = \$4,889.60. Amount of unearned institutional charges = \$4,889.60.

**N** = \$ 4,889.60

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	4182.90
Box N =	\$	4,889.60

Amount of unearned Title IV aid due from the school = \$4182.90.

**O** = \$ 4,182.90

### STEP 6: Return of Funds by the School

**Box P.** The amount of unearned Title IV aid due from the school is \$4182.90 (Box O), and Title IV loans are returned before Title IV grants. Since Eli received a Net Subsidized Direct Loan of \$2,700.00, the school returns the entire \$2,700.00 to the Direct Loan Program.

The school also returns \$1,482.90 ( $\$4182.90$  (Box O)  $-$   $\$2,700.00$  (Box P)) to the Pell Grant Program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Eli withdrew.

### STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

**Box Q.** Subtract the amount of Title IV aid the school must return (\$4,171.10 from Box O) from the total amount of Title IV aid that is to be returned (\$4,171.10 from Box K) to find the initial amount of Title IV aid due from the student.  $\$4,171.10 - \$4,171.10 = \$0.00$ .

$$Q = \quad \$ \quad 0.00$$

There is no unearned aid due from the student, so the Return calculation ends here.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

<b>Student's Name</b>	Eli Kraut	<b>Social Security Number</b>	Example 8
<b>Date form completed</b>	8 / 27 /	<b>Date of school's determination that student withdrew</b>	8 / 26 /
<b>Period used for calculation (check one)</b>		<input checked="" type="checkbox"/> <b>Payment period</b>	<input type="checkbox"/> <b>Period of enrollment</b>

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed																	
1. Pell Grant	2775.00		<b>E. Total Title IV aid disbursed for the period.</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%;">2775.00</td></tr> <tr><td style="text-align: right;">+</td><td>B. 2700.00</td></tr> <tr><td colspan="2" style="border-top: 1px solid black;">E. \$ 5475.00</td></tr> </table>	A.	2775.00	+	B. 2700.00	E. \$ 5475.00											
A.	2775.00																		
+	B. 2700.00																		
E. \$ 5475.00																			
2. FSEOG																			
3. TEACH Grant																			
4. Iraq and Afghanistan Service Grant																			
<b>A.</b> 2775.00 Subtotal		<b>C.</b> Subtotal																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2" style="text-align: right;">+</td><td colspan="2" style="text-align: right;">F. Total Title IV grant aid disbursed and that could have been disbursed for the period.</td></tr> <tr><td colspan="2" style="text-align: right;">A.</td><td colspan="2" style="text-align: right;">2775.00</td></tr> <tr><td colspan="2" style="text-align: right;">+</td><td colspan="2" style="text-align: right;">C. 0.00</td></tr> <tr><td colspan="4" style="border-top: 1px solid black;">= F. \$ 2775.00</td></tr> </table>				+		F. Total Title IV grant aid disbursed and that could have been disbursed for the period.		A.		2775.00		+		C. 0.00		= F. \$ 2775.00			
+		F. Total Title IV grant aid disbursed and that could have been disbursed for the period.																	
A.		2775.00																	
+		C. 0.00																	
= F. \$ 2775.00																			
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed																	
5. Unsubsidized Direct Loan			<b>G. Total Title IV aid disbursed and that could have been disbursed for the period.</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%;">2775.00</td></tr> <tr><td style="width: 50%;">B.</td><td style="width: 50%;">2700.00</td></tr> <tr><td style="width: 50%;">C.</td><td style="width: 50%;"> </td></tr> <tr><td style="width: 50%;">D.</td><td style="width: 50%;"> </td></tr> <tr><td colspan="2" style="border-top: 1px solid black;">+ G. \$ 5475.00</td></tr> </table>	A.	2775.00	B.	2700.00	C.		D.		+ G. \$ 5475.00							
A.	2775.00																		
B.	2700.00																		
C.																			
D.																			
+ G. \$ 5475.00																			
6. Subsidized Direct Loan	2700.00																		
7. Perkins Loan																			
8. Direct Grad PLUS Loan																			
9. Direct Parent PLUS Loan																			
<b>B.</b> 2700.00 Subtotal		<b>D.</b> Subtotal																	

## STEP 2: Percentage of Title IV Aid Earned

08 / 01 /	11 / 18 /	/   /	
<b>Start date</b>	<b>Scheduled end date</b>	<b>Date of withdrawal</b>	

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**  
Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

26	÷	110	=	23.6 %
<small>Completed days</small>		<small>Total days</small>		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

<b>H.</b> 23.6 %
------------------

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

23.6 %	X	5475.00	=	I. \$ 1292.10
<small>Box H</small>		<small>Box G</small>		

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

	-		=	J. \$ NA .
<small>Box I</small>		<small>Box E</small>		

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

**Student's Name**

**Social Security Number**

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

-  = **K.\$**

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

<b>L. Institutional charges for the period</b>	Tuition	<input type="text" value="3200.00"/>
	Room	<input type="text" value="1600.00"/>
	Board	<input type="text" value="1600.00"/>
	Other	<input type="text"/>
	Other	<input type="text"/>
	Other	<input type="text"/>

**Total Institutional Charges** = **L.\$**   
*(Add all the charges together)*

**M. Percentage of unearned Title IV aid**

**100%** -  % = **M.**  %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

**X**  % = **N.\$**

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

**Title IV Programs**

Amount for School to Return

1. Unsubsidized Direct Loan	<input type="text"/>
2. Subsidized Direct Staff Loan	<input type="text" value="2700.00"/>
3. Perkins Loan	<input type="text"/>
4. Direct Grad PLUS Loan	<input type="text"/>
5. Direct Parent PLUS Loan	<input type="text"/>

**Total loans the school must return** = **P.\$**

6. Pell Grant	<input type="text" value="1482.90"/>
7. FSEOG	<input type="text"/>
8. TEACH Grant	<input type="text"/>
9. Iraq and Afghanistan Service Grant	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

-  = **Q.\$**

Box K                      Box O

▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

-  = **R.\$**

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

-  = **S.\$**

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

**X**  = **T.\$**

Box F

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

-  = **U.\$**

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

**Title IV Grant Programs**

Amount To Return

1. Pell Grant	<input type="text"/>
2. FSEOG	<input type="text"/>
3. TEACH Grant	<input type="text"/>
4. Iraq and Afghanistan Service Grant	<input type="text"/>

## CASE STUDY 9: BAKER JEFFRIES

*When an independent fourth year student receiving Title IV grants and loans at a school that utilizes a nonterm modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis, officially withdraws, returns within 180 days, and withdraws again*

### Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- determine the total number of days the student was in attendance;
- determine the total number of days in the payment period;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

Chula University (CU) is a non-residential postsecondary institution that utilizes a nonterm modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	24 credits/ 32 weeks
Payment Period	12 credit hours 4 modules (each of 4 weeks duration) 16 weeks
Period Start Date	January 9
Period End Date	April 27
Institutionally Scheduled Break	None
Required to Take Attendance	No
Period used in Return calculation	Payment Period

### School Profile, continued

Scheduled starting and ending dates for modules within the calendar year. At each starting point all modules are offered.

Start	End	Start	End
January 9	February 3	February 6	March 2
March 5	March 30	April 2	April 27
April 30	May 25	May 28	June 22
June 25	July 20	July 23	August 17
August 20	September 14	September 17	October 12
October 15	November 9	November 12	December 7

### Student Profile

Baker Jeffries is an independent, fourth-year student enrolled at CU for 12 credits offered in four three-credit modules. CU anticipates that Baker, as do most of the students at CU, will complete each of the modules in four weeks, and the payment period in 16 weeks.

Charges to Baker’s account for the payment period are as follows:

Tuition and fees                      \$            6,000.00/12 credits

School Authorized to Credit  
Account for Other Charges:                      Yes (all charges)

Baker’s financial aid package is based on the following eight-month academic year cost of attendance (COA).

Tuition	\$	12,000.00
Room	\$	3,200.00
Board	\$	3,200.00
Books	\$	1,200.00
Personal Expenses	\$	3,200.00
Travel	\$	800.00
		<hr/>
Total COA	\$	23,600.00

**Student Profile, Continued**

Baker's financial aid package included the following **annual** awards:

Pell Grant	\$	5,550.00
FSEOG	\$	4,000.00
Subsidized Direct Loan	\$	5,500.00

**Discussion**

On the first day of the period, January 9, Baker received disbursements totaling \$9,550.00 in Title IV assistance from the following programs to his student account:

Pell Grant	\$	2,775.00
FSEOG	\$	2,000.00
Net Subsidized Direct Loan	\$	2,700.00
Net Unsubsidized Direct Loan	\$	2,025.00

On January 27, you are notified by the registrar that Baker has dropped module 2. Then, on February 3, after completing the last class in module 1, Baker comes to see you. He tells you that he's been offered a job as a researcher on a project studying the terrapin species native to the brackish coastal swamps of Maryland and other southeastern states. Baker has decided to withdraw from school in order to accept the job.

When a student withdraws from one of a series of modules in a nonterm-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer three questions:

1. After beginning attendance in the payment period or period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend? If the answer is no, this is not a withdrawal. If the answer is yes, go to question 2.

In Baker's case, the answer to Question 1 is **Yes**; you go on to Question 2.

2. When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other courses? If the answer is yes, this is not a withdrawal. (Note, however, that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

In Baker's case, the answer to Question 2 is **No**; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period? For nonterm and nonstandard term programs, this must be no later than 45 calendar days after the end of the module the student ceased attending. If the answer is yes, this is not a withdrawal, unless the student does not return. If the answer is no, this a withdrawal, and the Return of Title IV Funds requirements apply.

In Baker's case, the answer is **No**, and therefore you must consider Baker as a withdrawn student.

Because Baker failed to begin attendance in all of the classes on which his Title IV aid was based, before performing the required Return calculation, CU must recalculate Baker's eligibility for Title IV funds based on his enrollment in just the one module he began—three credits, or less than half time.

**Note:** Pell Grant awards for students in clock-hour programs and programs without terms are always based on the *Payment Schedule for Determining Full-Time Awards*. Therefore a school does not have to recalculate a Pell Grant when a student attending a nonterm program or clock-hour program withdraws.

The school does have to recalculate Baker's eligibility for Campus-Based aid (FSEOG and FWS), eliminating the costs attributable to the modules that he did not begin attending, to see whether a reduction of the Campus-Based aid was necessary. After eliminating the expenses associated with the period of non-attendance, the school determined that the COA (for Campus-Based purposes) associated with Baker's enrollment in the one module was \$3,250.00.

The loan funds that Baker had already received (and for which his eligibility does not have to be recalculated—\$4,725.00) plus his Pell Grant (\$2,775.00), plus the \$400.00 in FWS Baker has earned to date equal \$7,900.00. Since \$7,900.00 exceeds Baker's revised COA of \$3,250.00, the aid officer determined that Baker was not eligible for any FSEOG funds, so the school had to reduce Baker's FSEOG award to \$0.00 and either award the \$2,000.00 in FSEOG funds to another eligible student or return them to ED. (Note that Pell Grants and earned FWS funds are never reduced to address an overpayment.)

**Note:** Any time a student enrolled in a clock-hour, nonterm program, or nonstandard term program with terms that are not substantially equal changes his or her enrollment status, the school must recalculate the student's COA to determine if the student's eligibility for Campus-Based funds has changed. The school may not include in the student's COA costs associated with any classes the student failed to begin. Moreover, when a student enrolled in a clock-hour, nonterm program, or nonstandard term program with terms that are not substantially equal withdraws, a school that calculates Returns on a period of enrollment basis may not include costs associated with any future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days in the Student's COA.

CU performed a R2T4 calculation using Baker's last day of attendance of February 3 as his withdrawal date; \$2,775.00 as the amount of Pell Grant disbursed; \$0.00 as the amount of FSEOG funds disbursed; \$2,700.00 as the amount of Subsidized Direct Loan funds disbursed; and \$2,025.00 as the amount of unsubsidized loan funds disbursed. On February 17, CU returned the funds for which it was responsible to the appropriate programs.

**Solution**

At the beginning of the semester, the following awards were posted to Baker's account at CU.

Pell Grant	\$	2,775.00
FSEOG	\$	2,000.00
Subsidized Direct Loan	\$	2,700.00
Unsubsidized Direct Loan	\$	2,025.00

**Step 1: Student's Title IV Aid Information**

**Box A.** After recalculation, the Title IV grant aid disbursed was

Pell Grant	\$	2,775.00
FSEOG	\$	0.00
<b>A. =</b>	\$	2,775.00

**Box B.** Net Title IV loans disbursed

Net Subsidized Direct loan	\$	2,700.00
Net Unsubsidized Direct	\$	2,025.00
<b>B. =</b>	\$	4,725.00

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 2,775.00 + 4,725.00 = \$ 7,500.00$ .

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period =  $A + C = 2,775.00 + 0.00 = \$ 2,775.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period =  $A + B + C + D = 2,775.00 + 4,725.00 + 0.00 + 0.00 = \$ 7,500.00$ .

## Step 2: Percentage of Title IV Aid Earned

For Title IV purposes, Baker’s withdrawal date is February 3, the day he informed the aid office that he was withdrawing.

1. Payment Period start date = January 9.
2. Payment Period end date = April 27.
3. Date of withdrawal = February 3.
4. Percentage of payment period completed

**Note:** Because Baker dropped one module (module 2) of the course before he withdrew, the days following the end of module 1 (February 4) through the day prior to the start of module 3 (March 4)—30 days—are excluded from the total days used in determining the percentage of the period completed.

- Number of calendar days completed = 26
- Number of calendar days in the payment period = 80 (The 110 days in the original period less the 30 days from February 4 through March 4)
- $26 \text{ days} \div 80 \text{ days} = 0.3250$ . Percentage of payment period completed = 32.5%

**Box H.** Because this percentage is 60% or less, the percentage of Title IV aid earned = 32.5%.

H =

## Step 3: Amount of Title IV Aid Earned by the Student

**Box I.**  $32.5\%$  (percentage of Title IV aid earned from Box H)  $\times$   $\$7500.00$  (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) =  $\$2,437.50$  Amount of Title IV aid earned by the student =  $\$2,437.50$ .

I. =  $\$2,437.50$

## Step 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.

$\$7500.00$  (Box E) –  $\$2,437.50$  (Box I) =  $\$5,062.50$ . Title IV Aid to be returned =  $\$5,062.50$ .

K. =  $\$5,062.50$

**Step 5: Amount of Title IV Aid Due from the School**

**Box L.** The charges used in a Return calculation are always the charges initially assessed by the school adjusted only for any courses or module the student dropped prior to the date the student withdrew. Therefore, even though CU refunds the tuition Baker paid for the modules he did not start, the school must enter \$4,500.00 in Step 5 of the Return calculation. (The \$6,000.00 initially charged minus the \$1,500.00 for module 2 that Baker dropped before withdrawing.) A \$150.00 charge for books is included because Baker did not have the opportunity to purchase them elsewhere.

	Tuition and fees	\$	4,500.00
	Books	\$	150.00
<b>L. =</b>		\$	<u>4,650.00</u>

**Box M.** Subtract the percentage of Title IV earned from Box H (40.6%) from 100.0%.  
 $100\% - 32.5\% = 67.5\%$ . Percentage of Title IV aid unearned = 67.5%.

$$\mathbf{M. = 67.5\%}$$

**Box N.** Multiply the institutional charges from Box L (\$4,650.00) by the percentage of unearned Title IV aid from Box M (67.5%) to find the amount of unearned charges  
 $\$4,650.00 \times 67.5\% = \$3,138.75$ . Amount of unearned = \$3,138.75.

$$\mathbf{N. = \$3,138.75}$$

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

$$\mathbf{K = \$5,062.50}$$

$$\mathbf{N = \$3,138.75}$$

$$\text{Amount of unearned Title IV aid due from the school} = \$3,138.75.$$

**STEP 6: Return of Funds by the School**

**Box P.** The amount of unearned Title IV aid due from the school is \$3,138.75 (Box O). Since Title IV loans are returned before Title IV grants, and Unsubsidized Direct Loans are returned before Subsidized Direct Loans, the school returns \$2,025.00 to the Direct Loan Program for crediting toward Baker's Unsubsidized Direct Loan and \$1,114.00 to the Direct Loan Program for crediting toward Baker's Subsidized Direct Loan (Because the COD system will not accept requests for other than whole dollars [no cents] for the Direct Loan Program). The school also cancels the second disbursement of both of his Direct Loans.

The school must return any unearned funds within 45 days from the date of the institution's determination that Baker withdrew.

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid the school must return (\$3,138.75) from Box O from the total amount of Title IV aid that is to be returned (\$5,062.50) from Box K to find the initial amount of Title IV aid due from the student.  $\$5,062.50 - \$3,139.00 = \$1,923.50$ .

$$\text{Q.} = \qquad \qquad \qquad \$1,923.50$$

The initial amount of Title IV aid due from the student, is \$1,957.50.

**STEP 8: Repayment of the Student's Loans**

**Box R.** Subtract the total loans the school must return (\$3,138.75) from Box P from the net loans disbursed to the student (\$4,725.00) from Box B to find the total of the loans the student must repay  $\$4,725.00 - \$3,139.00 = \$1,586.00$ .

$$\text{R.} = \qquad \qquad \qquad \$1,586.00$$

Since the amount from Box Q (\$1,957.50) is greater than the amount from Box R (\$1,636.25), you proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**Box S.** Subtract the amount of loans to be repaid by the student in Box R (\$1,586.00) from the initial amount of unearned Title IV aid due from the student Box Q (\$1,923.50) to find the initial amount of Title IV grants for the student to return  $\$1,923.50 - \$1,586.00 = \$337.50$ .

$$\text{S.} = \qquad \qquad \qquad \$337.50$$

**Box T.** Multiply the total Title IV grant aid disbursed and could have been disbursed for the period in Box F (\$2,775.00) by 50% to find the amount of grant protection  $\$2,775.00 \times 50\% = \$1,387.50$ .

$$\text{T.} = \qquad \qquad \qquad \$1,387.50$$

**Box U.** Subtract the amount of grant protection in Box T (\$1,387.50) from the initial amount of Title IV grants for the student to return in Box S (\$337.50) to find the Title IV grants for the student to return  $\$337.50 - \$1,387.50 = -\$1,050.00$ .

$$\text{U.} = \qquad \qquad \qquad -\$1,050.00$$

Since the amount in Box U is less than or equal to zero, the student does not have to return any Title IV grant funds, and the calculation is complete.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

<b>Student's Name</b> Baker Jeffries	<b>Social Security Number</b> Example 9
<b>Date form completed</b> 2 / 4 /	<b>Date of school's determination that student withdrew</b> 2 / 3 /
<b>Period used for calculation (check one)</b> <input checked="" type="checkbox"/> <b>Payment period</b> <input type="checkbox"/> <b>Period of enrollment</b>	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	2775.00		A. 2775.00
2. FSEOG			+ B. 4725.00
3. TEACH Grant			E. \$ 7500.00
4. Iraq and Afghanistan Service Grant			
<b>A.</b> 2775.00 Subtotal		<b>C.</b> Subtotal	<b>F.</b> Total Title IV grant aid disbursed and that could have been disbursed for the period. A. 2775.00 + C. = <b>F. \$</b> 2775.00
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period.
5. Unsubsidized Direct Loan	2025.00		A. 2775.00
6. Subsidized Direct Loan	2700.00		B. 4725.00
7. Perkins Loan			C.
8. Direct Grad PLUS Loan			+ D.
9. Direct Parent PLUS Loan			= <b>G. \$</b> 7500.00
<b>B.</b> 4725.00 Subtotal		<b>D.</b> Subtotal	

## STEP 2: Percentage of Title IV Aid Earned

1 / 9 /	4 / 27 /	2 / 3 /
<b>Start date</b>	<b>Scheduled end date</b>	<b>Date of withdrawal</b>

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**  
Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

26	÷	80	=	32.5 %
<small>Completed days</small>		<small>Total days</small>		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3. **H.** 32.5 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

32.5 %	X	7500.00	=	<b>I. \$</b> 2437.50
<small>Box H</small>		<small>Box G</small>		

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

[ ]	-	[ ]	=	<b>J. \$</b> NA .
<small>Box I</small>		<small>Box E</small>		

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).  
*Step 4 continued ▶*

**Student's Name** Baker Jeffries

**Social Security Number** Example 9

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

7500.00 — 2437.50 = **K.\$** 5062.50  
Box E Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

<b>L. Institutional charges for the period</b>	Tuition	4500.00
	Room	
	Board	
	Books	150.00
	Other	
	Other	

**Total Institutional Charges** = **L.\$** 4650.00  
(Add all the charges together)

**M. Percentage of unearned Title IV aid**

100% — 32.5 % = **M.** 67.5 %  
Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

4650.00 X 67.5 % = **N.\$** 3138.75  
Box L Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** 3138.75

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

**Title IV Programs**

	Amount for School to Return
1. Unsubsidized Direct Loan	2025.00
2. Subsidized Direct Staff Loan	1114.00*
3. Perkins Loan	
4. Direct Grad PLUS Loan	
5. Direct Parent PLUS Loan	

**Total loans the school must return** = **P.\$** 3139.00

6. Pell Grant	
7. FSEOG	
8. TEACH Grant	
9. Iraq and Afghanistan Service Grant	

\*Because COD only accepts whole dollars

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

5062.50 — 3139.00 = **Q.\$** 1923.50  
Box K Box O

If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

4725.00 — 3139.00 = **R.\$** 1586.00  
Box B Box P

If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

1923.50 — 1586.00 = **S.\$** 337.50  
Box Q Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

2775.00 X 50% = **T.\$** 1387.50  
Box F

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

337.50 — 1387.50 = **U.\$** -1050.00  
Box S Box T

If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

**Title IV Grant Programs**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. FSEOG	
3. TEACH Grant	
4. Iraq and Afghanistan Service Grant	

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# Forms Associated With a Return of Title IV Aid Calculation

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APPENDIX  
to Volume 5

*In the pages that follow you will find suggested formats for*

- ◆ *Calculating the treatment of Title IV funds when a student withdraws from a credit-hour program*
- ◆ *Calculating the treatment of Title IV funds when a student withdraws from a clock-hour program*
- ◆ *Tracking a required post-withdrawal disbursement*
- ◆ *Information required when referring student overpayments to default resolution group*

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name <input style="width: 90%;" type="text"/>	Social Security Number <input style="width: 90%;" type="text"/>
Date form completed <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/>	Date of school's determination that student withdrew <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/>
Period used for calculation (check one) <input type="checkbox"/> Payment period	<input type="checkbox"/> Period of enrollment

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	A. <input style="width: 100%;" type="text"/>
2. FSEOG			+ B. <input style="width: 100%;" type="text"/>
3. TEACH Grant			E. \$ <input style="width: 100%;" type="text"/>
4. Iraq and Afghanistan Service Grant			
<b>A.</b> <input style="width: 100%;" type="text"/>		<b>C.</b> <input style="width: 100%;" type="text"/>	<b>F. Total Title IV grant aid disbursed and that could have been disbursed for the period.</b>
Subtotal		Subtotal	A. <input style="width: 100%;" type="text"/>
			+ C. <input style="width: 100%;" type="text"/>
			= F. \$ <input style="width: 100%;" type="text"/>
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total Title IV aid disbursed and that could have been disbursed for the period.
5. Unsubsidized Direct Loan	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	A. <input style="width: 100%;" type="text"/>
6. Subsidized Direct Loan			B. <input style="width: 100%;" type="text"/>
7. Direct Grad PLUS Loan			C. <input style="width: 100%;" type="text"/>
8. Direct Parent PLUS Loan			D. <input style="width: 100%;" type="text"/>
<b>B.</b> <input style="width: 100%;" type="text"/>		<b>D.</b> <input style="width: 100%;" type="text"/>	<b>G. Total Title IV aid disbursed and that could have been disbursed for the period.</b>
Subtotal		Subtotal	A. <input style="width: 100%;" type="text"/>
			+ D. <input style="width: 100%;" type="text"/>
			= G. \$ <input style="width: 100%;" type="text"/>

## STEP 2: Percentage of Title IV Aid Earned

<input style="width: 90%;" type="text"/> / <input style="width: 90%;" type="text"/> / <input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/> / <input style="width: 90%;" type="text"/> / <input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/> / <input style="width: 90%;" type="text"/> / <input style="width: 90%;" type="text"/>
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**  
Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

<input style="width: 90%;" type="text"/>	$\div$	<input style="width: 90%;" type="text"/>	$=$	<input style="width: 90%;" type="text"/> . <input style="width: 10%;" type="text"/> %
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3. **H.**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

<input style="width: 90%;" type="text"/>	$\%$	$\times$	<input style="width: 90%;" type="text"/>	$=$	<input style="width: 90%;" type="text"/> I. \$ <input style="width: 10%;" type="text"/>
Box H			Box G		

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

<input style="width: 90%;" type="text"/>	$-$	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/> J. \$ <input style="width: 10%;" type="text"/>
Box I		Box E	

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

**Student's Name**

**Social Security Number**

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

-  = **K.\$** .

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	<input type="text"/>
Room	<input type="text"/>
Board	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>

**Total Institutional Charges** = **L.\$**  
(Add all the charges together)

**M. Percentage of unearned Title IV aid**

100% -  % = **M.** . %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

X  % = **N.\$** .

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** .

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	<input type="text"/>
2. Subsidized Direct Staff Loan	<input type="text"/>
3. Direct Grad PLUS Loan	<input type="text"/>
4. Direct Parent PLUS Loan	<input type="text"/>

**Total loans the school must return** = **P.\$** .

5 Pell Grant	<input type="text"/>
6 FSEOG	<input type="text"/>
7 TEACH Grant	<input type="text"/>
8 Iraq and Afghanistan Service Grant	<input type="text"/>
.....	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

-  = **Q.\$** .

Box K                      Box O

▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

-  = **R.\$** .

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

-  = **S.\$** .

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

X **50%** = **T.\$** .

Box F

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

-  = **U.\$** .

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text"/>
2. FSEOG	<input type="text"/>
3. TEACH Grant	<input type="text"/>
4. Iraq and Afghanistan Service Grant	<input type="text"/>
.....	<input type="text"/>

**POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET**

Student's Name		Social Security Number	
Date of school's determination that student withdrew	/ /		

**I. Amount of Post-withdrawal Disbursement (PWD)**

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1** \$ .

**II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account**

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2** \$ .   
*(Note: Prior-year charges cannot exceed \$200.)*

**III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent**

From the total Post-withdrawal Disbursement due (Box 1), subtract the Post-withdrawal Disbursement to be credited to the student's account (Box 2). This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

\$ <span style="border: 1px solid black; padding: 2px 20px;">. </span>	-	\$ <span style="border: 1px solid black; padding: 2px 20px;">. </span>	=	<b>Box 3</b>	\$ <span style="border: 1px solid black; padding: 2px 20px;">. </span>
Box 1		Box 2			

**IV. Allocation of Post-withdrawal Disbursement**

Because COD will only accept whole dollar entries for Direct Loans, a Direct Loan disbursement will have to be rounded down to the next whole dollar.

If an institution only awards Pell Grants in whole dollars, the total award to the student for the period must be truncated down to the next whole dollar (e.g., \$1,233.56 truncated to \$1,233).

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Subsidized Direct Loan						
Unsubsidized Direct Loan						
Direct Grad Plus Loan						
Direct Parent Plus Loan						
<b>Totals</b>						

**V. Authorizations and Notifications**

Post-withdrawal disbursement loan notification sent to student and/or parent on / /

Deadline for student and/or parent to respond / /

- Response received from student and/or parent on / /       Response not received  
 School does not accept late response

**VI. Date Funds Sent**

Date Direct Disbursement mailed or transferred      Grant / /      Loan / /

# Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name <input style="width: 90%;" type="text"/>	Social Security Number <input style="width: 90%;" type="text"/>
Date form completed <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/>	Date of school's determination that student withdrew <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/>
Period used for calculation (check one) <input type="checkbox"/> Payment period	<input type="checkbox"/> Period of enrollment

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	
1. Pell Grant	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	<b>E. Total Title IV aid disbursed for the period.</b> <input style="width: 100%;" type="text"/> + <input style="width: 100%;" type="text"/> = <b>E. \$</b> <input style="width: 100%;" type="text"/>
2. FSEOG			
3. TEACH Grant			
4. Iraq and Afghanistan Service Grant			
<b>A.</b> <input style="width: 100%;" type="text"/>		<b>C.</b> <input style="width: 100%;" type="text"/>	<b>F. Total Title IV grant aid disbursed and that could have been disbursed for the period.</b> <input style="width: 100%;" type="text"/> + <input style="width: 100%;" type="text"/> = <b>F. \$</b> <input style="width: 100%;" type="text"/>
Subtotal		Subtotal	
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	
5. Unsubsidized Direct Loan	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	<b>G. Total Title IV aid disbursed and that could have been disbursed for the period.</b> <input style="width: 100%;" type="text"/> <input style="width: 100%;" type="text"/> <input style="width: 100%;" type="text"/> + <input style="width: 100%;" type="text"/> = <b>G. \$</b> <input style="width: 100%;" type="text"/>
6. Subsidized Direct Loan			
7. Direct Grad PLUS Loan			
8. Direct Parent PLUS Loan			
<b>B.</b> <input style="width: 100%;" type="text"/>		<b>D.</b> <input style="width: 100%;" type="text"/>	<b>H. Total Title IV aid disbursed and that could have been disbursed for the period.</b> <input style="width: 100%;" type="text"/> = <b>H. \$</b> <input style="width: 100%;" type="text"/>
Subtotal		Subtotal	

## STEP 2: Percentage of Title IV Aid Earned

**Withdrawal date**  /  /

**H. Determine the percentage of the period completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

	÷		=		%
Hours scheduled to complete		Total hours in period			

▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.

▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3. **H.**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

	%	x		=		I. \$	
Box H			Box G				

## STEP 4: Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP** (circled in red). No further action is necessary.

**J. Post-withdrawal disbursement**  
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

	-		=		J. \$	
Box I		Box E				

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

**K. Title IV aid to be returned**  
From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

	-		=		K. \$	
Box E		Box I				

Student's Name

Social Security Number

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	<input type="text"/>
Room	<input type="text"/>
Board	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>

Total Institutional Charges (Add all the charges together) = **L.\$** .

**M. Percentage of unearned Title IV aid**

100% -  % = **M.** . %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).

X  % = **N.\$** .

Box L                      Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** .

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized Direct Loan	<input type="text"/>
2. Subsidized Direct Loan	<input type="text"/>
3. Direct Graduate PLUS Loan	<input type="text"/>
4. Direct Parent PLUS Loan	<input type="text"/>
<b>Total loans the school must return = P.\$</b> .	
5. Pell Grant	<input type="text"/>
6. FSEOG	<input type="text"/>
7. TEACH Grant	<input type="text"/>
8. Iraq and Afghanistan Service Grant	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

-  = **Q.\$**

Box K                      Box O

▶ If Box Q is ≤ zero, **STOP** If greater than zero, go to Step 8.

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

-  = **R.\$**

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**  
The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

-  = **S.** .

Box Q                      Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

X **50%** = **T.** .

Box F

**U. Title IV grant funds for student to return**

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

-  = **U.** .

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP** If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text"/>
2. FSEOG	<input type="text"/>
3. TEACH Grant	<input type="text"/>
4. Iraq and Afghanistan Service Grant	<input type="text"/>



# Information Required When a School Refers Student Overpayments to the Default Resolution Group (Referrals Must Be Provided on School Letterhead)

## Student Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

If the overpayment includes a TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.

TEACH Award ID: \_\_\_\_\_

## Parent/Spouse Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

## School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: \_\_\_\_\_ Attending School's Pell ID Number: \_\_\_\_\_

**If your school does not have a Pell ID, enter your OPE ID:** \_\_\_\_\_

Name of Contact: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

## Disbursements and Repayments

	Pell Grant	FSEOG <sup>1</sup>	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____
Total grant disbursed:	_____	_____	_____
Dates of disbursement: <b>(Must match NSLDS overpayment record)</b>	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____
<b>Total being referred for collection:</b>	_____	_____	_____

<sup>1</sup> If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

\* If the overpayment is the result of a withdrawal, provide the date of the withdrawal.

/ /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

\_\_\_\_\_

\_\_\_\_\_

SEND INFORMATION TO ➡ Student Loan Processing Center-Overpayments  
P.O. Box 4157  
Greenville, Texas 75403

**903-454-2243** ⬅ FAX

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# Introduction to Volume 6

*The Campus-Based Programs include the Federal Work-Study Program (FWS), the Federal Supplemental Educational Grant Program (FSEOG), and the Federal Perkins Loan Program (Perkins Loans). This volume provides the information that schools need to administer those programs.*

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Here, we provide a summary of the changes and clarifications presented in greater detail in the chapters that follow. **Alone the text herein does not provide schools with the guidance needed to satisfactorily administer the Title IV HEA programs.** For more complete guidance, you should refer to the text in the chapters cited, the Code of Federal Regulations (CFR), and the Higher Education Act (HEA) as amended.

Throughout this volume, new information is indicated with the following symbol:



When the text represents a clarification rather than a change, it is indicated with:



When we believe that historically there might be some misunderstanding of a requirement, we indicate that with:



If we want to point out a bit of helpful information, we indicate it with:



Finally, if we want to draw your attention to something, we indicate it with:



## Notes on Active Links

At the top of each page you will find links to the Federal Student Aid Glossary and Appendices (Glossary, the Code of Federal Regulations (CFR), and Dear Colleague Letters (DCL).

[Glossary](#)[CFR](#)[DCL](#)

## Major Changes

This volume has been revised to reflect the winding down of the Perkins Loan Program. Schools that participated in the Perkins Program should review applicable sections thoroughly.

### Chapter 1—The Campus-Based Programs

- ◆ We have changed the Fiscal Operations Report—The Application to Participate signature requirements.
- ◆ We have replaced the eCB with Campus-Based Section of the COD Web Site ([cod.ed.gov](http://cod.ed.gov)), and schools should now address questions about the Campus-Based Programs to the COD School Relations Center.

### Chapter 3—Participating in and Making Loans in the Perkins Loan Program

- ◆ We have replaced the excess liquid capital process with the Distribution of Assets process.
- ◆ We explain the distribution of assets from schools' Perkins Loan revolving funds.
- ◆ We explain that when manual paper assignments are accepted, schools will receive a document identified as a Perkins Loan Database Report (Acceptance Report) via email.
- ◆ We remind schools that once a Perkins Loan has been accepted for assignment by the Department, a school or servicer that has previously reported a borrower's loan to a credit reporting agency **MUST** report to that agency that the loan has been transferred.

### Chapter 5—Perkins Loan Billing, Collection, and Default

- ◆ We explain that due to the expiration of the Perkins Loan Program schools are no longer able to claim the Administrative Cost Allowance (ACA), but that some billing and collection costs may still be charged to the fund. We have added a sidebar on the *Assignment Procedures due to Total and Permanent Disability Discharge*.

# Campus-Based Programs Common Elements



## CHAPTER 1

### CAMPUS-BASED PROGRAMS OVERVIEW

A school must first enter into a Program Participation Agreement (PPA) with the Department of Education (the Department/ED) before it can participate and make awards of Federal Student Aid (FSA) funds in the Campus-Based Programs.

#### *Federal Perkins Loan Program*

The term *Perkins Loans*, includes Federal Perkins Loans, National Direct Student Loans (NDSL Loans), and National Defense Student Loans.

#### *Federal Supplemental Educational Opportunity Grant Program (FSEOG)*

The FSEOG provides assistance to exceptionally needy undergraduate students. Students are exceptionally needy if they have the lowest Estimated Family Contributions (EFCs). Awarding priority must be given to Pell Grant recipients. Schools selecting FSEOG recipients must use the selection criteria discussed in *Volume 3*.

#### *Federal Work-Study Program (FWS)*

The FWS provides part-time employment to undergraduate and graduate students who need the earnings to help meet their costs of postsecondary education. The FWS Program encourages students receiving FWS assistance to participate in community service activities.

### Related information

The rules for awarding and packaging Campus-Based aid are discussed with the other FSA programs (*Volume 3*).

### Program purposes

Perkins  
34 CFR 674.1  
FWS  
34 CFR 675.1  
FSEOG  
34 CFR 676.4

## PROGRAM PARTICIPATION AGREEMENT (PPA)

### Program participation requirements

The basic list of PPA requirements is found in 34 CFR 668.14. Under the PPA, the school agrees to use the funds it receives solely for the purposes specified in the regulations for that program and to administer each program in accordance with the Higher Education Act of 1965 (HEA), as amended, and the General Provisions regulations.

PPA requirements for Perkins  
34 CFR 674.8

PPA requirements for Federal Work-Study  
34 CFR 675.8

PPA requirements for FSEOG  
34 CFR 676.8

When a school completes its Application to Participate (E-App) (or its recertification), the school has the opportunity to elect participation in one or more of the Campus-Based Programs. When a school's application is approved (*Volume 2*), the Department sends an electronic notice to the president and financial aid officer notifying them that the school's PPA is available to print, review, sign, and return.

In addition to the requirements generally applicable to the FSA programs contained in the PPA, there are requirements unique to the Federal Perkins Loan and FWS programs.

### Perkins PPA requirements

The authority to make new Perkins Loans provided under the Perkins Loan Extension Act of 2015 has expired. As long as a school has not liquidated and is continuing to service its Perkins Loan portfolio it is required to continue reporting annually its Perkins Loan Activity on its Fiscal Operations Report and Application to Participate (FISAP).

The agreement for the Federal Perkins Loan Program also requires the school to establish and maintain a fund and to deposit into the fund:

- ◆ any Federal Capital Contribution (FCC) the school receives for the program for each award year. (Congress has not authorized any FCC for the Perkins Loan Program since the 2004–2005 award year);
- ◆ the Institutional Capital Contribution (ICC), including any ICC to match transfer of funds from other Campus-Based Programs;
- ◆ payments the school receives for repayment of loan principal, interest, collection charges, and penalty or late charges on loans from the fund;
- ◆ payments the school receives from ED for cancellations, such as teacher service cancellations (currently, no cancellation reimbursements are being appropriated by Congress) (see Chapter 4);
- ◆ any other earnings on fund assets, including net interest earnings on funds deposited in an interest-bearing account (total interest minus bank charges incurred on the account); and
- ◆ proceeds of any short-term, no interest loans made to the Fund by the school in anticipation of collections or receipt of FCC.

### Short-Term Loans

**TIP**

Schools may make short-term loans to the fund to cover shortfalls in their collections and then reimburse themselves from the fund.

Generally, *short-term* means not more than a year.

The institution shall use the money in the Fund only for

- ◆ capital distributions provided for in section 466 of the Higher Education Act (HEA);
- ◆ litigation costs (see § 674.47);
- ◆ other collection costs, agreed to by the Secretary in connection with the collection of principal, interest, and late charges on a loan made from the Fund (see § 674.47); and
- ◆ repayment of any short-term, no interest loans made to the Fund by the institution in anticipation of collections.

### Federal Work-Study PPA requirements

Under the PPA, schools participating in the FWS Program must

- ◆ make FWS employment reasonably available, to the extent of available funds, to all eligible students;
- ◆ award FWS employment, to the maximum extent practicable, that will complement and reinforce each recipient's educational program or career goals;
- ◆ assure that FWS employment is used to support programs for supportive services to students with disabilities; and
- ◆ inform all eligible students of the opportunity to perform community service and consult with local nonprofit, government, and community-based organizations to identify those opportunities.

### FSEOG PPA requirements

Under the PPA, schools participating in the FSEOG Program must use the funds they receive solely to award grants to financially needy students to help those students pay their educational costs.

A student at an institution of higher education is eligible to receive an FSEOG for an award year if the student

- ◆ meets the relevant eligibility requirements contained in 34 CFR 668.32;
- ◆ is enrolled or accepted for enrollment as an undergraduate student at the institution; and
- ◆ has financial need as determined in accordance with part F of Title IV of the HEA.

### FSEOG PPA requirements

34 CFR 676  
Agreement  
34 CFR 676.8  
Student eligibility  
34 CFR 676.9

#### Determining Student Eligibility

Each Campus-Based Program has individual eligibility criteria. However, before applying the individual program criteria, a school must determine that a student satisfies the general criteria for receiving Title IV funds.

To be eligible to receive Title IV funds, a student must be enrolled as a regular student in an eligible program at an eligible institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution and meet the applicable eligibility criteria specified in 34 CFR 668.32 through 668.34. (34 CFR 668.32(a)(1) (i))

**Enrolled**—The status of a student who—  
(1) Has completed the registration requirements (except for the payment of tuition and fees) at the institution that he or she is attending; or (2) Has been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by him or her after acceptance for enrollment and without the help of a representative of the institution. (34 CFR 668.2)

**Regular Student**—A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. (34 CFR 600.2)

**Educational Program**—(1) A legally authorized postsecondary program of organized instruction or study that:  
(i) Leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential, or is a comprehensive transition and postsecondary program, as described in 34 CFR part 668, subpart O.

**Eligible Institution**—An institution that—  
(1) Qualifies as— (i) An institution of higher education, as defined in §600.4; (ii) A proprietary institution of higher education, as defined in §600.5; or (iii) A postsecondary vocational institution, as defined in §600.6; and (2) Meets all the other applicable provisions. (34 CFR 600.2)

## THE FUNDING PROCESS

### Treatment of FWS in 90/10 calculation

FWS funds recovered by the school are excluded from revenues in the 90/10 calculation, unless the school used those funds to pay for a student's institutional charges. (See *Volume 2* for discussion of the 90/10 calculation.)

### First-Time Campus-Based Program applicants

A school that has applied to participate in the Campus-Based Programs for the first time should submit a FISAP by the deadline even if the school has not been certified to participate in the programs. The Department will calculate a funding level for the school and put the funding on "hold" status until the school has been approved to participate. See "Allocation of Campus-Based Funds" later in this chapter for more information.

### *Fiscal Operations Report—The Application to Participate (FISAP)*

The FISAP is divided into three main parts:

Part I – identifying Information, Certifications, and Warnings;

Part II – the Application to Participate in the three Campus-Based Programs in the upcoming award year; and

Parts III–V – the Fiscal Operations Report, in which schools provide information on any Campus-Based expenditures made during the award year just completed.

Any school that wants to obtain Campus-Based Program funds for an upcoming year and all schools that have received Campus-Based Program funds for the reporting year must complete the FISAP. All schools that complete a FISAP must provide the information requested in the *Identifying Information, Certifications, and Warning* section. A school that wishes to apply for Campus-Based Program funds for the coming year must complete *The Application to Participate* section of the FISAP. A school that received Campus-Based Program funds for the award year that just ended must complete *The Fiscal Operations Report* portion of the FISAP.

The Department uses the information your school provides in the FISAP to determine the amount of funds your school will receive for the FWS and FSEOG programs. The Department uses your Fiscal Operations Report data to manage the Federal Perkins Loan Program and monitor expenditures in the Campus-Based Programs.

For program review and audit purposes, you must retain accurate and verifiable records for three years following the end of the award year in which the FISAP is submitted. For example, the award year in which you will submit the FISAP due on October 1, 2018 ends on June 30, 2018 (Award year = July 1, 2017–June 30, 2018). You must retain all records used in the creation of the FISAP due on September 29, 2017 until June 30, 2021 (three years from June 30, 2018—the end of the award year in which the FISAP is submitted).

The important dates in the FISAP award process are

- ◆ *August 1*—ED must make the FISAP software available to all participating schools.
- ◆ *October 1 (or the Friday before if October 1 falls on a weekend)*—the final deadline for submitting the FISAP to the Department.
- ◆ *December 15*—all corrections to FISAP data and resolution of edits must be submitted to the Department, and you must update your Federal Perkins cash on hand.
- ◆ *February 1*—ED sends tentative award notifications to all eligible schools.
- ◆ *April 1*—ED sends final award notifications to all eligible schools (if appropriations have been finalized).

You will find additional information on the Fiscal Operations Report later in this chapter.

## Completing and Submitting the FISAP



### FISAP on the Web

Schools submit the FISAP through the Common Origination and Disbursement (COD) website, available at: **cod.ed.gov**.

The FISAP is available for completion on the COD website by August 1 of each year. It must be completed no later than October 1 of the same year. (The deadline will be earlier if October 1st falls on a weekend.) A list of all Campus-Based submission dates is posted on the FISAP on the website.

Schools may also make FISAP corrections on the website. For more information on amending previous submissions, see Volume 5.

### Certifications on the FISAP

Part I of the FISAP includes two required certifications:

1. Form 80-0013, Certifications Regarding Lobbying; Debarment, Suspension, and Other Responsibility Matters.

2. Standard Form LLL, Disclosure of Lobbying Activities (should only be completed if a school expends funds for lobbying activities).

See *Volume 2* for more information on these requirements.

### Address for certification/signature pages

#### Standard Delivery:



**U.S. Department of Education**  
**P.O. Box 9003**  
**Niagara Falls, NY 14304**

#### Overnight Delivery:



**U.S. Department of Education**  
**2429 Military Road, Suite 200**  
**Niagara Falls, NY 14304**

**Campus-Based Call Center**—For assistance submitting corrections for closed years or for questions concerning the preparation of the FISAP, contact the Campus-Based Call Center at 877-801-7168 (8 a.m.–8 p.m. Eastern time); [cbfob@ed.gov](mailto:cbfob@ed.gov).

## Signing and Submitting Your FISAP



The Chief Executive Officer's signature is required on all forms that require a signature within the COD system. All forms must be signed and submitted by the appropriate deadline date.

### FISAP Signature Requirements

**The Department will only accept the FISAP signature form manually.** The eSignature process has been discontinued. To submit a manual signature for the FISAP, you must print the combined certification and signature pages for your FISAP submission, obtain the CEO's signature, and mail these documents (with the original signature) to the address on the previous page.

**NEW**

### Annual Campus-Based Deadlines

The Campus-Based Deadline dates Federal Register (FR) notices are listed by year at

[ifap.ed.gov/ifap/cbp\\_deadlines.jsp](http://ifap.ed.gov/ifap/cbp_deadlines.jsp)

## Allocation of Campus-Based funds

The Department allocates funds for the Campus-Based Programs directly to schools each award year, indicating the amount of funding for each program the school is authorized to receive from the Department for the award year. Using the information on the FISAP, the Department calculates the allocation amount using statutory formulas and the amount of funds appropriated by Congress for the program(s). A school will not receive an allocation that is in excess of its request. Due to the expiration of the Federal Perkins Loan Program, schools will no longer receive a Level of Expenditure on their Auto Statement of Accounts. Schools will be permitted to claim collections costs as prescribed in the regulations.

A school can receive two types of Campus-Based fund allocations—initial and supplemental.

- ◆ **Initial Allocation**—the amount that the Department first allocates to each participating school for an award year from new funds appropriated by Congress, according to statutory allocation formulas. An eligible school receives an initial allocation for each Campus-Based Program in which the school participates.
- ◆ **Supplemental Allocation**—an additional amount of Campus-Based funds from the Department that is reallocated from the amount of unused Campus-Based funds returned from the previous award year by participating schools. Criteria for distributing these funds for each program are established in accordance with the statute and regulation.

## Allocation schedule

If your school submits the FISAP by the deadline (October 1), the Department will provide your school with tentative allocation information and your worksheet by February 1 of the following year and with final allocation information and worksheets by April 1 for the upcoming award year. In an Electronic Announcement (EA), the Department notifies participating schools that they can view the methodology used for final award figures.

You can find the final funding worksheets for your school, your Electronic Statement of Account (ESOA), and your final award at [cod.ed.gov](http://cod.ed.gov).

**NEW**

To access your school's final funding level worksheets and individual school awards, log in to the COD website and select "Campus-Based" from the School Tab, then select Self-Service from the left navigation menu.

The *Final Funding Worksheet* shows the data that was used to determine a school's allocation for each Campus-Based Program in which it participates and how each final allocation was determined.

**It is important that schools review their tentative allocations and the supporting worksheets so they can address any concerns before the final allocations are determined.**

If your school doesn't receive its final allocation by April 1, it may mean that

- ◆ your school lost its eligibility to participate in FSA programs;
- ◆ your school is a new applicant for the FSA programs and/or for the Campus-Based Programs and its participation hasn't been approved yet;
- ◆ the Department has not received the FISAP signature/certification form with the required original signature of the school's CEO; or
- ◆ Congress has not yet appropriated funds for the year.

If the reason(s) for holding the school's final allocation is/are resolved, the Department will release the school's final allocation.

The worksheet shows the actual numbers that were used to determine a school's allocation for each Campus-Based Program in which it participates and how each final allocation was determined. If your school is awarded a Supplemental Allocation, the Department will inform you before the end of September of the award year.

## Release of tentative and final funding levels

HEA 462(a)  
34 CFR 673.4

**NEW**

Your school's funding levels and corresponding worksheets will be posted in the "Self-Service" area on the COD website at [cod.ed.gov](http://cod.ed.gov). Your school's Campus-Based contact person will be notified by email when the tentative and the final funding levels are issued. Review your final funding levels on the COD website, and if you feel they are not correct, you contact the COD School Relations Center at 800-848-0978.

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**Reduction and reallocation**

34 CFR 673.4(d)(3)

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**Releasing unexpended funds**

34 CFR 673.4(d)(3)

## Releasing and reallocation of funds



If a school does not use its total allocation during an award year, it can release the unexpended portion of the allocation of federal funds to the Department during August following the award year. These released funds can be reallocated to schools that need additional funds for the upcoming award year. This return of unexpended funds is called *releasing Campus-Based funds*.

Each year in July, the Department posts an EA at [ifap.ed.gov](http://ifap.ed.gov) that asks schools to release any previous award year funds that they have not expended and offers schools the opportunity to request supplemental FWS funds for community service. The Reallocation Form for schools wishing to return funds or request supplemental FWS funds can be found in the Forms and Waivers page of the Campus-Based Section of the COD website ([cod.ed.gov](http://cod.ed.gov)).



You must complete the Campus-Based Reallocation Form if you

- ◆ did not spend your entire allocation in any of the Campus-Based Programs, or
- ◆ want to request supplemental FWS funds to pay students in community service jobs (based on the criteria discussed later in this section).

A school may request supplemental FWS funds if it has

- ◆ spent at least 5% of its total FWS funds for the award year to compensate students employed as reading tutors of children or in family literacy activities as part of its community service activities, and
- ◆ an FWS fair share shortfall as shown on the school's final funding worksheet, provided with the final allocation letter.

After schools release their unexpended allocations, ED reallocates both the FWS and FSEOG funds to schools that have met the criteria for receiving a supplemental allocation. Criteria for distributing these funds for each program are established in accordance with the HEA and the Campus-Based Program regulations.

### ***Underuse Penalty and Waiver***

If a school returns more than 10% of its allocated funds for a given award year in any one of the Campus-Based Programs, the Department may reduce the school's allocation for the second succeeding award year by the dollar amount returned unless the Department waives this provision. For example, if the school returns more than 10% of its 2017–2018 allocation, its 2019–2020 allocation may be reduced by the dollar amount returned for 2017–2018.

The Department may waive this penalty provision for a school if it finds that enforcement would be contrary to the interests of the program. To request a waiver, a school must submit an explanation with its FISAP by the deadline that shows that the school returned more than 10% of its allocation due to circumstances beyond its control and that are not expected to recur. ED explains the process a school must use to request a waiver in the FISAP instruction booklet.

To request a waiver, a school must submit an explanation of the circumstances with its FISAP. ED explains the process a school must use to request a waiver in the FISAP instruction booklet and in an annual EA.

## **PAYMENT METHODS AND CONDITIONS**

Before requesting and disbursing FSA program funds, schools must meet certain conditions. These conditions vary depending on the way ED provides funds to schools. For more detail about the methods and conditions through which ED provides funds, see *Volume 4*. A school should not request funds in excess of the actual disbursements it has made or will make to students within the timeframe allowed.

## TRANSFER OF CAMPUS-BASED FUNDS

### Transfer

34 CFR 674.18(b)

34 CFR 675.18(e)

### FWS transfer to and from FSEOG

U.S.C. 1095 [HEA section 488]

### Matching of Transferred Funds

If a school transfers Federal Perkins Loan funds to either FSEOG or FWS before depositing those funds in the school's Federal Perkins Loan fund, the school provides the match required by the FWS or FSEOG programs.

To help meet their students' need, schools may transfer funds from certain Campus-Based Programs into certain other Campus-Based Programs. The Department's permission is not required. A school's future allocations for the Campus-Based Programs are not affected by past transferring of funds between programs.

Several general rules apply to the transfer of funds between Campus-Based Programs:

- ◆ You must award transferred funds according to the requirements of the program to which they are transferred.
- ◆ You must report the transfer of funds on the Fiscal Operations Report portion of the FISAP.
- ◆ You may not transfer funds from one program to another unless you have awarded funds to students in the program from which you are transferring in the same award year.
- ◆ Any transferred funds that are unexpended must be transferred back to the original program at the end of the award year.
- ◆ All transfers must be reported on the FISAP.

The G5 system does not permit moving funds between programs or years. Schools report the transfer of Campus-Based funds on the FISAP only. Adjustments are NOT made in the G5 payment system. In the G5 system, all funds must remain in the original program award identifier (P033AxxXXXX for FWS and P007AxxXXXX for FESOG) and in the year received. 

Descriptions of individual program fund transfers follow.

### FSEOG

A school may transfer up to 25% of its FSEOG allocation to its FWS allocation. (A school must have an FWS and FSEOG allocation for any year it wants to transfer funds from FSEOG to FWS.) Also, you may not transfer FSEOG funds to FWS unless you have awarded FSEOG funds to students in the same award year that you intend to make the transfer. **A school may not transfer funds carried forward or back from other award years to a different Campus-Based program.**   


A school must match any FWS funds transferred to FSEOG at the matching rate of that FSEOG program, but the match doesn't have to be made until the transfer has occurred.

## FWS



You may not transfer FWS funds to FSEOG unless you have an allocation in both programs and have made awards to students from both programs for the award year.

A school may transfer up to 25% of the sum of its initial and supplemental FWS allocations for an award year to its FSEOG Program.



**The total transfer cannot exceed 25% of the FWS allocation. Please note that FWS supplemental funding may not be transferred to another Campus-Based program. All FWS supplemental funding must be spent in community service.**

Funds carried forward to the next year or carried back to the previous year do not change the basis for the 25% maximum transfer. You must match any FWS funds transferred to FSEOG at the matching rate of the FSEOG Program, but the match doesn't have to occur until after the transfer has occurred.

## Perkins

### Clarification

The authority to make Perkins Loans has expired. Since schools will no longer be receiving a Level of Expenditure for the Perkins Program, schools are no longer permitted to transfer Perkins funds into the other Campus-Based programs.

## FSEOG AND FWS CARRY FORWARD/CARRY BACK

Your school may spend up to 10% of its initial and supplemental FWS authorizations, or 10% of its initial and supplemental FSEOG authorizations in the following award year (carry forward). Before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year.

Your school is also permitted to spend up to 10% of its current initial and supplemental FWS authorizations, or 10% of its initial and supplemental FSEOG authorizations for expenses incurred in the previous award year (carry back).

Supplemental funding must be spent on community service in the award year in which the supplemental funding is awarded.

Your school must match FWS or FSEOG funds carried forward or carried back in the award year that they are spent. A school's future FWS or FSEOG program allocation is not affected by carrying forward or carrying back funds between award years.

### General Principles

The official authorization letter for a specific award period is the school's authority to transfer funds across years or to other Campus-Based Programs. A school may not carry forward or carry back FWS funds to any award year in which there is no specific FWS allocation, and the same requirement holds for FSEOG funds.

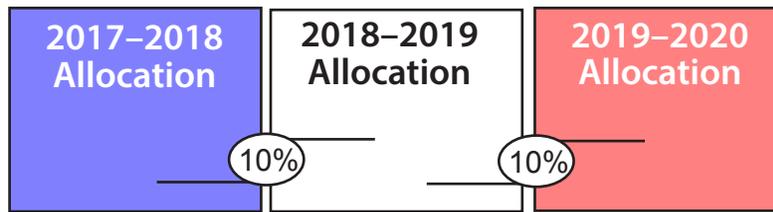
### Carry forward/carry back

34 CFR 675.18(b)(c)(d)(e) & (f)  
34 CFR 676.18(b)(c)(d)(e) & (f)

### G5: Funds Carried Forward/Back

Any Campus-Based funds carried forward or carried back between award years must be entered in G5 as an expenditure against the original program award in the year from which the funds were taken—not the authorization for the award year in which the funds were used.

### Carry Forward/Carry Back



Rule: A school may transfer up to 10% of its current year initial plus supplemental authorizations for FWS and FSEOG, and up to 10% of its current year initial plus supplemental FSEOG authorization, forward to the next award year, or back to the previous award year.

### Carry back funds for summer FWS employment and FSEOG awards

You may carry back FWS funds for summer employment that is part of the prior award year. That is, you may use any portion of your school's initial and supplemental FWS authorizations for the current award year to pay student wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year (July 1). This summer carry back authority is in addition to the authority to carry back 10% of the current year's FWS allocation for use during the previous award year.

Also, your school may spend any portion of its current award year's initial and supplemental FSEOG allocations to make FSEOG awards to students for payment periods that began on or after May 1 of the prior award year but ended prior to the start of the current award year (*carry back for summer*). This carry-back authority for summer FSEOG awards is in addition to the authority to carry back 10% of the current award year's FSEOG allocation for use during the previous award year.

#### Questions about Transferring Funds or Carrying Them Forward or Back

If you have questions regarding Campus-Based Program fund adjustments, transferring funds between Campus-Based Programs, or the carry forward and carry back authority for Campus-Based funds, contact the COD School Relations Center at

**NEW**

**1-800-848-0978.**

Customer service representatives are available Monday through Friday from 8:00 a.m. until 11:00 p.m. (ET). You may also email the center at

**CODSupport@ed.gov.**

### ***FWS limitations on use of funds carried forward or back***

Schools are not permitted to add funds that are carried forward or back to the total FWS allocation for an award year when determining the maximum percentage of available funds that may be used in that award year for any of the following purposes

- ◆ transferring FWS funds to FSEOG,
- ◆ providing the federal share of wages in private for-profit sector jobs,
- ◆ the Job Location and Development (JLD) Program.

For example, if a school carries \$10,000 forward from 2015–2016 to 2016–2017, it may not include the \$10,000 in the total 2016–2017 allocation for these three purposes. For these purposes, the 2016–2017 percentage is based on a school’s total 2016–2017 FWS initial allocation for the 2016–2017 year.

### ***Reporting funds carried forward and back***

On the FISAP, you must report FWS or FSEOG funds that your school carries back and carries forward. For example, if a school carried forward 10% of its FWS 2017–2018 allocation to be spent in 2018–2019, the school must report this amount on the FISAP in Part V of the Fiscal Operations Report for 2018–2019 due October 1, 2019.

## FEDERAL AND NONFEDERAL SHARES (MATCHING)

### Federal Share

34 CFR 674.8(a)  
34 CFR 675.26 and 675.33(b)  
34 CFR 676.21

#### Job Location & Development

A school may use up to 10% or \$75,000 of a school's FWS allocation for its JLD Program.

The federal share of allowable costs in carrying out the JLD Program may not exceed 80% of such costs. (See Chapter 2.)

#### Wages from Federal Agency

The portion of the FWS wages contributed as the school share by a federal off-campus agency is not considered part of the "federal share." Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

The amount that a school may spend in a Campus-Based Program is composed of both federal and nonfederal funds. With the exception of certain schools (see below), schools that participate in the Campus-Based Programs must provide nonfederal funds as a *match* for the federal funds they receive. The specific matching requirements for each Campus-Based Program are different. For more detail on the requirements of federal and nonfederal shares for each program, see the program-specific sections later in this chapter.

### Federal share of FWS

In general, the federal share of FWS wages paid to a student may not exceed 75% of the student's total wages. However, there are some important exceptions to this rule.

1. If the student is working for a private for-profit organization, the federal share of the student's wages may not exceed 50%.
2. A school may use the federal share to pay up to 100% of the FWS wages if the work performed by the student is for the school itself and the school is an excepted institution or a federal, state, or local public agency, or for a private nonprofit organization. The student must be
  - employed as a reading tutor for preschool-age children or elementary school children,
  - employed as a mathematics tutor for children in elementary school through ninth grade,
  - performing family literacy activities in a family literacy project that provides services to families with preschool or elementary age children, or
  - employed in community service activities and is performing civic education and participation activities in community service projects.

A school is not required to ask the Department for a waiver of the FWS nonfederal share requirement to receive the 100% federal share authorization for an FWS student employed in one of these jobs. Instead, the school should use 100% federal dollars to pay such a student and then show on its FISAP that it did so.

3. A school may use the federal share of FWS wages to pay up to 90% of a student's wages if all the following conditions are met:
  - The student is employed at a private nonprofit organization or a federal, state, or local public agency. (Employment at the school itself is not eligible.)
  - The school does not own, operate, or control the organization or agency. To satisfy this requirement, your school must keep a statement in the school's file, signed by both the agency and the school, stating that they have no such relationship.
  - The school selects the organization or agency on a case-by-case basis. This requirement is satisfied when the school selects the agency through its normal process of selecting potential employers.
  - The organization or agency must be unable to pay the regular nonfederal share. To satisfy this requirement, the school must keep in its file a signed letter from an official of the agency stating that the agency cannot afford to pay the regular nonfederal share.
  - The 90% federal share is limited to no more than 10% of the students paid under the FWS Program. For purposes of this calculation, the school must use the total number of FWS students paid during the current award year. The 10% limit on the number of students paid with the 90% federal share does not include students whose FWS wages have been exempted from the full nonfederal share requirement due to being employed as a reading or mathematics tutor, performing family literacy activities, or performing civic education and participation activities in community service projects.
  - The federal share can be 100% for a school designated as an eligible institution under Title III or Title V of the HEA. (See discussion under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* later in this chapter.)

### *Federal share of Perkins*

Federal funds allocated to a school in an award year under the Federal Perkins Loan Program were called the Federal Capital Contribution (FCC), and the matching share was called the Institutional Capital Contribution (ICC). Congress did not authorize new FCC after the 2004–2005 award year, and will not since the authority to make new Perkins Loans has expired.



### *Federal share of FSEOG*

In general, the federal share of FSEOG awards made to students may not exceed 75% of the total FSEOG awards made by the school.

The federal share can be 100% for a school designated as an eligible institution under Title III or Title V of the HEA. (See the discussion under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* later in this chapter.)

## NONFEDERAL SHARE

### Nonfederal share of FWS

The nonfederal share of a student's FWS wages must be at least 25% each award year, except as noted in the previous section. Your school may use any resource available to pay its share of FWS compensation except federal funds allocated under the FWS Program (or any other program funds where this use is prohibited). The school's share may come from its own funds, from outside funds (such as from an off-campus agency), or from both. However, if a student is employed by a private, for-profit organization, that organization must provide the nonfederal share.

Your school may also pay the institutional share with noncash contributions. If the school's noncash contribution is less than the remaining 25%, the school must make up the difference in cash.

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

### Nonfederal share of FSEOG

The school must ensure there is a nonfederal match of 25% of the total FSEOG awards. The nonfederal share of FSEOGs must be made from the school's own resources. These resources may include

- ◆ institutional scholarships and grants;
- ◆ waivers of tuition or fees;
- ◆ the nonfederal portion of state scholarships and grants; and
- ◆ funds from foundations or other charitable organizations.

The nonfederal share requirement is 25% of awards to students. In the following discussion of these methods, you should note that **for a student to meet the definition of an FSEOG recipient, some portion of the grant awarded the student must have come from the FSEOG federal dollars.** Note that the federal share can be 100% for a school designated as an eligible institution under Title III or Title V of the HEA. (See the discussion under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* later in this chapter.)

The HEA provides that the Federal share of awards made to students under the FSEOG Program may not exceed 75%. The 25% nonfederal share of FSEOG awards must come from an institution's own resources, including institutional scholarships and grants, tuition or fee waivers, state scholarships and grants, and foundation or other charitable organization funds.

### Nonfederal share of FWS

34 CFR 675.27

#### Contributing Greater than Minimum Nonfederal Share of FWS

An employer can choose to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment. However, schools should not report any contributions over the 25% requirement on the FISAP.

### Nonfederal share of FSEOG

34 CFR 676.21(c)

#### Use of State Grants in FSEOG Matching

All state scholarships and grants (including state vocational rehabilitation grants) are eligible funds that may be used to meet the nonfederal share requirement for the FSEOG Program.

Note that if a state grant includes any federal funds, those federal funds may not be included in the match.

By the time the FSEOGs are disbursed (regardless of when in the award period the disbursements are made), the required match must have been accomplished; that is, the school's own resources must have been disbursed before or at the time the federal dollars are disbursed. However, outside resources (such as state grants, foundation, or other charitable organization funds) can be used to match FSEOGs even if the funds are received at a later date, provided that the school has written information about funds that the noninstitutional agency or organization is awarding to the student involved. The written information must be kept on file at the school.

### Types of nonfederal FSEOG matching

#### Individual recipient basis

The school ensures that the nonfederal match is made to each individual FSEOG recipient together with the federal share in such a way that **every student's FSEOG award consists of 75% federal funds and 25% qualified nonfederal funds**. A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds. Note that for the purpose of a Return of Title IV Funds calculation, only 75% of the funds are considered federal funds when a school uses this method of matching.



#### Aggregate basis

The school ensures that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75% federal dollars and 25% qualified nonfederal funds. A school using this method calculates and documents on an aggregate basis what portion of total federal *and* qualified nonfederal funds awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds.

For example, if a school awards a total of \$60,000 to all FSEOG recipients in an award year, it must ensure that \$45,000 comes from federally allocated funds and \$15,000 comes from nonfederal funds. The school may meet this requirement by awarding qualified nonfederal funds to FSEOG recipients on a student-specific basis. For example, if the school makes a total of \$60,000 in FSEOG awards to a total of 100 students, the entire nonfederal share may be met by awarding a total of \$15,000 in nonfederal resources to only five FSEOG recipients. **However, each of the 100 FSEOG recipients must receive some FSEOG federal funds**. Note that for the purpose of a Return of Title IV Funds calculation, only 75% of the funds are considered federal funds when a school uses this method of matching.



### Fund-specific basis

The school establishes an FSEOG account for federal program funds and deposits the required 25% qualified nonfederal matching share into the fund. The matching funds must be deposited at the same time the federal funds are deposited. Awards to FSEOG recipients are then made from this *mixed* fund. Schools using the fund-specific method must deposit their institutional match at the time they receive the federal share funds. **For the purpose of a Return of Title IV funds calculation, 100% of the funds are considered federal funds when a school uses this method of matching.**



### Nonfederal share of Perkins

The nonfederal share that was required from the school's own funds for the Federal Perkins Loan Program was called the Institutional Capital Contribution (ICC).

### Title III and V Nonfederal Share Requirement Waiver for the FSEOG and FWS programs

Certain schools are eligible for a waiver of the nonfederal share requirements under 34 CFR 675.26(d) of the FWS regulations and 34 CFR 676.21(b) of the FSEOG regulations. To receive a waiver of the FWS and FSEOG nonfederal share requirement, the school must be designated by the Department of Education's Office of Postsecondary Education Institutional Service (OPE/IS) as an eligible Title III or Title V institution under the HEA. These waivers are granted for the year immediately following the year in which the institution receives the Title III or Title V designation.

#### Clarification

To qualify for a Title III or Title V waiver of the nonfederal share requirement, an institution (one having a unique six-digit OPEID with a two-digit extension of "00") must submit its own FISAP and qualify for Title III or V designation under its own OPEID.

**Note:** Although an institution is granted a waiver, it may choose to continue providing an institutional share and to determine the amount of that share for one or both of the programs.

It is important to note that the 50% federal share limitation for FWS wages paid to students employed by a private, for-profit organization and the 80% federal share limitation for the administration of the JLD Program are not waived under the Title III or Title V designations. The institutional share requirements for these two categories of FWS expenditures are never waived.

**NEW**

### Questions About Title III or V Eligibility

If you have questions about your school's eligibility for Title III or Title V, contact

U.S. Department of Education  
Office of Postsecondary Education  
Institutional Service  
400 Maryland Avenue  
Washington, DC 20202

Christopher Smith  
Email: christopher.smith@ed.gov  
Tel: 202-453-7946  
or  
Jason Cottrell  
Email: jason.cottrell@ed.gov  
Tel: 202-453-7530

Information is also available on the OPE/  
IS website:  
[www2.ed.gov/about/offices/list/ope/  
idues/eligibility.html](http://www2.ed.gov/about/offices/list/ope/idues/eligibility.html)

General electronic announcements will be posted to IFAP regarding the Title III or Title IV process.

### Help with Waivers

For questions about the Title III/V waiver of the nonfederal share requirement for the FWS and FSEOG programs, contact the **COD School Relations Center** at

**1-800-848-0978.**

Customer service representatives are available Monday through Friday from 8:00 a.m. until 11:00 p.m. (ET). You may also email the center at

**CODSupport@ed.gov.**

## Designation as an eligible institution for Title III or Title V programs

The Department's Office of Postsecondary Education (OPE) has instituted a process known as the Eligibility Matrix (EM) under which institutional data submitted to the Integrated Postsecondary Education Data System (IPEDS) is used to determine which institutions meet the basic eligibility requirements for programs authorized by Title III and/or Title V of the HEA. OPE will review eligibility annually and make the information available on the OPE/IS website at

<https://hepis.ed.gov/title3and5/>

**NEW**

Institutions that find they are ineligible for a Title III or Title V program have the option to complete the *Application for Designation as an Eligible Institution* by the deadline, and submit any additional documentation as requested by OPE for reconsideration. Institutions that do not appear in the EM as being eligible for a Title III or Title V program may apply for a waiver with OPE to be reconsidered.

Availability of the EM and the *Application for Designation as an Eligible Institution* are published each winter in an EA on the Information for Financial Aid Professionals (IFAP) website at [ifap.ed.gov/ifap/](http://ifap.ed.gov/ifap/), once the Federal Register notice and application deadline is posted on the OPE/IS website.

## Institutions currently receiving funding under a Title III or Title V grant

A school that receives grant funding under Title III or Title V is eligible for the FWS and/or FSEOG nonfederal share waiver for the entire duration of its grant. In the event that the school does not appear on the EM as an eligible institution but is receiving a grant for the year in question, the school is not required to complete the *Application for Designation as an Eligible Institution* in order to receive the nonfederal share waiver as long as its grant funding can be verified by OPE.

### Schools designated as Historically Black Colleges and Universities (HBCU) or Tribally Controlled Colleges and Universities (TCCU)

A school that has been designated as an HBCU or TCCU but does not appear on the EM as an eligible institution is not required to complete the *Application for Designation as an Eligible Institution* in order to qualify for the FWS and/or the FSEOG nonfederal share waiver. HBCUs and TCCUs automatically qualify for the nonfederal share waiver each year as long as the school maintains this designation.



The Department will send an email to the financial aid administrator of the Title III or Title V designated school in early spring indicating that the nonfederal share waiver has been granted for the upcoming award year.

### ADMINISTRATIVE COST ALLOWANCE (ACA)

A school participating in the Campus-Based Programs is entitled to an ACA for an award year if it provides employment under the FWS Program, or awards grants under the FSEOG Program to students in an award year. The ACA may be used to help offset administrative costs, such as salaries, furniture, travel, supplies, and equipment. The ACA can also be used for service fees that banks charge for maintaining accounts. Schools may use the allowance to help pay the costs of administering not only the Campus-Based Programs but the Federal Pell Grant Program as well. Administrative costs also cover expenses for carrying out the student consumer information services requirements. **Schools are NOT permitted to claim an ACA for the Perkins Loan Program.**



The amount of the ACA is calculated as a percentage of the school's expenditures to students for an award year under the Campus-Based Programs.

5% of the first \$2,750,000 of a school's  
Campus-Based expenditures to students

+

4% of Campus-Based expenditures  
greater than \$2,750,000 but less than \$5,500,000

+

3% of Campus-Based expenditures  
greater than \$5,000,000

#### Reporting ACA on the FISAP

Remember to report all ACA drawn for the award year on the FISAP prior to the December 15 deadline to submit FISAP corrections. No increases or additional claims to ACA will be permitted after that date.

#### ACA calculation

34 CFR 673.7

When a school calculates its ACA for the award year, the school is to include in its calculation the full amount of its FSEOG awards—both the 75% federal share and the required 25% nonfederal share. However, a school that chooses to provide more than a 25% institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25% in its FISAP or in the calculation of its ACA.

If a school makes no match after receiving a waiver of its required institutional share for the FSEOG Program or the FWS Program, that school's ACA may be calculated only on the full federal portion of its awards for those programs.

The school takes the ACA out of the annual authorizations the school receives for the FSEOG and FWS programs. It is not a separate allowance sent to the school. A school may draw its allowance from any combination of Campus-Based Programs, or it may take the total allowance from only one program, provided there are sufficient funds in that program. However, a school may not draw any part of its allowance from a Campus-Based Program unless the school has disbursed funds to students from that program during the award year. Since schools are no longer making Perkins loans, they may not request a Perkins ACA.

Your school may use up to 10% of the ACA, as calculated previously, as attributable to its expenditures under the FWS Program to pay the administrative costs of conducting its program of community service. These costs may include

- ◆ developing mechanisms to assure the academic quality of a student's experience;
- ◆ assuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives; and
- ◆ collaborating with public and private nonprofit agencies and programs assisted under the National and Community Service Act of 1990 in the planning, development, and administration of these programs.

A school may choose not to claim an ACA so that all the funds can be used for student awards.

## FUNDS AVAILABLE FOR AWARDS

The general principle for all Campus-Based Programs is that the amount of funds available for awards is the federal share, plus the institutional match (unless otherwise waived), minus the ACA if the school chooses to claim ACA.



**No FSA grant, loan, or work assistance (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department.**

## PROJECTING NEED

The maximum amount of federal funds a school may draw down from each Campus-Based Program is based on the school's initial allocation and supplemental allocation for that program, as reported to the school in its Final Funding Authorization from ED.

Unless a nonfederal share requirement waiver has been granted, each Campus-Based Program requires that awards made to students be a combination of both federal and nonfederal funds. To accurately determine immediate cash need for Campus-Based Programs, you must calculate the portion of disbursements from each program that may be made up of federal funds, including funds carried forward. *The amount of funds drawn down represents the federal share only.* You must deposit institutional matching funds **at the time the federal funds are deposited** into the account from which Campus-Based awards will be made.

A school on the **advance payment method** must determine the amount of funds it needs before it transmits a request to draw down those funds through G5 payment system. The amount requested must be limited to the minimum amount needed to make disbursements, so excess funds do not exist after disbursements are made. For the Campus-Based Programs, the amount must be enough to meet the federal share of Campus-Based disbursements and the ACA when applicable.

The following equation may be used to calculate projected immediate needs:

$$\begin{array}{r}
 \text{Anticipated Disbursements} \\
 \text{minus Balance of Cash on Hand} \\
 \text{minus Anticipated Recoveries} \\
 \text{minus ACH/EFT Cash in Transit} \\
 \hline
 \text{equals Projected, Immediate Need}
 \end{array}$$



**A school should not draw down funds that exceed its immediate need.**

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**Deadline for making ACA accounting entries**

Campus-Based Program ACA accounting entries must be posted no later than June 30 of the award year for which expenditures for those costs were made.

34 CFR 673.7(g), 673.4(f), and 673.4(g).

**FSEOG**

In the FSEOG Program, a school must time its drawdowns to coincide with the date it expects to disburse FSEOG funds to students. A school may draw down only the federal share of the FSEOG awards it will disburse to students within three business days of receiving the funds.

**FWS**

A school must time its FWS drawdowns to coincide with its payroll dates. A school must calculate the amount of federal funds needed to meet FWS payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages must be paid within three business days of the date federal funds are received.

***Timing issues***

When a school initiates a drawdown from G5, a school should consider that processing requests within G5 typically takes one to three business days and whether the school is using ACH/EFT or FEDWIRE. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

## DRAWING DOWN FUNDS

Schools use the G5 system to draw down Campus-Based funds. To begin drawing down funds, log in to G5 using the new two-factor authentication system. On the top panel, hover your cursor over the word *Payments*. From the options that appear, select *Create Payments*. The payment requests screen allows you to create, modify, and view payment requests.

Once you have selected Create Payments, you will see a list of awards.

The award(s) will populate with corresponding authorized and available balances from which drawdowns can be initiated. A school may use the *Recipient Reference Field* to identify the award type (i.e., FWS, FSEOG, etc.).

An important step in creating payment requests is setting the Deposit Date. The default deposit date displayed is based on the method the school has selected for receiving funds (ED's transmission method). The default date assumes that you are going to disburse the funds within three business days of the deposit date. However, you may set a deposit date that is up to 30 days after the current date.

For ACH payments, the default deposit date is the next business day if received prior to 3 p.m. Eastern time (ET), or two business days later if submitted after 3 p.m.

For payments by FEDWIRE, the default deposit date is the current date if the request is submitted before 2 p.m. ET, or the next day if submitted after 2 p.m.

After entering the request amount, click *Continue*. If you agree to the certification statement on the next screen, you will click *Submit* on the next page to complete the payment request.

After you have created payment requests, G5 performs validations. If the G5 system encounters a problem, the payment will not post and you will be notified by email. If there's a problem with your request, you should contact the G5 Hotline for help in resolving the problem.

G5 website: **www.g5.gov**

G5 hotline: **Phone: 1-888-336-8930**

Email: **edcaps.user@ed.gov**

### Two-Factor Authentication

The U.S. Office of Management and Budget has mandated that all federal agencies implement increased cybersecurity capabilities to prevent unauthorized access to government systems. The U.S. Department of Education is implementing a more secure means for users of the G5 Grants Administration System to gain access, referred to as Two-factor Authentication (TFA).

TFA is a security process in which the user provides two means of identification from separate categories of credentials. One is typically something that you know, such as a password; and the other is something that you have, such as a security code you download from your mobile device. The combination of these two security factors makes it more difficult for an unauthorized individual to gain access to government systems. Once both the first and second factors are validated, users are allowed into the G5 system.

TFA was rolled out to G5 users in groups starting in mid-April 2016 and extending through the end of June 2016.

You can find training on TFA at [www.G5.gov](http://www.G5.gov) under the HELP menu. You do not need to be a registered user to access the training materials.

If you have any questions, please contact the G5 Hotline using one of the options below:

- Phone number: 1-888-336-8930
- Email: [edcaps.user@ed.gov](mailto:edcaps.user@ed.gov)
- Go to the self-help portal at [edcaps.force.com](http://edcaps.force.com) to submit a ticket.

Potential errors include but are not limited to

- ◆ deposit date that is not in the required format (MM/DD/YY);
- ◆ deposit date that is more than 30 days from the current date;
- ◆ deposit date that is earlier than the default date for the method of transmission selected in Pay By field;
- ◆ deposit date that is earlier than the award start date, or later than the last date to draw funds;
- ◆ request that is non-numeric or negative;
- ◆ request in which all fields are zero; and
- ◆ request that exceeds the available balance displayed in the available balance field.

If no errors are encountered, G5 displays a confirmation window, to ensure that the user intends to submit the information. You must click Yes to certify that the funds will be expended within three business days for the purpose and condition of the grant. Once you have completed the process, you will receive an email confirming your payment request has been accepted.

## CAMPUS-BASED RECORDKEEPING

A school must follow the recordkeeping requirements in the General Provisions (discussed in *Volume 2*) and those specific to the Campus-Based Programs.

A school must keep financial records that reflect all Campus-Based Program transactions and must keep all records supporting the school's application for Campus-Based funds. This documentation includes the applications and records of all students who applied for Campus-Based assistance for a specific award year and were included on the school's FISAP for that award year.

The school must also retain applications and records of students who applied for but did not receive aid, either because the school had no more funds to award or because the school determined that the student did not need funds. The school must keep general ledger control accounts and related accounts that identify each program transaction and must separate those transactions from all other institutional financial activity. Fiscal records must be reconciled at least monthly.

The Campus-Based records a school must maintain include but are not limited to

- ◆ the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine a student's eligibility for Campus-Based Program funds;
- ◆ application data submitted to the Department or the school on behalf of the student;
- ◆ documentation of the payment of any return of Title IV funds or overpayment to the FSA program fund or the Department;
- ◆ documentation of the amount of a Perkins Loan, FSEOG or FWS award; its payment period; and the calculations used to determine the amount of the loan, grant, or FWS award;
- ◆ documentation of each FSEOG or Perkins Loan disbursement and the date and amount of each payment of FWS wages;
- ◆ documentation of the school's calculation of any refunds or overpayments due to, or on behalf of, the student and the amount, date, and basis of the school's calculation;
- ◆ information collected at initial and exit loan counseling required by Perkins Loan regulations; and
- ◆ reports and forms used by the school in its participation in a Campus-Based Program and any records needed to verify data that appear in those reports and forms.

### Retention of records

General Provisions  
 34 CFR 668.24  
 Perkins Loans  
 34 CFR 674.19  
 FWS  
 34 CFR 675.19  
 FSEOG  
 34 CFR 676.19

**Perkins Recordkeeping**

Perkins recordkeeping requirements are covered in *Chapter 3* of this volume.

**Electronic Certification for FWS**

A school that uses an electronic certification must adopt reasonable safeguards against possible fraud and abuse.

The school should provide a secure electronic certification through an electronic payroll system that includes

- password protection;
- password changes at set intervals;
- access revocation for unsuccessful logins;
- user identification and entry-point tracking;
- random audit surveys with supervisors; and
- security tests of the code access.

See *Volume 2* for more information about recordkeeping, privacy safeguards, and information security.

**FSEOG recordkeeping**

In addition to following the fiscal procedures and records requirements mentioned earlier and in *Volume 2*, a school must meet the following requirements, which are included in the FSEOG regulations:

- ◆ A school must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FSEOG payments and disburse FSEOG funds to students.
- ◆ A school must establish and maintain program and fiscal records that are reconciled at least monthly.
- ◆ Each year, a school must submit a FISAP and other information the Department requires. The information must be accurate and must be provided on the form and at the time specified by the Department.

**FWS recordkeeping**

For schools administering FWS, you must also follow the procedures established in 34 CFR 675.19 for documenting a student's FWS work, earnings, and payroll transactions. You must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FWS payments and disburse FWS funds to students. If you use a fiscal agent for FWS funds, that agent may perform only ministerial acts.

In school records, schools must distinguish expenditures for FWS compensation from other institutional expenditures. You should enter FWS compensation on a separate voucher or, if listed on the general payroll voucher, you should group FWS compensation separately from other compensation. If payrolls are handled on automatic data processing equipment, you should identify FWS with a special code.

You must establish and maintain program and fiscal records that are reconciled at least monthly. The records must include a

- ◆ payroll voucher containing sufficient information to support all payroll disbursements;
- ◆ noncash contribution record to document any payment of the school's share of the student's earnings in the form of services and equipment; and
- ◆ certification by the student's supervisor (an employee of the school or off-campus agency) that each student has worked and earned the amount being paid. Your school may use an electronic certification process. The school may still continue to have the FWS student's supervisor sign a paper certification. If the students are paid on an hourly basis, the certification must include or be supported by a time record showing the hours each student worked in clock time sequence or the total hours worked per day (see sidebar).

## RECORD RETENTION AND FORMATS

### *Availability of records and period of retention*

Your school must make its records readily available for review by the Department or its authorized representative at an institutional location the Department or its representative designates. Generally, a school must keep records relating to the school's administration of a Campus-Based Program for three years after the end of an award year for which the aid was awarded and disbursed under that program.

There are some exceptions to this requirement:

- ◆ The school must retain the FISAP containing reported expenditures and any records necessary to support the data contained in the FISAP, including “income grid information,” for three years after the end of the award year in which the FISAP is submitted.
- ◆ The school must keep the original signed promissory note and repayment schedule **until all loans made on the promissory note or Master Promissory Note (MPN) are satisfied, accepted for assignment by the Department, or until the original note or MPN is needed to enforce loan collection.** Only authorized personnel may have access to these records.
- ◆ If a promissory note or MPN was signed electronically, you must store it electronically for *at least* three years after all loans made on the promissory note or MPN are satisfied. (The Department recommends that the school maintain a certified copy of the signed promissory note, as well as a record of the full amount owed, in its records beyond the three-year record retention requirement.) You must ensure that the promissory note or MPN can be retrieved in a coherent format.
- ◆ The school must keep *repayment* records for Perkins Loans, including records relating to cancellation and deferment requests, for at least three years from the date a loan is repaid, cancelled, or assigned to the Department. If a loan is assigned to the Department due to total and permanent disability, the school must retain any loan-related documentation that it does not submit for at least three years from the date the loan is assigned. In some instances, the Department may require schools to provide copies of repayment records, cancellation records, or deferment requests in order for the loan to be accepted for assignment.
- ◆ Records questioned in an audit or program review must be kept for three years after the end of the program year in which the program review or audit was finalized.

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### **Records readily available for review**

34 CFR 668.24(d)(2) & (f)

### Record formats, storage, etc.

A school must keep its Campus-Based Program records in one of the following formats:

- ◆ The school must retain the original signed promissory notes and signed repayment schedules for Perkins Loans in a locked fireproof container. **If a loan is assigned to ED, the school should keep copies of all the original documentation submitted to the Department with the assignment.** The school may not maintain only computer generated form(s) or microform(s).
- ◆ A school may keep other required records in hard copy or in microform, computer file, optical disk, CD-ROM, or other media formats, but all record information must be retrievable in a coherent hard copy format or in other media formats acceptable to the Department except that any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be kept in its original hard copy or in an imaged media format.
- ◆ Any imaged media format used to keep required records must be capable of reproducing an accurate, legible, and complete copy of the original document, and, when printed, this copy must be approximately the same size as the original.

## THE FISCAL OPERATIONS REPORT

The Fiscal Operations Report (*aka* FISOP) is parts III, IV, V, and VI of the FISAP. If you participated in any Campus-Based Programs in an award year, you must report on your activities for those programs by completing the appropriate portions of the FISAP by the next filing deadline.

- ◆ Part III applies to the Perkins Loan Program.
- ◆ Part IV applies to the FSEOG Program.
- ◆ Part V applies to the FWS Program.
- ◆ Part VI applies to all of the Campus-Based Programs.

In each program section, you will report how much of your school's total federal allocation was used and how much remained unexpended at the end of the award year. (Your school's unexpended authorization is equal to its final adjusted authorization amount minus its total expended authorization.) If this amount is a positive dollar figure, the amount of unexpended funds will be deducted from your school's G5 grantee account. **You may not make negative entries on the FISAP.**

### FISAP documents



You can access all FISAP references at [ifap.ed.gov/ifap/cbp.jsp](http://ifap.ed.gov/ifap/cbp.jsp).



### FISAP —Part III, the Federal Perkins Loan section

You must complete Part III, if your school

- ◆ is continuing to service its loans in the Federal Perkins Loan Program;
- ◆ made Federal Perkins Loans to students during the recent award year;
- ◆ is liquidating its Federal Perkins Loan portfolio. (You must do so every year until your final report shows that all outstanding loans have been assigned, fully retired, or purchased and that the federal share of cash on hand has been returned to ED and you have received the official liquidation completion letter from ED.)

The Federal Perkins Loan section of the FISAP consists of the following sections:

- ◆ **Section A** is a historical/cumulative report of your school's Federal Perkins Loan fund activity from the beginning of the program through the end of the most recent award year. **This section is the balance sheet for your Federal Perkins Loan fund, and it must balance.**
- ◆ **Section B** is a report of the Federal Perkins Loan activity that took place at your school during the **recently completed award year**.
- ◆ **Section C** is a report of your school's **cumulative repayment information** as of the end of the reporting year. This summary includes all data from your school's initial participation in the program through the recently completed award year.

In Section C you report the status of all borrowers as of June 30 of the reporting year. What you report in this section must match what your school has reported to the Department's National Student Loan Database (NSLDS) system. **If the data does not match you must reconcile the data and correct all discrepancies.**

**Note:** Schools are required to report updated data on existing loans to NSLDS once a month on a schedule established by ED. Schools are encouraged to reconcile their entire loan portfolio at least twice a year.

#### FISAP

Campus-Based Programs 34 CFR 673.3  
Perkins Loan Program 34 CFR 674.19(d)(2)  
FWS 34 CFR 675.19(b)(3)  
FSEOG 34 CFR 676.19(b)(3)

#### Signature Requirement

The FISAP must be signed by the person designated as the CEO in your school's Program Participation Agreement (PPA). With their signature, they are certifying

- the information submitted on the FISAP is true and accurate;
- no one managing the programs has been debarred or suspended;
- the school is a drug-free work place; and
- no federal funds are spent on any lobbying activities.



- ◆ **Sections D and E** are used to calculate your school's **cohort default rate**.
  - You complete Section D if your school had 30 or more borrowers who entered repayment during the award year.
  - You complete Section E if your school had fewer than 30 or more borrowers enter repayment during the award year.

For FISAP purposes, a cohort is defined as a group of borrowers that went into repayment during a particular year. The cohort moves up one year with each FISAP. Of the borrowers that went into repayment during the relevant year, the school reports how many were in default at the end of the following year. Schools that had fewer than 30 borrowers going into repayment use a three-year cohort.

### FISAP—Part IV, the FSEOG section

Your school must complete Part IV if it received FSEOG Program funds during the most recent award year. The five sections in this part of the FISAP summarize your school's use of FSEOG funds during the previous year. The data you report in this section is used to

- ◆ determine underuse penalties in FSEOG;
- ◆ account for funds transferred across programs and across years during the reporting year;
- ◆ monitor the program (e.g., validate expenditure and balance totals by using the G5 "Award History Report"); and
- ◆ conduct year end close out of the FSEOG program funds.

#### Matching requirement

Remember, unless your school has a waiver of its nonfederal matching requirement, your school is required to contribute an additional amount equal to 25% of the awards to students, from your school's own resources. (*A school may choose to provide an additional institutional contribution from its own resources regardless of the waiver.*) So, unless your school has a matching waiver, when you report the total amount of FSEOG funds paid to recipients, the amount must include a nonfederal share of at least 25%. (See EA 2011-04-29 and the discussion earlier in this chapter under Nonfederal share of FSEOG.)

**Note:** Any funds recovered on prior year awards should be returned to ED using existing G5 refund procedures. Refunds should be applied to the award corresponding to the funding year the recovered funds were awarded.

**TIP**

In field 17, your school reports the expended FSEOG authorization. This amount must agree with the final FSEOG expenditures reported in G5.

*FISAP—Part V, the FWS section*

Your school must complete Part V if it received FWS Program funds during the most recent award year. The nine sections in this part of the FISAP summarize your school's use of FWS funds during the previous year. The data you report in this section is used to

**TIP**

If the nonfederal share of student compensation was paid in kind (for example, as a tuition waiver or room and board), the in-kind compensation value must be converted to a cash amount and reported in this section of the FISAP as part of your matching funds.

- ◆ provide data for underuse penalties;
- ◆ account for and close out funds awarded in FWS for the Fiscal Operations Report year;
- ◆ monitor the program (e.g., validate expenditure and balance totals by using the G5 “Award History Report”);
- ◆ report program transfers made during the year; and
- ◆ provide data for community service requirements.

When completing this section, it's important to remember that

- ◆ The institutional share includes amounts contributed by off-campus employers in addition to amounts contributed by the school itself.
- ◆ The amount reported should not include institutional expenditures for non-FWS employment.
- ◆ If your school has a Title III/V waiver, you will report this share as zero, unless your school chose to provide an institutional contribution.
- ◆ Any amount that your school spends for reading tutors of children/family literacy programs does not have to be matched.

**Note:** In Section E of this part, you will report how much of your school's total federal FWS allocation was used and how much remained unexpended at the end of the award year. (Your school's unexpended FWS authorization is equal to its final adjusted FWS authorization amount minus its total expended FWS authorization.)

If this amount is a positive dollar figure, the amount of unexpended FWS funds will be deducted from your school's G5 grantee account.

**You may not make negative entries on the FISAP.**

**Reminder**

## FISAP—Part VI, the Program Summary

Your school must complete Section A of the Part VI, if your school made any awards to students from any Federal Campus-Based Program during the most recent award year. This data is used to provide statistical data for analysis. In Section A, you report these expenditures by “Income Category” and by “Student Type.” In Section B, an amount is calculated for the ACA your school can claim on the basis of its total Campus-Based Program expenditures, as reported in parts III, IV and V of the FISAP.

$$\frac{\text{FSEOG Total Award}}{\text{Number of Payment Periods}}$$

## FREQUENCY AND AMOUNT OF FSEOG DISBURSEMENTS

If a student is awarded an FSEOG, you must pay the student a portion of this award in each payment period, even if you do not use standard academic terms. Within a payment period, a school may advance funds in whatever installments it determines will best meet the student’s need. To determine the amount of each payment period’s FSEOG disbursement, divide the total FSEOG award amount by the number of payment periods you expect the student to be enrolled.

For a school that measures progress in credit hours and academic terms, a payment period is defined as a term (semester, trimester, quarter). The definition of a payment period for a school that does not have academic terms or a school that measures progress in clock hours is discussed in more detail in *Volume 3*.

### Uneven costs/unequal disbursements

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, you may make unequal FSEOG disbursements.

### Payment of FSEOG

34 CFR 676.16(a)

### Uneven costs/uneven payments

34 CFR 676.16(b)

### Payment periods

34 CFR 668.4

### Single-Term FSEOG Awards

A single-term FSEOG award is permissible if a student will only be enrolled for one term or only one term remains in the award year when the award is made. Moreover, the award would then be disbursed in a single disbursement.

When the regulations were revised to prohibit a single disbursement for an FSEOG award of \$501 or less, they did not prohibit single term awards.

### FSEOG Withdrawal and Return of Title IV Funds

If a student ceases attendance after receiving a lump sum FSEOG payment (of less than \$501, or after receiving a disbursement in a second payment period that includes funds for the previous period), only that portion of the FSEOG intended for the payment period in which the student was attending class should be included in the Return calculation.

## INTERNAL CONTROLS IN THE FSEOG PROGRAM— RECONCILIATION, FISCAL, AND PROGRAM RECORDS

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### Fiscal procedures and records

34 CFR 676.19

Your school must reconcile, at least monthly, your FSEOG draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers. **You must also reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to ED, and resolve all discrepancies.**



In addition, you should examine your FSEOG program and fiscal records monthly. Did the fiscal records on which you based your anticipated need for FSEOG funds accurately predict your disbursements, or are you returning unused funds? Were your matching funds deposited at the same time you received your federal share?

# The Federal Work-Study Program



## CHAPTER 2

*This chapter covers issues specific to operating a Federal Work-Study (FWS) program, including Community Service, Job Location and Development (JLD), and Work-College programs. For student eligibility criteria relating to Campus-Based Programs, including FWS, refer to Volume 1. For information on selecting Campus-Based recipients, and calculating and packaging Campus-Based awards, see Volume 3.*

### FWS JOBS AND EMPLOYERS

A student may be employed under the FWS program by the school in which the student is enrolled (on campus). You may also arrange for your school's FWS recipients to be employed off campus by

- ◆ federal, state, or local public agencies; or
- ◆ certain private nonprofit or for-profit organizations.

Off-campus FWS jobs with federal, state, or local public agencies or private nonprofit organizations must be in the public interest.

Off-campus FWS jobs with private, for-profit organizations must be academically relevant to the maximum extent possible.

Your school *must* use at least 7% of its FWS allocation to employ students in community service jobs with at least one FWS student employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

A school must make FWS jobs reasonably available to all eligible students at the school. To the maximum extent practicable, a school must provide FWS jobs that complement and reinforce each recipient's educational program or career goals.

In assigning an FWS job, a school must consider the student's financial need, the number of hours per week the student can work, the period of employment, the anticipated wage rate, and the amount of other assistance available to the student. While there is no minimum or maximum award, the amount for each student should be determined based on these factors.

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#### **Student eligibility for FWS**

34 CFR 675.9

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#### **Selecting students**

34 CFR 675.10

## FEDERAL AND NONFEDERAL SHARE OF WAGES

### FWS federal share

34 CFR 675.26

### Limitations

34 CFR 675.26

### Private for-profit organizations

34 CFR 675.26(a)(3)

### When a 100% share is authorized

34 CFR 675.26(d)

### 90% federal share

34 CFR 675.26(a)(2)

### JLD

34 CFR 675.33(b)

### Timing of institutional share and noncash contributions

34 CFR 675.16(e)

In general, the federal share of FWS wages paid to a student may not exceed 75%. The 75% applies to expenditures for FWS wages and does not include any administrative cost allowance. Schools must provide at least 25% of a student's total FWS wages from nonfederal sources. For example, if a school wanted to spend \$45,000 of its FWS federal funds for student wages, it would be required to provide at least \$15,000 in non-federal funds. A total of \$60,000 would then be available to pay student wages under the school's FWS Program.

There are situations when the ratio of federal share to nonfederal share of 75% to 25% does not apply:

- ◆ Any school may provide more than the required minimum 25% nonfederal share. For example, if a school received \$60,000 in federal funds and wished to spend a total of \$100,000 for student FWS wages, it could spend \$40,000 of nonfederal funds to do so. In this example, the federal share of students' total earned compensation under the FWS program expenditures would be 60%, while the nonfederal share would be 40%.
- ◆ For off-campus FWS jobs with private for-profit organizations, the federal share of wages paid to students is limited to 50%. The for-profit organization must provide a nonfederal share of at least 50%. The employer may contribute a nonfederal share that exceeds the required 50%. However, **a school may use no more than 25% of its total current year initial allocations to pay wages to students employed with private for-profit organizations.**
- ◆ The federal share of compensation paid to students may be 100% when
  1. the student is employed as a reading or mathematics tutor for preschool age children or children who are in elementary school; or
  2. the student is performing family literacy activities in a family literacy project that provides services to families with preschool age children or children who are in elementary school; or

### TIP

#### Community Service vs. Reading Tutors

In order to be considered community service, the job has to be in an area that is open, accessible, and used by the community at large. Community service includes a whole host of jobs and is not limited to reading tutors. On the other hand, reading tutors may provide tutoring to some group that would not be considered part of the community. For example, a school population is not considered "open, accessible, and used by the community at large," and therefore, in this context, is not considered a community.

### TIP

3. the student is employed in community service activities and is performing civic education and participation activities in a project as defined in 34 CFR 675.18(g)(4).
- ◆ The federal share can be as much as 90% (and the nonfederal share can be as little as 10%) for students employed at a private nonprofit organization or at a federal, state, or local public organization or agency under specific circumstances. Only organizations that are unable to afford the cost of this employment are eligible to pay a reduced nonfederal share. In addition, the school may not own, operate, or control the organization, and the school must select the organization or agency on a case-by-case basis. No more than 10% of a school's FWS students may benefit from this provision.
  - ◆ The federal share of FWS wages paid to a student may be lower than 75% if the employer chooses to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment.
  - ◆ The federal share can be 100% for all FWS positions (except for those at private, for-profit organizations) at a school that is designated as a Title III or Title V eligible school as described under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* in Chapter 1.

**Note:** The federal share of allowable costs in carrying out the JLD Program described later in this chapter may not exceed 80% of such costs.

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**Nature and source of institutional share**

34 CFR 675.27

***FWS nonfederal share sources***

A school can pay the nonfederal share from its own funds or other nonfederal sources such as outside funds from an off-campus employer. The school can also pay the nonfederal share in the form of documented noncash contributions of services and equipment such as tuition and fees, room and board, books, and supplies documented by accounting entries.

**When matching with cash, the school must deposit its share at the same time it receives the federal share.**

**TIP**

A school does not need the student's permission when making the match with services and/or equipment. **A school paying in cash and crediting the student's account with a portion of the student's pay to cover institutional charges may not credit the student's account with FWS earnings without the student's permission.**

**!**

If a school receives more money under an employment agreement with an off-campus agency than **the sum of** (1) required employer costs, (2) the school's nonfederal share, and (3) any share of administrative costs the employer agreed to pay, the school must handle the excess in one of three ways:

1. Use it to reduce the federal share on a dollar-for-dollar basis.
2. Hold it in trust for off-campus employment during the next award year.
3. Refund it to the off-campus employer.

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

## FWS CONDITIONS OF EMPLOYMENT AND LIMITATIONS

All FWS work, whether on campus or off campus, has certain conditions and limitations. FWS employment must be governed by those employment conditions, including the rate of pay, that are appropriate and reasonable according to the type of work performed, the geographic region, the employee's proficiency, and any applicable federal, state, or local law, including state or locally established minimum wage rates.

FWS employment must not displace employees (including those on strike) or impair existing service contracts. Also, if the school has an employment agreement with an organization in the private sector, the organization's employees must not be replaced with FWS students.



**Replacement is interpreted as displacement.** Therefore, replacing a full-time employee whose position was eliminated (for any reason) with a student employee paid with FWS funds is prohibited. Moreover, this prohibition extends to instances where a school first replaces the full-time employee with a student position paid with college funds.



**FWS positions must not involve constructing, operating, or maintaining any part of a building used for religious worship or sectarian instruction.** In determining whether any FWS employment will violate this restriction, a school should consider the purpose of the part of the facility in which the work will take place and the nature of the work to be performed. For example, if the part of the facility in which the student will work is used for religious worship or sectarian instruction, the work cannot involve construction, operation, or maintenance responsibilities. If that part of the facility is not being used for religious worship or sectarian instruction, the school should make sure that any work the student will perform meets general employment conditions and that other limitations are not violated.

Neither a school nor an outside employer that has an agreement with the school to hire FWS students may solicit, accept, or permit the soliciting of any fee, commission, contribution, or gift as a condition for a student's FWS employment. However, a student may pay union dues to an employer if they are a condition of employment and if the employer's non FWS employees must also pay dues.

The Fair Labor Standards Act of 1938, as amended, prohibits employers (including schools) from accepting voluntary services from any paid employee. Any student employed under FWS must be paid for all hours worked.

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### Eligible employers

34 CFR 675.20(a)

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### Employment conditions and limitations

34 CFR 675.20(c)

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### Academic credit and work study

34 CFR 675.20(d)

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### Fees or commissions prohibited

34 CFR 675.27(b)

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### FWS minimum wage

Dear Colleague Letter CB-96-23

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### FWS wage rates

34 CFR 675.24

### Working During Scheduled Class Time Is Prohibited



In general, students are not permitted to work in FWS positions during scheduled class times. Exceptions are permitted if an individual class is cancelled, if the instructor has excused the student from attending for a particular day, and if the student is receiving credit for employment in an internship, externship, or community work-study experience. Any such exemptions must be documented.

### Paying Overtime in FWS

Although there is no prohibition on paying overtime in the FWS Program (for example, someone working on a stage crew may have to work overtime during a production), FWS is a program designed to provide part-time employment, and students should not often work in excess of 40 hours in a single week. Overtime and payment for overtime hours may not be used in a way that create an overaward in the student's financial aid package.

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### Replacement prohibited

34 CFR 675.20(c)(2)(ii)

**TIP**

A student may earn academic credit as well as compensation for FWS jobs. Such jobs include but are not limited to internships, practica, or assistantships (e.g., research or teaching assistantships). However, a student employed in an FWS job and receiving academic credit for that job may not be

- ◆ paid less than he or she would be if no academic credit were given;
- ◆ paid for receiving instruction in a classroom, laboratory, or other academic setting; and
- ◆ paid unless the employer would normally pay a person for the same job.

### Disasters—Flexible Use of Funds

An eligible school located in any area affected by a major disaster may make FWS payments to disaster-affected students for the period of time (not to exceed the award period) in which the students were prevented from fulfilling their FWS obligations. The FWS payments

- may be made to disaster-affected students<sup>1</sup> for an amount equal to or less than the amount of FWS wages the students would have been paid had the students been able to complete the work obligation necessary to receive the funds; and
- must meet the FWS matching requirements described in *Chapter 1*, unless those requirements are waived by the Department.

FWS payments may not be made to a student who was ineligible for FWS, was not completing the work obligation necessary to receive the funds, or had already separated from the student's employment prior to the occurrence of the major disaster.

34 CFR 675.18(i)

The term "major disaster" means: any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the United States, which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance under this chapter to supplement the efforts and available resources of states, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby. —Section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42) U.S.C. 5122(2)

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1. \* *Disaster-affected student*—a student enrolled at an institution who 1) received an FWS award for the award period during which a major disaster occurred; 2) earned FWS wages from an institution for that award period; 3) was prevented from fulfilling his or her FWS obligation for all or part of the FWS award period because of the major disaster; and 4) was unable to be reassigned to another FWS job.

## JOB DESCRIPTIONS

Job descriptions for all FWS positions should be a part of the control procedures included in your school's policies and procedures manual. A written job description will help you ensure that the position is one that qualifies under the FWS program regulations. In addition, a written job description provides students with the information they need to determine whether they qualify for the job, whether the job is related to their educational or career objectives, and whether the job is of interest to them. Moreover, by considering the rates of pay applicable to the position, the qualifications for each pay level, and the qualifications of a student applicant, a financial aid administrator can determine the hours a student will need to work in order to earn the funds specified in the student's FWS award. Finally, a written job description establishes a record to which all parties can refer. In addition, a written job description can help avoid disagreements and adjudication and provide a reference in such cases.

If a student is employed with an agency or organization that provides community services, the school should, as with any other FWS position, have a job description that includes the duties and the responsibilities. Schools should use the job description to verify that the job meets the definition of community services in the FWS regulations (see the discussion under *Community Service Jobs* later in this chapter). In addition, for students performing reading tutoring or family literacy activities, the job description should support those jobs.

Each FWS position should have a job description that includes the

- ◆ name of the position;
- ◆ classification of the position (e.g., reading tutor 1, reading tutor 2, laboratory assistant, library technician 1 or 2, etc.);
- ◆ name and address of the student's employer (the school, public agency, nonprofit organization, etc.);
- ◆ department or office in which the student will be employed;
- ◆ location where the student will perform his/her duties;
- ◆ name of the student's supervisor;
- ◆ purpose or role of the position within the organization;
- ◆ duties and responsibilities associated with the position and how they relate to the purpose or role;

- ◆ rates of pay for the position (cross-referenced to the wage rates appearing in the school’s policies and procedures manual);
- ◆ general qualifications for the position and the specific qualifications for the various levels or rates of pay associated with the position;
- ◆ the length of the student’s employment (beginning and ending dates);
- ◆ procedures for determining a student’s rate of pay when a position has multiple rates; and
- ◆ evaluation procedures and schedules.

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### Wage rates

34 CFR 675.24

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#### Minimum wage information

The federal minimum wage is \$7.25 per hour, effective July 24, 2009. The Wage and Hour Division of the Department of Labor posts information about federal and state minimum wage laws at: [www.dol.gov/whd](http://www.dol.gov/whd)

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#### State and local minimum wage laws

The pay must meet the requirements of the state or local law. This means that when the state or local law requires a higher minimum wage, the school must pay the FWS student that higher wage. However, if the state or local law allows a wage that is less than the federal minimum wage, the FWS student must be paid at least the federal minimum wage.

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#### Sub-minimum wages

The Small Business Job Protection Act of 1996 established a sub-minimum, or training wage, that is lower than the minimum wage. However, it is not permissible to pay the sub-minimum wage rate to students in FWS jobs.

### Wages from Federal Agency

The portion of the FWS wages contributed as the institutional share by a federal off-campus agency are not considered part of the “federal share.” Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

## ESTABLISHING WAGE RATES

Undergraduate students are paid Federal Work-Study (FWS) wages on an **hourly basis only**. Graduate students may be paid by the hour or may be paid a salary. **Regardless of who employs the student, the school is responsible for making sure the student is paid for work performed.**

A school should determine the number of hours a student is allowed to work based on the student’s financial need and on how the combination of work and study hours will affect the student’s health and academic progress. There are no statutory or regulatory limits on the number of hours per week or per payment period a student may work, provided no overaward occurs.

FWS employers must pay students at least the federal minimum wage in effect at the time of employment. If a state or local law requires a higher minimum wage, the school must pay the FWS student that higher wage. (See sidebar for link to federal and state information.) In addition, a school may not count fringe benefits as part of the wage rate and may not pay a student commissions or fees. In determining an appropriate rate, the school must consider the following:

- ◆ the skills needed to perform the job;
- ◆ how much persons with those skills are paid in the local area for doing the same type of job;
- ◆ rates the school would normally pay similar non-FWS employees; and
- ◆ any applicable federal, state, or local laws that require a specific wage rate.

A student's need places a limit on the total FWS earnings permissible but has no bearing on his or her wage rate. It is not acceptable to base the wage rate on need or on any other factor not related to the student's skills or job description. **If a student's skill level depends on his or her academic advancement, the school may pay a student on that basis.** For example, a junior or third-year lab student may be paid a higher rate than a sophomore or second-year lab student. However, in most cases, students performing jobs comparable to those of other employees should be paid comparable wages, whether the other employees are students at different class levels or are regular employees.

### *Federal share may not be used to provide fringe benefits*

The benefit of paid leave time is considered a fringe benefit and this benefit cannot be part of FWS compensation paid. A school is not permitted to use either the federal or the institutional share to provide fringe benefits such as sick leave, vacation pay, or holiday pay, or employer's contributions to Social Security, workers' compensation, retirement, or any other welfare or insurance program. These restrictions on the federal share apply even when the Department authorizes a federal share of 100% of FWS wages. A school is permitted, however, to pay fringe benefits from an account not related to FWS funds.

### **Clarification**

## TIMESHEETS

### FWS timesheets and payroll vouchers

34 CFR 675.19 (b)

You must maintain adequate timesheets or records of hours worked for FWS students. These timesheets must show, separately for each day worked, the hours a student worked, and the total hours worked during the job's payment cycle (i.e., twice a month, every week, every two weeks, etc., but not less than once a month). These amounts and hours recorded must match the hours for which the student is paid.

#### **FWS timesheets must be certified by the student's supervisor.**

Students working for your school must have their timesheets certified by either their supervisor or an official at the school. Students working in off-campus jobs must have their timesheets certified by an official at the off-campus site.



If a school requires off-campus employers to maintain paper timesheets and the school allows those timesheets to be submitted by Fax, the off-campus employer must provide the original copies of those timesheets to the school. Original copies should be mailed or hand delivered to the school at the first opportunity.

A school that uses electronic processes to record the hours worked by students must ensure that all signatures obtained in the certification of the hours worked satisfy the standards of the Electronic Signatures in Global and National Commerce Act. For more information about using electronic processes in your school's administration of the Title IV programs, please see the discussion under The E-sign Act and Information Security in *Volume 1*.

FWS records are used to compile the data submitted by schools on the Fiscal Operations Report section of the FISAP. Therefore, **a school must maintain those original FWS records for as long as it is required to maintain its FISAP data.**



## PAYROLL VOUCHERS

Your school must provide payroll vouchers that contain sufficient information to support all payroll disbursements. At a minimum, a school's payroll vouchers should

- ◆ include the school's name and address;
- ◆ identify the starting and ending dates of the payroll period;
- ◆ include the student's name;
- ◆ identify the student's work-study position;
- ◆ include the number of hours the student worked during the pay period;
- ◆ for undergraduate students, specify the student's hourly rate of pay;
- ◆ for a graduate student, identify the student's hourly rate of pay or the student's salary;
- ◆ include the student's gross earnings;
- ◆ itemize any compensation withheld for federal, state, county, or city taxes, and other deductions;
- ◆ include identification of any noncash payments made to the student for work during the period, and point to an auditable record of that contribution;
- ◆ include the student's net earnings;
- ◆ include a check number, duplicate receipt, or other auditable payment identification; and
- ◆ identify and itemize any overtime earnings (a student may be paid overtime with FWS funds).

## PAYING STUDENTS

### Payments to students

34 CFR 675.16

#### Student Exception to FICA Tax

FICA (Social Security and Medicare, including old age, survivors, and disability insurance tax [OASDI]) taxes do not apply to service performed by students employed by a school, college or university where the student is pursuing a course of study. Whether the organization is a school, college or university depends on the organization's primary function. In addition, whether employees are students for this purpose requires examining the individual's employment relationship with the employer to determine if employment or education is predominant in the relationship.

Treasury Decision 9167: Final regulations published December 21, 2004.

Revenue Procedure 2005-11: Safe harbor standards that colleges and universities can apply in determining if an employee is eligible for the student FICA exception.

Background Information: Background information on the final regulations and revenue procedure providing guidance on the student FICA exception (section 3121(b)(10) of the Internal Revenue Code).

[www.irs.gov/Charities-&-Non-Profits/Student-Exception-to-FICA-Tax](http://www.irs.gov/Charities-&-Non-Profits/Student-Exception-to-FICA-Tax)

A student's FWS compensation is earned when the student performs the work, and the school must pay the student that FWS compensation at least once a month. Regardless of who employs the student, the school is responsible for ensuring that the student is paid for work performed.

Before a school may make an initial disbursement of FWS compensation to a student for an award period, the school must notify the student of the total amount of FWS funds the student is authorized to earn, and how and when the FWS compensation will be paid.

Except when a school's institutional share is paid from noncash sources (tuition, services and equipment, room and board, and books), **the school must pay the student its share of his or her FWS compensation at the same time it pays the federal share.** If the school pays a student its FWS share for an award period in the form of noncash sources, it must pay that share before the student's final payroll period.



If a school pays its FWS share in the form of *prepaid* tuition, fees, services, or equipment for a *forthcoming academic period*, it must give the student a statement before the close of his or her final payroll period listing the amount of tuition, fees, services, or equipment earned.

A school may pay a student after the student's last day of attendance for FWS compensation earned while he or she was in attendance at the school.

A school must pay FWS compensation to a student by

- ◆ issuing a check or similar instrument that the student can cash on his or her own endorsement; or
- ◆ initiating an electronic funds transfer (EFT) to a bank account designated by the student; or
- ◆ crediting the student's account at the school (after **obtaining written authorization**).

#### Records of noncash contributions

There are two cases under which students may not receive the net FWS earnings identified on their payroll voucher. In the first, a student who has FWS earnings at a school that provides its FWS institutional match with cash has provided written permission for the school to credit part of the student's earnings to the student's account. **A school must obtain a separate written authorization from a student before any part of the student's FWS cash earnings may be credited to the student's account at the school.** The school must maintain that authorization in the student's file. In addition, the school must provide a clear audit trail showing that the student received credit on the student's account for any earnings not paid directly to the student.



### Earnings applied to cost of attendance

34 CFR 675.25

The second case involves schools that provide part (or all) of their FWS institutional match with credit for tuition, fees, services, or equipment. A school that provides its institutional match with tuition, fees, services, or equipment does **not** need to obtain a student's permission. However, **before employing a student**, this type of school must provide the student with a written explanation of this procedure, including the specific percentage of the student's earnings that the student will receive in credit for tuition, fees, services, or equipment. Moreover, **before the close of the student's final scheduled payroll period**, the school must give the student a statement that itemizes the total amount of tuition, fees, services, or equipment credited to the student's account from the student's FWS earnings. In addition **the school's records must provide a clear audit trail showing that the student received credit on the student's account for any earnings not paid directly to the student.**



## AUTHORIZATION

Except when a school's institutional share is paid with noncash sources (tuition, services and equipment, room and board, and books), a school must obtain a separate written authorization from the student if the student is paid FWS compensation by crediting the student's account at the school.



Except for schools that receive funds from the Department through heightened cash management, a school that obtains a written authorization from a student, may hold FWS funds as part of a student's Title IV credit balance on the student's account. In obtaining the student's written authorization, a school

- ◆ may not require or coerce the student to provide that authorization;
- ◆ must allow the student to cancel or modify that authorization at any time; and
- ◆ must clearly explain to the student how it will carry out the activity authorized.

If a student modifies the written authorization, the modification takes effect on the date the school receives the modification notice. If a student cancels a written authorization, the school may use the FWS compensation to pay only those authorized charges incurred by the student before the school received the cancellation notice. See *Volume 4* for a complete discussion of authorizations to hold students' funds.

### Written authorization

34 CFR 675.16(b) & (d)

If a school is not subject to the Tier 1 and Tier 2 requirements described in *Volume 4*, it may make direct deposits by EFT once the student provides his or her banking information. However, if a student fails to provide this information, the school must find some other way to pay the student any income earned.

668.164(d)(1)(i)

## CREDITING STUDENT ACCOUNTS

### Payments to student's account and resulting credit balances

34 CFR 676.16(c)

### Earnings applied to cost of attendance

34 CFR 676.25

With a student's permission, a school may credit the student's account at the school to satisfy current award year charges for

- ◆ tuition and fees;
- ◆ board, if the student contracts with the school for board;
- ◆ room, if the student contracts with the school for room; and
- ◆ other institutionally provided educationally related goods and services.

In addition, a school may credit a student's account to pay **prior award year charges** if these charges are **not more than \$200**.



If a school pays a student FWS compensation by crediting the student's account, and the result is a credit balance, the school must pay the credit balance directly to the student as soon as possible but no later than 14 days after the balance occurred on the account.

Please see the discussion under *Crediting FWS Funds to Students Accounts and Paying Credit Balances* on the last page of this chapter for additional details on Paying Students.

## HOLDING FWS FUNDS

### Holding FWS funds

34 CFR 675.16(d)(5)

A school receiving funds under the reimbursement payment method (see *Volume 4*) may not hold FWS funds for students. Other schools may, if authorized by the student, hold FWS funds that would otherwise be paid directly to the student.



#### If a school holds excess FWS funds, the school must

- ◆ identify the amount of FWS funds the school holds for each student in a subsidiary ledger account designated for that purpose;
- ◆ maintain, at all times, cash in its bank account in an amount at least equal to the amount of FWS funds the school holds for the student; and
- ◆ pay any remaining balance to the student by the end of the institution's final FWS payroll period for an award period.

If a student cancels the authorization to hold FWS funds, the school must pay those funds directly to the student as soon as possible but no later than 14 days after the school receives the cancellation.

## RECORDS AND REPORTING IN THE FWS PROGRAM

For reporting and accounting purposes, FWS expenditures must be distinguishable from other institutional expenditures. FWS compensation should either be entered in a separate sub-ledger, or, if listed on the general payroll ledger, should be grouped separately from other expenditures. If payroll records are maintained electronically, a special *cost center*, *object class*, or *program identifier* must be used for FWS payments to students.

## EARNINGS FOR THE NEXT PERIOD OF ENROLLMENT

Many FWS students must pay the bulk of their education costs before they have had a chance to earn FWS wages. To provide students with the opportunity to earn wages in time to pay more of their education costs, the Department allows students to earn FWS wages to cover expenses associated with the next period of enrollment offered by the school.

The student must be planning to enroll (or to reenroll) and must demonstrate financial need for that next period of enrollment. (The next period of enrollment is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.) A student may earn FWS funds for the next period of enrollment during any period of enrollment, including a period of enrollment that is comprised, in whole or in part, of mini-sessions. A student may also earn FWS wages towards the next period of enrollment during a period of nonattendance.

## Earnings for periods of nonattendance

34 CFR 675.25(b)

## EARNINGS FOR PERIODS OF NONATTENDANCE

A student may be employed through the FWS programs during a period of nonattendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an unattended fall or spring semester. A student must be planning to enroll (or to reenroll) and must have demonstrated financial need for the next period of enrollment. The student's FWS (net earnings minus taxes and job-related costs) during this period of nonattendance must be used to cover expenses associated with his or her financial need for the next period of enrollment.

A student whose eligibility for summer FWS employment during a period of nonattendance is based on his or her anticipated enrollment in the next period of enrollment may fail to attend the school. **When a student fails to attend for the next period of enrollment, the school that employed the student must be able to demonstrate that the student was eligible for employment and that the school had reason to believe the student intended to study at that school in the next period of enrollment.** At a minimum, the school that employed the student must keep a written record in its files showing that the student had either registered for classes or accepted the school's offer of admittance for the next period of enrollment.



A student in an eligible program of study abroad may be employed during a period of nonattendance preceding the study abroad if he or she will be continuously enrolled in his or her domestic school while abroad and if the student's courses abroad are part of the domestic school's program. In such a case, a student may be employed in a qualified position in the United States, at the home school's branch campus in a foreign country, at a U.S. government facility abroad, or in a U.S. company abroad.

### Mini-Session Example

Bowen University has a summer term made up of three mini-sessions. Ted enrolls in classes for the June and August mini-sessions but does not enroll in any classes for the July mini-session. Ted has a financial need of \$500 for his attendance in two of the summer mini-sessions. Ted also plans to enroll in the following fall semester and has a remaining need of \$250 for that semester. Ted is given a \$750 FWS award in the summer (\$500 for the two summer mini-sessions and \$250 for the fall semester). Ted knows his June mini-session courses will be very demanding, and he will not have time to work. So, Ted earns \$500 during the July mini-session when he has no classes. Ted has classes again in August, but his academic workload is lighter. In August, Ted earns \$250 toward his education costs in the upcoming fall semester.

## EARNINGS DURING MINI-SESSIONS

If a school combines a series of mini-sessions or modules into one term (e.g., three summer mini-sessions into one summer semester), an FWS student attending any of the mini-sessions may earn FWS wages at any time throughout that term. The school may apply those earnings toward the student's financial need for the mini-session(s) attended and/or the next period of enrollment. The school must base the student's financial need for attending the summer term on the period of time for which the student is actually enrolled in the mini-sessions.

The amount of FWS wages a student may earn at any given point in time in the term does not depend on whether or not the student is enrolled in a mini-session at that point in time. The school or student may choose how to distribute the hours worked throughout the summer term.

## GARNISHMENT OF FSA FUNDS IS PROHIBITED



FWS earnings are not subject to garnishment or attachment except to satisfy a debt owed to the Department.

A student's FWS wages may be garnished only to pay any costs of attendance that the student owes the school or that will become due and payable during the period of the award. Schools must oppose any garnishment order they receive for any other type of debt.

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**Garnishment and attachment are prohibited**

HEA 488A(d)

**TIP**

By law, FSA funds may only be used for educational purposes. If your school is not the employer in an off-campus employment arrangement, it must have an effective procedure to notify off-campus employers that garnishment of FWS wages is not permissible.

## PAYMENT FOR FWS TRAINING AND/OR TRAVEL

A student may be paid for training for any FWS employment or for a reasonable amount of time for travel that is directly related to a community service job.

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**Training and travel**

34 CFR 675.18(h)

Because every job requires some type of training, whether formal or informal, the Department allows FWS students to be paid wages during a training period that is conducted for a *reasonable* length of time. This applies regardless of the type of FWS job the student has. A reasonable training period is one that occurs immediately before the student begins the regular duties of the FWS employment and does not exceed approximately 20 hours. Students also may be compensated for a reasonable amount of time to perform ongoing activities (for example, preparation and evaluation time) needed to accomplish their FWS jobs.

Schools may pay students for a reasonable amount of time spent for travel that is directly related to employment in community service activities. Time spent for travel should be reported on the student's FWS time record in the same way hours actually worked are currently reported.

**TIP**

**Schools should provide their students with a form on which students can record travel time separately from time spent working.**

## INTERNAL CONTROLS IN THE FWS PROGRAM— RECONCILIATION, FISCAL, AND PROGRAM RECORDS

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### Fiscal procedures and records

34 CFR 675.19

Your school must reconcile, at least monthly, your FWS draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers. You must also reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to the Department, and resolve all discrepancies.



In addition, you should examine your FWS program and fiscal records at the start of the year and monthly:

- ◆ Do you have a method for verifying that the rate of pay recorded in the payroll system corresponds to the position and experience level in the school's policies and procedures?
- ◆ Do you have a system that records the maximum a student may earn in FWS wages and alerts you if a student approaches that amount?
- ◆ Do you periodically evaluate your rate of expenditures to determine, if that rate continues, whether you will expend less than, the same as, or more than the amount you have budgeted for FWS expenditures?
- ◆ Are your matching funds consistently deposited at the same time you received your federal share?
- ◆ Has your institution drawn just enough funds from G5 for FWS to cover payrolls made? In the FWS program, your requests for funds should always be for a payroll for which data has been entered. Do you often find yourself requesting additional funds or returning unused funds?
- ◆ Do you have a process in place to ensure that students are working the hours reported—that timesheets are accurate?
- ◆ Do you frequently audit payrolls to test whether hours recorded in the payroll system match the hours reported on student timesheets?

## USE OF FWS ALLOCATED FUNDS

### Community service requirements



There are three community service expenditure requirements that a school must meet.

1. A school must use at least 7% of its FWS federal allocation for an award year to pay the federal share of wages to students employed in community service jobs for that year.
2. In meeting the 7% community service requirement, one or more of the school's FWS students must be employed in a
  - reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
  - family literacy project that employs one or more FWS students in family literacy activities.

A school that requests and receives supplemental FWS funds must spend 100% of the supplemental amount in community service positions.



**A school that fails to meet any of these FWS community service requirements will be required to return FWS federal funds in an amount that represents the difference between the amount a school should have spent for community service and the amount it actually spent.** Further, a school that is not compliant with the FWS community service requirements may be subject to a Limitation, Suspension, and Termination (L, S, and T) proceeding, through which the school could be denied future participation in the FWS Program and possibly other FSA programs and/or subject to a substantial fine.

A school may request a waiver of either of these requirements by the annual deadline. The school should include detailed information that demonstrates that the requirement would cause a hardship for students at the school. See the section later in this chapter for more information on waivers.

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### Community service

34 CFR 675.18(g)

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### Definition of community service

The definition of community service has been extended to include the field of emergency preparedness and response. HEOA 441(2)

Effective August 14, 2008.



\*Remember that in meeting the community service minimum requirement, one or more of the school's FWS students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

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### Grants for off-campus community service

The HEOA authorizes (but does not fund) grants to schools to supplement off-campus and community service employment. Grant funds would be used to recruit and compensate students performing off-campus community service (including compensation for time spent in training and for travel directly related to the community service). This program is not currently funded and cannot be implemented until funding is provided by Congress.

HEOA section 446

HEA section 447(b)

## FWS community service waiver request

EA, March 23, 2018.

### TIP

#### Deadline Dates

The Campus-Based Deadline Dates for the upcoming year can be found on the IFAP webpage.

[ifap.ed.gov/ifap/cbp\\_deadlines.jsp](http://ifap.ed.gov/ifap/cbp_deadlines.jsp)

## Waivers of the community service and/or math and reading tutor requirements

A school may request a waiver of the community service and tutor requirements; the request must be submitted electronically before the annual deadline using the Common Origination and Disbursement (COD) website. The fact that it may be difficult for the school to comply with these requirements is not, in and of itself, a basis for granting a waiver.

### Clarification

The school's waiver request must specify whether the school is requesting a waiver of the 7% community service requirement, the reading tutors of children or family literacy project requirement, or both. The waiver must also include detailed information to demonstrate that complying with the requirement(s) would cause hardship for the school's students. If a school has any questions about the community service expenditure requirements or waiver procedures, the school can contact the COD School Relations Center at 1-800-848-0978. Schools will be reminded about the waiver process through communications posted to the IFAP website.

See the graphic *Community Service Waivers* later in this chapter for more information.

## Effect of supplemental FWS awards on minimum community service expenditures

When a school receives supplemental/reallocated FWS funds, the minimum amount of FWS federal funds the school must expend on community service jobs for an award year is one of the following two amounts, whichever is greater:

- ◆ 7% of the sum of
  - your original FWS allocation, plus
  - your FWS supplemental allocation, minus any amount of FWS federal funds you returned through the reallocation process or earlier

OR

- ◆ 100% of your FWS supplemental allocation.

## COMMUNITY SERVICE JOBS

Community service jobs can be either on campus or off campus. *Nonprofit agencies* can qualify as community service employers if the work performed meets the definition of community services in the regulations. See the list of programs and activities that are recognized as appropriate work in community services in the graphic the end of this section. (Note that *private, for-profit organizations* do not qualify as employers for community service under the FWS Program.)

Employing an FWS student in these positions serves the needs of the community and gives the FWS student an enriching and rewarding experience.

**Schools must inform students of FWS community service opportunities available in the local community.** The PPA also requires your school to work with local nonprofit, governmental, and community-based organizations to identify community service opportunities, including those that assist supportive services to students with disabilities. Schools should promote these opportunities to students by notifying each student individually or via general means such as campus websites or publications.

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### More information

- Community service DCL CB-07-08
- Family literacy project DCL CB-98-6
- Community Service 34 CFR 675.18(g)

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### Civics, emergency response, and other teaching projects

In meeting the 7% community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that teach civics in schools, raise awareness of government functions or resources, or increase civic participation.

To the extent practicable, a school must

- give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and
- ensure that the students receive appropriate training to carry out the educational services required.

34 CFR 675.18 (g)(4)(i)

## Community Service Opportunities, Youth Corps Programs, Other Programs, and Activities

The definition of community services for FWS includes work in “service opportunities” or “youth corps,” as defined in Section 101 of the National and Community Service Act of 1990:

**Service opportunity.** A program or project, including a service learning program or project, that enables students or out-of-school youth to perform meaningful and constructive service in agencies, institutions, and situations where the application of human talent and dedication may help meet human, educational, linguistic, and environmental community needs, especially those relating to poverty.

**Youth corps program.** A program, such as a conservation corps or youth service program, that offers full-time, productive work (to be financed through stipends) with visible community benefits in a natural resource or human service setting and that gives participants a mix of work experience, basic and life skills, education, training, and support services.

The definition of “community services” also includes service in agencies, institutions, and activities that are designated in Section 124(a) of the National and Community Service Act of 1990. These include the following conservation corps and human services corps programs, as well as programs that encompass the focus and services of both.

### Conservation corps programs

Conservation corps programs that focus on

- conservation, rehabilitation, and the improvement of wildlife habitat, rangelands, parks, and recreation areas;
- urban and rural revitalization, historical and site preservation, and reforestation of both urban and rural areas;
- fish culture, wildlife habitat maintenance and improvement, and other fishery assistance;
- road and trail maintenance and improvement;
- erosion, flood, drought, and storm damage assistance and controls;
- stream, lake, waterfront harbor, and port improvement;
- wetlands protection and pollution control;
- insect, disease, rodent, and fire prevention and control;
- the improvement of abandoned railroad beds and rights-of-way;
- energy conservation projects, renewable resource enhancement, and recovery of biomass;
- reclamation and improvement of strip-mined land;
- forestry, nursery, and cultural operations; and
- making public facilities accessible to individuals with disabilities.

### Human services corps programs

Human services corps programs that include service in

- state, local, and regional government agencies;
- nursing homes, hospices, senior centers, hospitals, local libraries, parks, recreational facilities, child and adult daycare centers, programs serving individuals with disabilities, and schools;
- law enforcement agencies and penal and probation systems;
- private nonprofit organizations that primarily focus on social service such as community action agencies;
- activities that focus on the rehabilitation or improvement of public facilities; neighborhood improvements; literacy training that benefits educationally disadvantaged individuals;
- weatherization of and basic repairs to low-income housing, including housing occupied by older adults; energy conservation (including solar energy techniques); removal of architectural barriers to access by individuals with disabilities to public facilities; activities that focus on drug and alcohol abuse education, prevention, and treatment; and conservation, maintenance, or restoration of natural resources on publicly held lands; and
- any other nonpartisan civic activities and services that the commission determines to be of a substantial social benefit in meeting unmet human, educational, or environmental needs (particularly needs related to poverty) in the community where volunteer service is to be performed.

See 34 CFR 675.2 Definitions; “Community Service”

## Community Service Waivers

E-Announcement March 27, 2017  
HEA Sec 443(b)(2)(A)  
34 CFR 675.18(g)

The Department, in the past, has approved a limited number of waivers of the community service requirements for schools that have demonstrated that enforcing these requirements would have caused a hardship for their students. Examples of waiver requests include the following:

### Case Study #1—Small FWS allocation

The school had a very small FWS allocation. The supporting information submitted by the school noted that 7% of the school's allocation only provided enough funds for a student to work for a short period of time. Therefore, the school was unable to find placement for a student in community service.

### Case Study #2—Rural area

The school was in a rural area that was located far away from the types of organizations that would normally provide community service jobs. The school provided information that showed its students lacked the means of transportation to get to the town where the community jobs were located. In a similar waiver request in which transportation did exist, a school provided documentation that showed that the transportation costs were extremely high for the students.

### Case Study #3—Specialized program

The school offered only a single program of specialized study that required its students to participate in extensive curriculum and classroom workloads. The school provided information that demonstrated this specialized educational program prevented the students from performing community service jobs at the time those work opportunities were available.

These examples are not the only circumstances that may result in approval of a waiver request; however, you must always submit a justification of your request.

The Department posts an annual announcement to the IFAP website describing the electronic waiver process and giving the deadline date for that year.

A school must submit its waiver request to the Department electronically via the COD website at

### **COD.ed.gov**

For more detail, see the E-Announcement referenced at the beginning of this section.

## Establishing FWS Community Service Jobs

In contacting potential community service agencies, schools should place a priority on jobs that will meet the human, educational, environmental, and public safety needs of low-income individuals.\*

### Step #1: Identify Potential Jobs and Employers

#### Identify jobs

- Brainstorm types of jobs that would meet the community service requirement. What jobs do your students currently hold, on campus or off campus, that meet the community service definition?
- Communicate the community service requirements to your school's student employment office.
- Identify employers.
- Which local community service organizations might be interested in employing your FWS students?
- Contact local nonprofit, government, and community-based organizations to assess their needs and determine what interest exists for employing FWS students.

#### Talk to colleagues

Talk to colleagues at other schools to get ideas on implementing, locating, and developing the community service jobs.

### Step #2: Research Your Students' Interest in Community Service

Research your FWS students' degrees or certificate programs, interests, and skills to determine which recipients might find community service jobs appealing.

### Step #3: Promote Community Service Jobs

- Devise a plan to market community services under the FWS Program to eligible student employers and the community.
- Obtain a listing of potential community service agencies.
- Ask to be a presenter at various organizations' meetings.
- Engage in networking activities.
- Hold and attend job fairs.
- Host a financial aid office "open house."
- Visit local agencies.

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\* There is no formal definition of "low-income individuals" for this purpose, and there is no statutory requirement that a particular number or proportion of the individuals must be low-income persons. Some examples of jobs that provide services to persons in the community who may not necessarily be low-income individuals are jobs that provide supportive services to individuals with disabilities or that prevent or control crime in the community.

### What Is a Family Literacy Project? How Are Family Literacy Activities Defined?

Research shows that children whose parents work with them on literacy skills during early childhood have a better chance of reading well and independently. The family literacy concept recognizes the family as an institution for education and learning and the role of parents as their children's first teachers.

A family literacy program integrates four components. It provides

- literacy or pre-literacy education to children,
- literacy training for parents or other caregivers of children in the program,
- a means of equipping parents or other caregivers with the skills needed to partner with their children in learning, and
- literacy activities between parents or other caregivers and their children.

This definition is consistent with the Even Start and Head Start definitions of Family Literacy programs.

The Department does not define "family literacy activities" for purposes of the community service expenditure requirement or the waiver of the institutional share requirement. The Department gives schools reasonable flexibility to determine the job description and duties for an FWS student performing family literacy activities.

**Family literacy activities are not limited to just tutoring positions.** For example, family literacy activities may include training tutors, performing administrative tasks such as coordinating the tutors, or working as an instructional aide who prepares the materials for the project. However, it would not be reasonable to include janitorial or building repair jobs as family literacy activities.

### Indirect Services

The Department does not intend to indicate that certain activities are more important than others or that only jobs that have direct contact with community members are acceptable. For example, an FWS student working for the Meals on Wheels Program is performing community service when conducting research on where the program is needed, when recruiting or coordinating volunteers to distribute the meals, or when preparing meals for the program, despite having no contact with the community residents. Such indirect services are very important in meeting community needs.

## Community service jobs eligible for FWS

*Community services* are defined as services that are identified by an institution of higher education through formal or informal consultation with local nonprofit, government, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs. These services include

- ◆ such fields as health care, child care, literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, community improvement, and emergency preparedness and response;
- ◆ work in service opportunities or youth corps under AmeriCorps, and service in the agencies, institutions, and activities described later;
- ◆ support services for students with disabilities (including students with disabilities who are enrolled at the school<sup>1</sup>); and
- ◆ activities in which an FWS student serves as a mentor for such purposes as tutoring (see *Employing FWS students as tutors* later in this chapter), supporting educational and recreational activities, and counseling, including career counseling.

To be considered employed in a community service job for FWS purposes, an FWS student does not have to provide a “direct” service. The student must provide services that are designed to improve the quality of life for community residents or to solve particular problems related to those residents’ needs. A school may use its discretion to determine what jobs provide service to the community, within the guidelines provided by the statute, regulations, and the Department. Note that there is a model need assessment at the end of this chapter that can be used with community service agencies.

A university or college is not considered a community for the purposes of the FWS community service requirements. On-campus jobs can meet the definition of community services, provided the services are designed to improve the quality of life for community residents, or to solve problems related to their needs and that they meet the regulatory and statutory provisions pertaining to the applicable FWS employment limitations and conditions.

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1. This is the only statutory exception to the requirement that community service be open and accessible to the community.

### Employing FWS students as tutors

In an effort to increase the reading and math proficiency of our nation's children, tutoring in these areas has become a federal priority. **The FWS regulations authorize a 100% federal share of FWS wages earned by a student who is employed to perform civic education and participation activities, such as**

**TIP**

- ♦ as a reading tutor for preschool-age through elementary school-age children;
- ♦ as a mathematics tutor for children in elementary school through ninth grade; or
- ♦ performing family literacy activities in a family literacy project that provides services to families with preschool-age children or children who are in elementary school.

When employing students as reading tutors, schools must, to the maximum extent possible, give placement priority to schools that are participating in a reading reform project that: (1) is designed to train teachers how to teach reading on the basis of scientific research on reading; and (2) is funded under the Elementary and Secondary Education Act of 1965, as amended. **The school must further ensure that reading tutors receive training from the employing school in the instructional practices used by the school.**

**TIP**

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#### Reading and math tutors

DCL CB-97-12, July 1999

DCL CB-99-12, July 1997

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#### Reading tutors

34 CFR 675.18(g)(3)

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#### Reading and math tutors

Dear Colleague Letter CB-97-12, dated July 1999

Dear Partner Letter CB-99-12, dated July 1997

## Employing FWS Students as Tutors

### What are the requirements for a “reading tutor” or “math tutor?”

The Department does not define “tutor” for the FWS Program. This gives schools flexibility in determining the job description and duties of a tutor. For example, a reading tutor could be an FWS student who reads to a group of preschoolers in a public library.

An FWS student employed as a tutor does not have to meet certain statutory (for reading tutors) or regulatory (for reading and mathematics tutors) educational standards or qualifications for the school to receive an institutional-share waiver. However, an FWS reading or math tutor must have adequate reading or math skills, as appropriate, and the Department strongly recommends that the tutors be well trained before they tutor.

The Department does not require background checks of FWS tutors. However, some state and local jurisdictions may require such checks. The requirements will vary according to the agency or organization involved.

### What is a preschool-age child?

A preschool-age child is a child from infancy to the age at which his or her state provides elementary education.

### What is the definition of an elementary school?

The definition of an elementary school varies from state to state. Because the Department does not wish to interfere with a state’s determination of what constitutes children who are in elementary school, we will not provide guidance on the maximum grade level for elementary school for purposes of the institutional-share waiver for tutoring.

### In what setting must tutoring take place?

Tutoring may be one-on-one or in a group. Tutoring sessions can take place in a school setting or another location, such as a public library or community center. Tutoring sessions can be held during regular school hours, after school, on weekends, or in the summer.

### Can FWS students tutor children in parochial schools?

An FWS student can tutor a child in a parochial school under certain conditions:

- The parochial school must be classified as a private, nonprofit school by the Internal Revenue Service or a state taxing body.
- The work may not involve constructing, operating, or maintaining any part of a building used for religious worship or sectarian instruction.
- The FWS tutor may not use religious material to tutor the child.

### Should tutors be trained?

The Department strongly recommends that the tutors be well trained before they tutor. When an FWS student receives training from a specialist or expert for sufficient duration and intensity, he or she is more likely to be successful with the child he or she is tutoring. Tutor training should emphasize the importance of the tutor’s communication with the regular classroom teacher to maximize effectiveness. The amount and type of training will often vary, depending on the needs of the child being tutored and the subject being studied. (See *Chapter 1* for information on using the administrative cost allowance to pay for the cost of training tutors.)

**Can students be paid while in training?**

Under limited circumstances, an FWS tutor can receive FWS wages while being trained, and these wages can qualify for a waiver of the institutional share. This training period must be only for a reasonable and limited length of time. The Department would not consider a training period of an academic term to be reasonable. The Department would consider a reasonable training period to be one that occurs before the student begins tutoring and that does not exceed approximately 20 hours. A school may not pay an FWS student to take an academic course the school developed to provide classroom training on tutoring children. An FWS student may take such a course as long as he or she is not paid for taking the course (34 CFR 675.18(h)).

**Can students be paid during preparation and evaluation activities?**

The preparation time and evaluation time worked by an FWS tutor qualify for a 100% federal share as long as the time spent for this purpose is reasonable. For example, the Department would consider attending evaluation and preparation meetings once a week for approximately one hour to be reasonable. The Department wants to give some flexibility because of the value of evaluation and preparation time. However, the goal is to spend funds for FWS students to interact with the children in family literacy programs, not for other activities.

**Will a tutoring job always satisfy the community service requirement?**

An FWS tutor job might qualify for a waiver of the institutional share (100% federal share) but not qualify as part of the 7% community service requirement. If, for example, a postsecondary school employs FWS students to tutor young children in its daycare center and the center is not open and accessible to the community, the job would qualify for the waiver but would not qualify as part of the 7% community service requirement.

**What if the FWS student is training tutors, performing related administrative tasks, or works another FWS job?**

The wages of an FWS student who is training tutors or who is performing administrative tasks related to supporting other people who are actually providing the reading or mathematics tutoring do not qualify for a federal share of up to 100%; rather, an institutional share is required.

Remember that it is the FWS reading or mathematics tutor job, not the student working in the job, that qualifies for the institutional-share waiver. Thus, an FWS student who is working another FWS job in addition to the tutor job can be paid with 100% federal funds only for the time he or she is working as a tutor, not for time spent on the other job. If, for example, an FWS student spends only half of his or her time working as a reading tutor (including preparation and evaluation time) and the other half on non-tutoring tasks, the student may be paid 100% federal funds only for half the time, and the other half must be paid with a maximum of 75% federal funds and a minimum of 25% nonfederal funds.

**How can my school start placing FWS students as tutors?**

Your school may construct its own reading tutor program or join existing community programs.

You may use the Job Location and Development (JLD) Program to locate or develop jobs for FWS students as tutors of children. However, you may not use JLD funds exclusively for this purpose because you would be in violation of the JLD statutory requirement to expand off-campus jobs for currently enrolled students who want jobs regardless of their financial need.

## WORK ON CAMPUS (SCHOOL IS EMPLOYER)

### On-campus employment

34 CFR 675.21

#### Employment in a Foreign Country

Normally, employment in a foreign country is not permissible under the law. However, a school with an additional location in a foreign country may employ students under FWS if the branch has its own facilities, administrative staff, and faculty. Students may also be employed by a U.S. government facility such as an embassy or a military base. A student may not be employed for a nonprofit organization in a foreign country.

A student may be employed on campus at any type of postsecondary institution, including at a proprietary school. The FWS regulations define institution of higher education as a public or private nonprofit institution, a proprietary institution or a postsecondary vocational institution.

A school, other than a proprietary school, may employ a student to work for the school itself, including certain services for which the school may contract, such as food service, cleaning, maintenance, and security. Work for the school's contractors is acceptable as long as the contract specifies the number of students to be employed and specifies that the school selects the students and determines their pay rates.

A proprietary school also may employ a student to work for the school itself with certain restrictions (discussed under "Work for a Proprietary School").

At any type of postsecondary institution, including proprietary schools, an FWS student may be assigned to assist a professor if the student is doing work the school would normally support under its own employment program. Having a student serve as a research assistant to a professor is appropriate, as long as the work is in line with the professor's official duties and is considered work for the school itself.

## WORK FOR A PROPRIETARY SCHOOL

A proprietary school may employ a student to work for the school itself, but only in jobs that meet certain criteria.

If the jobs are in community service, they may be either on or off campus. **Students employed by a proprietary school and performing community service do not have to provide student services that are directly related to their education.**

If the jobs are not in community service, they must be on campus and must provide student services that are directly related to the FWS student's training or education. To the maximum extent possible, the job must complement and reinforce the FWS student's educational program or vocational goals. The job *may not* involve soliciting potential students to enroll at the proprietary school.

**TIP** In general, jobs that primarily benefit the proprietary school are not student services. For example, jobs in facility maintenance or cleaning are never student services. See the sidebar for examples of jobs that do not provide student services. Again, this list is not exhaustive. Jobs in the admissions or recruitment area of a school are not acceptable student services because such jobs are considered to involve soliciting potential students to enroll at the school.

The noncommunity service job must provide student services that are directly related to the FWS student's training or education. This does not mean that the FWS student must be enrolled in an academic program for that field. Instead, it means that the FWS student must be receiving work experiences that are directly applicable to the skills needed for his or her career path. For example, an FWS student enrolled in an air-conditioning repair program wants to work in the school's library. Although the student is not pursuing a career as a librarian, the student would still be able to work in the library. The job is directly related to his or her training because he or she is learning customer service and basic office functions that are applicable to work in an air-conditioning repair shop or dealership. Similarly, a job in another student service office such as financial aid, registrar, and job placement would also be considered directly related to the FWS student's training.

### Proprietary school employment

34 CFR 675.21(b)

A proprietary school also may employ a student to work for the school itself with certain restrictions (see "Work for a Proprietary School" in this section).

#### Student Services

Student services may include

- jobs in financial aid,
- jobs in a library,
- peer guidance counseling,
- job placement,
- assisting an instructor with curriculum-related activities (e.g., teaching assistant),
- security,
- social and health services, and
- tutoring.

Student services never include

- facility maintenance,
- cleaning,
- purchasing, and
- public relations.

34 CFR 675.2(b)

Student services are services that are offered to students. Students are persons enrolled or accepted for enrollment at the school. An FWS student who provides services only to the school's former students is not providing student services because the services are not offered to currently enrolled students. However, an FWS student who provides services to both current students and former students is providing student services because the services are offered to currently enrolled students. For example, an FWS student provides job placement assistance to current students and alumni of the school. The FWS student is considered to be providing student services because his or her services are offered to current students and alumni.

Student services do not have to be direct services or involve personal interaction with other students. Services are considered student services if the services provide a benefit either directly or indirectly to students. For example, an FWS student may work in assisting an instructor in the lab or in other work related to the instructor's official academic duties at the school. See the sidebar on the previous page for an expanded list of examples of jobs that provide student services. The list is not exhaustive. The fact that a job has some operational functions does not preclude it from being an acceptable FWS job as long as it furnishes student services.

## WORK OFF CAMPUS

A postsecondary school (including a proprietary school) may use FWS funds to pay a portion of the wages of a student who is employed off campus by certain nonprofit agencies or private employers.

### *Work off campus for nonprofit or government agency*

#### TIP

If a student is employed off campus by a federal, state, or local public agency or by a private nonprofit organization, providing jobs related to the student's academic or vocational goals is encouraged but not required.

A private nonprofit organization is one in which no part of the net earnings of the agency benefits any private shareholder or individual. An organization must be incorporated as nonprofit under federal or state law. A school classified as a tax-exempt organization by either the federal or state Internal Revenue Service meets this requirement. Examples of private nonprofit organizations generally include hospitals, day care centers, halfway houses, crisis centers, and summer camps.

### *Work must be “in the public interest”*

Work performed off campus *must be in the public interest*. Work in the public interest is defined as work performed for the welfare of the nation or community rather than work performed for a particular interest or group.

Work is not “in the public interest” if it

- ◆ primarily benefits the members of an organization that has membership limits, such as a credit union, a fraternal or religious order, or a cooperative;
- ◆ involves any partisan or nonpartisan political activity or is associated with a faction in an election for public or party office;
- ◆ is for an elected official unless the official is responsible for the **regular** administration of federal, state, or local government;
- ◆ is work as a political aide for any elected official;
- ◆ takes into account a student's political support or party affiliation in hiring him or her; or
- ◆ involves lobbying on the federal, state, or local level.

#### Off-campus agreements

34 CFR 675.20(b)

#### Employment by a federal, state, or local public agency, or a private nonprofit organization

34 CFR 675.23

#### Work in the Public Interest: Examples

In deciding whether work is in the public interest, schools must consider the nature of the work as well as that of the organization. For example, a private nonprofit civic club may employ a student if the student's work is for the club's community drive to aid handicapped children. If the student's work is confined to the internal interests of the club, such as a campaign for membership, the work would benefit a particular group and would not be in the public interest. As another example, a student may work for a private nonprofit membership organization, such as a golf club or swimming pool, if the general public may use the organization's facilities on the same basis as its members. If only members may use the facilities, FWS employment is not in the public interest.

**Political activity, whether partisan or nonpartisan, does not qualify as work in the public interest.** For example, a student is not considered to be working in the public interest if working at voting polls—even if he or she only checks off the names of those who came to vote and does not pass out flyers supporting a particular candidate. Also, a student is not considered to be working in the public interest if working to support an independent candidate. Another example of nonpartisan political activity is work for a city political debate.

**Working for an elected official as a political aide also does not qualify as work in the public interest.** For example, a student could not represent a member of Congress on a committee. However, a student could be assigned to the staff of a standing committee of a legislative body or could work on a special committee, as long as the student would be selected on a nonpartisan basis and the work performed would be nonpartisan.

**TIP**

Under certain circumstances, work for an elected official responsible for the *regular administration* of federal, state, or local government may be considered to be in the public interest. “Regular administration” means the official is directly responsible for administering a particular function. Such a person would not create, abolish, or fund any programs but would run them. Working for a sheriff would be acceptable, as would working for an elected judge (because he or she has direct responsibility for the judicial system).

As stated previously, any *political* activity would not be acceptable—raising funds for the official’s re-election, for example. An FWS position that involves lobbying at the federal, state, or local level is not work in the public interest. FWS students are prohibited from working for the U.S. Department of Education due to the potential appearance of conflict of interest.

### ***Work off campus for private for-profit companies***

Schools also may enter into agreements with private for-profit companies to provide off-campus jobs for students; however, these jobs must be academically relevant, to the maximum extent practicable, to the student’s program of study. (A student studying for a business administration degree could work in a bank handling customer transactions, for example.) Private for-profit organizations do not qualify as employers for community service under the FWS Program.

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#### **Work for private for-profits**

34 CFR 675.23

## Employment in apprenticeships through the FWS Program

### Clarification

A school may use its FWS Program funds to pay the training wages for otherwise eligible FWS students employed as apprentices, even when the apprenticeship is not part of the student's eligible academic program.

The Department allocates FWS federal funds to institutions under a statutory formula that requires an institutional match. While the federal share of an FWS student's wages generally may not exceed 75% for a student employed by the school or by a public or nonprofit agency, the federal share may not exceed 50% for a student employed by a private for-profit entity. Moreover, a school may only use a maximum of 25% of its total FWS federal allocation to pay the wages of FWS students employed by private for-profit organizations. Any student enrolled at a postsecondary institution participating in the FWS program is eligible for FWS employment if the student meets all federal student aid eligibility requirements, including having financial need.

Under certain conditions, and at the school's discretion, employment under the FWS Program may include employment in apprenticeships. If a school chooses to include one or more apprenticeships as part of its FWS Program, selected FWS eligible students may receive FWS wages for employment in the apprenticeship regardless of whether or not the apprenticeship comprises part of the student's educational program. Finally, FWS wages earned as part of apprenticeships are not used in determining the student's eligibility for federal student aid in the following year.

A job under the FWS Program must be suitable to the scheduling and other needs of the student and must, to the maximum extent practicable, complement and reinforce the educational programs or vocational goals of the student. The wage rate and other conditions of FWS employment, including in an apprenticeship program, are determined by, among other things, minimum wage rules, the type of work performed, the geographic region, the student's proficiency, and any applicable federal, state, or local law.

Financial aid administrators at postsecondary institutions are responsible for ensuring compliance with Federal laws and regulations regarding FWS employment, including employment in apprenticeship programs. Apprenticeship providers must coordinate with postsecondary institutions to ensure compliance with all relevant requirements.

**Please review DCL GEN-14-22, December 18, 2014, for a complete discussion of Apprenticeships and the Federal Student Aid Programs.**

### Apprenticeships and Federal Work Study

DCL ID: GEN-14-22

## Off-campus agreements

**If your school would like an off-campus organization to employ FWS students, your school must enter into a written agreement—a contract—with the off-campus organization.** A written agreement is required with the off-campus organization even if your school is considered the employer of the FWS student. The school must make sure the off-campus organization is a reliable agency with professional direction and staff and that the work to be performed is consistent with the purpose of the FWS Program. Note that there is a model off-campus agreement at the end of this chapter. The model need not be followed exactly but serves as a guide.



The agreement should specify what share of student compensation and other costs will be paid by the off-campus organization. For-profit organizations **must** pay the nonfederal share of student earnings. Any off-campus organization **may** pay

- ◆ the nonfederal share of student earnings;
- ◆ required employer costs, such as the employer's share of Social Security or workers' compensation; and
- ◆ the school's administrative costs not already paid from its Administrative Cost Allowance (ACA).

The agreement sets forth the FWS work conditions and establishes whether the school or the off-campus organization will be the employer for such purposes as hiring, firing, and paying the student. The employer is generally considered to be the entity that will control and direct the work of the FWS students—supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly. However, the school is ultimately responsible for making sure that payment for work performed is properly documented and that each student's work is properly supervised.

The agreement should define whether the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, or whether the school will pay the students and bill the off-campus organization for its contribution. The school must make up any payments the off-campus organization does not make. **It is the school's responsibility to ensure that FWS payments are properly documented, even if the off-campus organization does the payroll.** To fulfill that responsibility, the school must keep copies of time sheets and payroll vouchers and keep evidence that the students were actually paid (usually copies of the canceled checks or receipts signed by the students).



The school is also responsible for ensuring that each student's work is properly supervised. School officials should periodically visit each off-campus organization with which they have an off-campus agreement to determine whether students are doing appropriate work and whether the terms of the agreement are being fulfilled.

The agreement must state whether the school or off-campus organization is liable for any on-the-job injuries to the student. The employer is not automatically liable. Federal FWS funds cannot be used to pay an injured student's hospital expenses.

In determining whether to continue an off-campus agreement, many schools have found it helpful to require that students submit a formal evaluation of their work experience at the end of the assignment. The school may also use the evaluation to help off-campus agencies improve their work programs.

Staff members of the off-campus organization must become acquainted with a school's financial aid and student employment programs to better understand the school's educational objectives. The school must supply the off-campus organization with this information.

If a school receives more money under an employment agreement with an off-campus agency than the sum of

- ◆ required employer costs,
- ◆ the school's nonfederal share, and
- ◆ any share of administrative costs the employer agreed to pay,

the school must handle the excess in one of three ways:

1. Use it to reduce the federal share on a dollar-for-dollar basis.
2. Hold it in trust for off-campus employment during the next award year.
3. Refund it to the off-campus employer.

### *Providing the federal share and billing for the employer's share*

If an off-campus agreement specifies that the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, the school will be sending federal funds to the off-campus organization. **The agreement with the school should include the procedures the off-campus organization must follow and the documents it must provide in order to be reimbursed for the federal portion of a student's salary.**

**TIP**

Your school should have written policies that describe the aforementioned procedures, the documentation the off-campus organization must provide, and how the reimbursement process will be handled. **Your accounting entries must completely track the payment of the federal share to the off-campus organization and must be backed by the original documents specified in your policies. Your school is liable for federal funds expended for which it does not have proper records or documentation.**

If your agreement with the off-campus organization specifies that the school will pay the students and bill the off-campus organization for its share, the agreement should include the steps the school will take, the documentation the school will provide, and the time frame within which the off-campus employer will pay the school its share of the FWS compensation.

Your school should have a system for ensuring that off-campus employers are billed for their share of FWS wages in a timely manner. In addition, you should have a system for following up if bills remain unpaid after a reasonable period of time. Your accounting entries must completely track the billing and receipt of the employer's share and must be backed by any original documents required (e.g., detail of the wages paid to students and calculation of the employer's share).

## JOB LOCATION AND DEVELOPMENT PROGRAM

### JLD Program

34 CFR 675 Subpart B

#### JLD purpose and description

34 CFR 675.31 & 34 CFR 675.32

The JLD Program is a part of the FWS Program. An institution is allowed to use part of the federal funds it receives under the FWS Program to establish or expand a JLD Program.

The JLD Program locates and develops off-campus job opportunities for students who are currently enrolled in eligible institutions of higher education and who want jobs regardless of financial need. This means that jobs may be located and developed under the JLD Program for FWS and non-FWS eligible students.

Under the JLD Program, your school must locate and develop off-campus jobs that are suitable to the scheduling and other needs of the employed student and must, to the maximum extent practicable, complement and reinforce the educational program or vocational goal of the student.

JLD jobs may be part-time or full-time, for either a for-profit or non-profit employer.

### JLD and Community Service

The JLD Program encourages students to participate in community service activities. Your school must inform all eligible students of the opportunity to perform community services and must develop and make available information about community service opportunities. The JLD Program uses the same definition of community services that the FWS Program employs. However, the JLD Program does not have a specific minimum community service requirement, as does the FWS Program.

### JLD Program participation

A school that participates in the FWS Program is also eligible to participate in the JLD Program. A school that has an executed PPA for the FWS Program may participate in the JLD Program without any prior contact with the Department and without any revision to its PPA. Under the PPA, the school agrees to administer the JLD Program according to the appropriate statutory and regulatory provisions.

If the Department terminates or suspends a school's eligibility to participate in the FWS Program, that action also applies to the school's JLD Program.

**TIP**

## Student eligibility



Any student employed in a job developed under the JLD Program must be currently enrolled at the school placing him or her in a job. A school may place in JLD jobs both students who do not meet FWS student eligibility criteria and those who do meet those criteria. However, using JLD funds to find jobs only for FWS students would not satisfy the program purpose of expanding off-campus jobs for students who want jobs regardless of financial need.

## Use of FWS allocation for JLD Program

When establishing or expanding a program to locate and develop off-campus jobs, including community service jobs, a school may use up to the lesser of

- ◆ 10% of its FWS allocation and reallocation, or
- ◆ \$75,000.

## Use of JLD Program funds

Your school may use federal JLD funds to pay for the cost of establishing and administering the JLD Program. You may not use JLD funds to

- ◆ pay students whose jobs were located and developed through the JLD Program;
- ◆ locate and develop jobs at your school or other eligible schools;
- ◆ place students upon graduation; and
- ◆ displace employees or impair existing service contracts.

A school is expected to generate total student wages exceeding the total amount of the federal funds spent under JLD.

## Federal share limitation



You may use federal FWS funds to pay up to 80% of the allowable costs in the JLD program (listed under *Allowable program costs*). **Your school must provide the remaining 20% of allowable costs either in cash or in services. This requirement, unlike the institutional-share requirement for FWS earnings, cannot be waived.**

Your school's 20% share may be either (1) 20% of each allowable cost, or (2) varying percentages of allowable costs, as long as its total expenditures of institutional funds and/or provision of services equals at least 20% of the total allowable costs for the JLD Program.



You must maintain records that indicate the amount and sources of your school's matching share. Procedures and records requirements for JLD are the same as those for all Campus-Based Programs.

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### Use of JLD funds

34 CFR 675.35(b)(3)

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### Federal and institutional shares

34 CFR 675.33(b) & (c)

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### Prohibition on using funds on campus

34 CFR 675.35(a)(3)(i)

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### Maximum federal funds for JLD Programs

34 CFR 675.32

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### JLD limits

Effective August 14, 2008, the amount of FWS funds institutions of higher education may use for the JLD Program increases to not more than 10% or \$75,000 of their FWS allocations.

HEOA section 445

HEA section 445(a)(1)

Effective date: August 14, 2008

## Allowable program costs

### Allowable costs

34 CFR 675.33(a)

#### Counting an Employee's Salary Toward a School's Institutional Match

The portion of an employee's salary earned while performing activities in the JLD program may be considered part of the school's required institutional match. The amount of the employee's salary a school can apply toward its institutional match depends on the salary of the employee and how much time he or she spends in developing qualifying jobs.

For example, if the employee's salary were \$50,000 and he or she spent one out of five days a week—or 20% of his or her time—in JLD activities, the maximum amount of the employee's salary that your school could apply toward your institutional match would be  $\$50,000 \times 20\% = \$10,000$ .

Note that in a program review, a school could be required to document

- the time the employee worked developing new off-campus jobs; and
- in any year in which the school spent a portion of its federal funds toward developing new off-campus (including community service) jobs for students, some new qualifying jobs were actually created.

Allowable costs of carrying out the JLD Program include

- ♦ staff salaries (and fringe benefits, if they are the same as those paid to other institutional employees in comparable positions and are not paid to a student employed through the FWS Program);
- ♦ travel expenses related to JLD activities;
- ♦ printing and mailing costs for brochures about the JLD Program;
- ♦ JLD telephone charges, including installation of a separate line for off-campus employers;
- ♦ JLD costs for supplies, equipment, and furniture;
- ♦ newspaper or other types of advertising that inform potential employers of the services JLD offers; and
- ♦ JLD workshops for students and employers.

Costs that are not allowable are costs related to purchasing, constructing, or altering the facilities that house a JLD project. Indirect administrative costs also are **not** allowable. One example of an indirect administrative cost is a portion of the salary of someone who is not directly involved in the program, such as the JLD director's supervisor. Other examples of indirect administrative costs are lighting, heating, or custodial costs incurred as part of the normal operations of the facility in which the JLD program is administered, such as the financial aid or placement offices.

### Students as staff in the JLD Program office

The prohibition against using JLD funds to locate and develop jobs at any school *does not* mean that your school is also prohibited from employing FWS and non-FWS students as staff in the JLD Program office. Your school may employ FWS and non-FWS students as staff in the JLD Program office as long as you do not use JLD funds to locate and develop these jobs. For example, your school could use the FWS Program to employ an FWS student as a staff member in the JLD Program office.

**TIP**

If your school places an FWS student as staff in the JLD Program office, there are some important points to note. The statute and the FWS regulations prohibit the use of any funds allocated under the FWS Program from being used to pay the institutional share of FWS compensation to its students. Hence, your school may not use federal JLD funds to pay the institutional share of FWS wages earned by an FWS student working as staff in the JLD Program office. Instead, you must use your school's funds to pay the institutional share of these wages.

### Multi-institutional JLD Programs

Your school may enter a written agreement with other eligible schools for those schools to establish and operate a JLD Program for its students. The agreement must designate the administrator of the program and must specify the terms, conditions, and performance standards of the program. **Each school that is part of the agreement retains responsibility for properly disbursing and accounting for the federal funds it contributes under the agreement.**



For example, each school must show that its own students have earned wages that exceed the amount of federal funds the school contributed to locate and develop those jobs. This fiscal information must be reported on each school's FISAP.

**TIP**

If your school uses federal funds to contract with another school, suitable performance standards must be part of that contract. Performance standards should reflect each school's philosophy, policies, and goals for the JLD Program. You may not develop performance standards, conditions, or terms that are inconsistent with the statute or regulations. In all cases, the performance standards should be clearly understandable, because they will be included in the formal written agreement that each party must observe as part of its responsibility within the particular arrangement.

### Use of JLD program funds to develop apprenticeship programs

**TIP**

A school is permitted to use a portion of the FWS funds it allocates for locating and developing off-campus job opportunities to identify apprenticeship opportunities and help employers develop jobs that are part of apprenticeship programs—regardless of whether the students are recipients of federal student aid.

### Multi-institutional JLD programs

34 CFR 675.34

#### JLD Reporting on the FISAP

If your school participates in the JLD Program during an award year, you must provide information about its JLD activities on the FISAP. You must report the total JLD expenditures, federal expenditures for JLD, institutional expenditures for JLD, number of students for whom jobs were located or developed, and total earnings for those students.

Your school **may not** include student staff jobs in the JLD office on the FISAP in the JLD section for reporting the count of students and the earnings of students for whom jobs were located or developed through the JLD Program. However, if your school used its own funds to pay the institutional share of wages for student staff jobs, you may count those funds in meeting the minimum 20% institutional-share requirement for the JLD Program.

## WORK-COLLEGES PROGRAM

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### Work-Colleges Program

34 CFR 675 Subpart C

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#### Purpose

34 CFR 675.43

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#### Definition

34 CFR 675.41

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#### Application to participate in the Work-Colleges Program

E-Announcement 02-01-2012

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### Additional citations

The Higher Education Opportunity Act of 2008 introduced the term “work-learning-service” and revised the definition of “Work-Colleges.”

HEOA section 447

HEA section 448

The Work-Colleges Program is separate from the FWS Program and schools qualifying to participate in the Work-Colleges Program receive a separate Campus-Based funding allocation in addition to their FWS allocation.

The term “work college” is defined as an eligible school that

- ◆ has been a public or private nonprofit, four-year, degree-granting institution with a commitment to community service;
- ◆ has operated a *comprehensive work-learning-service program* as described below for at least two years;
- ◆ requires resident students, including at least one-half of all students who are enrolled on a full-time basis, to participate in a comprehensive work-learning-service program for at least five hours each week, or at least 80 hours during each period of enrollment (except summer school), unless the student is engaged in a school-organized or approved study abroad or externship program; and
- ◆ provides students participating in the comprehensive work-learning-service program with the opportunity to contribute to their education and to the welfare of the community as a whole.

A comprehensive student work-learning-service program is a student work-service program that

- ◆ is an integral and stated part of the institution’s educational philosophy and program;
- ◆ requires participation of all resident students for enrollment and graduation;
- ◆ includes learning objectives, evaluation, and a record of work performance as part of the student’s college record;
- ◆ provides programmatic leadership by college personnel at levels comparable to traditional academic programs;
- ◆ recognizes the educational role of work-learning-service supervisors; and
- ◆ includes consequences for nonperformance or failure in the work-learning-service program similar to the consequences for failure in the regular academic program.

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### Comprehensive student work-learning-service program

42 U.S.C. 2756b [HEA Section 448]

34 CFR 675.41(b)

### Additional Rules and Requirements for Work Colleges

Work Colleges must provide a minimum dollar-for-dollar institutional match for all jobs in the Work-Colleges Program. Unlike the FWS Program, there are no exceptions to this matching requirement. This includes (but is not limited to) those exceptions for the FWS Federal share discussed in Chapter 1. For example, a student performing reading tutor or family literacy activities under the Work-Colleges Program must still be paid with funds that are matched by the school on a dollar-for-dollar basis.

Work Colleges may transfer up to 100% of their FWS (initial plus supplemental) to their Work-College allocation. All FWS funds transferred to the Work-College Program must be matched dollar for dollar.

If a school transfers a portion or all of its FWS allocation into the Work-Colleges Program, the funds must be used for the purpose of carrying out the Work-Colleges Program to provide flexibility in strengthening the self-help-through-work element.

A school may not transfer any of its Work-College allocation to the FSEOG Program. A school may carry forward and carry back up to 10% of its allocated Work-College funds.

Work Colleges receive an allocation under the FWS Program and another allocation under the Work-Colleges Program. The school must set up two accounting records, one for each of these programs. (This is true even though the allocation for the FWS Program and the Work-Colleges allocation are in one G5 account.) If a school transfers a portion or all of its FWS allocation into the Work-Colleges Program, the accounting records for each program must clearly show that transfer.

A school may only award and pay funds under the Work-Colleges Program to students who have a financial need. Students without financial need and students whose need has been met through other financial assistance must be paid with institutional funds only.

Under the Work-Colleges Program, there is no limit for JLD activities. However, when performing JLD activities under the Work-Colleges Program the match is always on a dollar-for-dollar basis.

Under both the FWS Program and the Work-Colleges Program, a school may receive the regular administrative cost allowance based on total compensation paid to eligible students (5% for the first \$2,750,000 spent under campus-based, etc). However, in this case you may not claim funds twice by also using the separate Work-Colleges allowable administrative allowance to pay for the same costs.

In their administration of a Work-College Program, schools must adhere to all of the applicable FWS regulations in 34 CFR 675.

### *Allowable program costs*

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**Allowable costs**

34 CFR 675.45

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**Unallowable costs**

34 CFR 675.46

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**Multi-institutional programs**

34 CFR 675.47

Allocated program funds may be used to

- ◆ support the educational costs of students through self-help provided under the work-learning-service program within the limits of their demonstrated financial need;
- ◆ promote the work-learning-service experience as a tool of education and community service;
- ◆ carry out FWS and JLD program activities;
- ◆ administer, develop, and assess comprehensive work-learning-service programs;
- ◆ coordinate and carry out joint projects and activities to promote learning through work-service; and
- ◆ conduct a comprehensive longitudinal study of academic progress and academic and career outcomes.

# Model Off-Campus Agreement

*The paragraphs below are suggested as models for the development of a written agreement between a school and a federal, state, or local public agency or a private nonprofit organization that employs students who are attending that school and who are participating in the Federal Work-Study (FWS) Program. Institutions and agencies or organizations may devise additional or substitute paragraphs as long as they are not inconsistent with the statute or regulations.*

This agreement is entered into between \_\_\_\_\_, hereinafter known as the “Institution,” and \_\_\_\_\_, hereinafter known as the “Organization,” a (federal, state, or local public agency), (private nonprofit organization), (strike one), for the purpose of providing work to students eligible for the Federal Work-Study [FWS] Program.

Schedules to be attached to this agreement from time to time must be signed by an authorized official of the institution and the organization and must include the following:

1. brief descriptions of the work to be performed by students under this agreement
2. the total number of students to be employed
3. the hourly rates of pay
4. the average number of hours per week each student will work

These schedules will also state the total length of time the project is expected to run, the total percent, if any, of student compensation that the organization will pay to the institution, and the total percent, if any, of the cost of employer’s payroll contribution to be borne by the organization. The institution will inform the organization of the maximum number of hours per week a student may work.

Students will be made available to the organization by the institution to perform specific work assignments. Students may be removed from work on a particular assignment or from the organization by the institution, either on its own initiative or at the request of the organization. The organization agrees that no student will be denied work or subjected to different treatment under this agreement on the grounds of race, color, national origin, or sex. It further agrees that it will comply with the provisions of the Civil Rights Act of 1964 (Pub. L. 88-352; 78 Stat. 252) and Title IX of the Education Amendments of 1972 (Pub. L. 92-318) and the Regulations of the Department of Education that implement those acts. Two examples of off-campus agreements are included to provide additional guidance.

## **Where appropriate, any of the following three paragraphs or other provisions may be included.**

1. Transportation for students to and from their work assignments will be provided by the organization at its own expense and in a manner acceptable to the institution.
2. Transportation for students to and from their work assignments will be provided by the institution at its own expense.
3. Transportation for students to and from their work assignments will not be provided by either the institution or the organization.

### Sample language to specify employer

Whether the institution or the organization will be considered the employer of the students covered under the agreement depends upon the specific arrangement as to the type of supervision exercised by the organization. It is advisable to include some provision to indicate the intent of the parties as to who is considered the employer. As appropriate, one of the two paragraphs below may be included.

Although the following paragraphs attempt to fix the identity of the employer, they will not necessarily be determinative if the actual facts indicate otherwise. Additional wording that specifies the employer's responsibility in case of injury on the job may also be advisable, since federal funds are not available to pay for hospital expenses or claims in case of injury on the job. In this connection, it may be of interest that one or more insurance firms in at least one state have, in the past, been willing to write a workers' compensation insurance policy that covers a student's injury on the job, regardless of whether it is the institution or the organization that is ultimately determined to have been the student's employer when the student was injured.

1. The institution is considered the employer for purposes of this agreement. It has the ultimate right to control and direct the services of the students for the organization. It also has the responsibility to determine whether the students meet the eligibility requirements for employment under the Federal Work-Study Program, to assign students to work for the organization, and to determine that the students do, in fact, perform their work. The organization's right is limited to direction of the details and means by which the result is to be accomplished.
2. The organization is considered the employer for purposes of this agreement. It has the right to control and direct the services of the students, not only as to the result to be accomplished, but also as to the means by which the result is to be accomplished. The institution is limited to determining whether the students meet the eligibility requirements for employment under the Federal Work-Study Program, to assigning students to work for the organization, and to determining that the students do perform their work.

### Sample language to specify responsibility for payroll disbursements and payment of employers' payroll contributions

Compensation of students for work performed on a project under this agreement will be disbursed—and all payments due as an employer's contribution under state or local workers' compensation laws, under federal or state Social Security laws, or under other applicable laws, will be made—by the (organization) (institution) (strike one).

### If appropriate, any of the following paragraphs may be included:

1. At times agreed upon in writing, the organization will pay to the institution an amount calculated to cover the organization's share of the compensation of students employed under this agreement.
2. In addition to the payment specified in paragraph (1) above, at times agreed upon in writing, the organization will pay, by way of reimbursement to the institution, or in advance, an amount equal to any and all payments required to be made by the institution under state or local workers' compensation laws, or under federal or state Social Security laws, or under any other applicable laws, on account of students participating in projects under this agreement.
3. At times agreed upon in writing, the institution will pay to the organization an amount calculated to cover the federal share of the compensation of students employed under this agreement and paid by the organization. Under this arrangement, the organization will furnish to the institution for each payroll period the following records for review and retention:
  - a) Time reports indicating the total hours worked each week in clock time sequence and containing the supervisor's certification as to the accuracy of the hours reported.
  - b) A payroll form identifying the period of work, the name of each student, each student's hourly wage rate, the number of hours each student worked, each student's gross pay, all deductions and net earnings, and the total federal share applicable to each payroll.\*

and

  - c) Documentary evidence that students received payment for their work, such as photographic copies of canceled checks.

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1. \* These forms, when accepted, must be countersigned by the institution as to hours worked and the accuracy of the total federal share to be reimbursed to the organization or agency.

# Model Need Assessment for FWS Community Service Program

Agency Name: \_\_\_\_\_

Date: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Phone: \_\_\_\_\_

Address: \_\_\_\_\_

1. \_\_\_\_\_ Nonprofit \_\_\_\_\_ For-profit

2. Agency Mission Statement and Description of Clients Served:

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3. Agency Funding Sources (check all that apply):

\_\_\_\_\_ Federal

\_\_\_\_\_ State

\_\_\_\_\_ County/City

\_\_\_\_\_ United Way

\_\_\_\_\_ Other (explain)

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4. Agency's Fiscal Year: \_\_\_\_\_ to \_\_\_\_\_

**5. Agency's Staffing (number of positions):**

\_\_\_\_\_ Full-time paid staff

\_\_\_\_\_ Part-time paid staff

\_\_\_\_\_ Student employees

\_\_\_\_\_ Volunteers

**6. How many student jobs may be available at your agency during:**

Summer 20xx \_\_\_\_\_

20xx–20xx Academic Year \_\_\_\_\_

Summer 20xx \_\_\_\_\_

**7. For each student job expected to be available as indicated in #6, provide the following information, attaching a separate sheet for each position.**

Job Title \_\_\_\_\_

Rate or Range of Pay per Hour \_\_\_\_\_

Begin and End Dates \_\_\_\_\_ to \_\_\_\_\_

Work Schedule—Days and Hours \_\_\_\_\_

Maximum Total Hours per Week \_\_\_\_\_

Description of Duties \_\_\_\_\_

Qualifications and Experience (indicate preferred or required) \_\_\_\_\_

**8. Has your agency hired students through the Federal Work-Study Program in the past?**

\_\_\_\_\_ YES \_\_\_\_\_ NO

If YES:

Number of students: \_\_\_\_\_

Dates employed: \_\_\_\_\_

Average length employed: \_\_\_\_\_

**9. Additional Comments:**

## Crediting FWS Funds to Students' Accounts and Paying Credit Balances

### 34 CFR 675.16(b) Crediting a student's account at the institution.

(1) If the institution obtains the student's authorization described in paragraph (d) of this section, the institution may use the FWS funds to credit a student's account at the institution to satisfy

- (i) Current year charges for
  - (A) Tuition and fees;
  - (B) Board, if the student contracts with the institution for board;
  - (C) Room, if the student contracts with the institution for room; and
  - (D) Other educationally related charges incurred by the student at the institution; and
- (ii) Prior award year charges with the restriction provided in paragraph (b)(2) of this section for a total of not more than \$200 for
  - (A) Tuition and fees, room, or board; and
  - (B) Other institutionally related charges incurred by the student at the institution.

(2) If the institution is using FWS funds in combination with other Title IV, HEA program funds to credit a student's account at the institution to satisfy prior award year charges, a single \$200 total prior award year charge limit applies to the use of all the Title IV, HEA program funds for that purpose.

### (c) Credit balances.

Whenever an institution disburses FWS funds by crediting a student's account and the result is a credit balance, the institution must pay the credit balance directly to the student as soon as possible, but no later than 14 days after the credit balance occurred on the account.

### (d) Student authorizations.

(1) Except for the noncash contributions allowed under paragraph (e)(2) and (3) of this section, if an institution obtains written authorization from a student, the institution may

- (i) Use the student's FWS compensation to pay for charges described in paragraph (b) of this section that are included in that authorization; and
- (ii) Except if prohibited by the Secretary under the reimbursement or cash monitoring payment method, hold on behalf of the student any FWS compensation that would otherwise be paid directly to the student under paragraph (c) of this section.

(2) In obtaining the student's authorization to perform an activity described in paragraph (d)(1) of this section, an institution

- (i) May not require or coerce the student to provide that authorization;
- (ii) Must allow the student to cancel or modify that authorization at any time; and
- (iii) Must clearly explain how it will carry out that activity.

(3) A student may authorize an institution to carry out the activities described in paragraph (d)(1) of this section for the period during which the student is enrolled at the institution.

(4) (i) If a student modifies an authorization, the modification takes effect on the date the institution receives the modification notice.

(ii) If a student cancels an authorization to use his or her FWS compensation to pay for authorized charges under paragraph (b) of this section, the institution may use those funds to pay only those authorized charges incurred by the student before the institution received the notice.

(iii) If a student cancels an authorization to hold his or her FWS compensation under paragraph (d)(1)(ii) of this section, the institution must pay those funds directly to the student as soon as possible, but no later than 14 days after the institution receives that notice.

(5) If an institution holds excess FWS compensation under paragraph (d)(1)(ii) of this section, the institution must

- (i) Identify the amount of funds the institution holds for each student in a subsidiary ledger account designed for that purpose;
- (ii) Maintain, at all times, cash in its bank account in an amount at least equal to the amount of FWS compensation the institution holds for the student; and
- (iii) Notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balances by the end of the institution's final FWS payroll period for an award year.



# Participating in and Making Loans in the Perkins Loan Program



*The Federal Perkins Loan Program included Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). Perkins Loans were low-interest, long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.*

## THE FEDERAL PERKINS LOAN PROGRAM

The Federal Perkins Loan (Perkins) Program included Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). No new Defense Loans were made after July 1, 1972, but a few are still in repayment. Though no new Perkins Loans are being made, if an eligible undergraduate student borrower received a disbursement of a Perkins Loan after June 30, 2017, and before October 1, 2017 the student could have received subsequent disbursements of that Perkins Loan for the 2017–2018 award year.

### *Level of expenditure (LOE)*

**NEW**

The Federal Perkins Loan Extension Act of 2015 prohibits making new Federal Perkins Loans after September 30, 2017. No disbursements of Federal Perkins Loans are permitted beyond June 30, 2018. Therefore, schools are no longer able to enter a request for an LOE on their school's FISAP. However, schools are permitted to charge allowable collection costs to the Perkins Revolving Fund as allowed under 34 CFR 674.47.

## EXCESS LIQUID CAPITAL

**NEW**

Due to the wind-down of the Perkins Loan Program, the Department will not be collecting Excess Liquid Capital from a school's Perkins Loan Revolving Fund after the 2017–2018 award year. This process is being replaced by a similar process, the *Distribution of Assets Process*. Please refer to the section below for additional information regarding returning the federal share to the Department.

### **The Federal Perkins Loan Program**

34 CFR Part 674  
DCL Gen: 17-10

### **Perkins websites**

[ifap.ed.gov/dpclletters/gen0106.html](http://ifap.ed.gov/dpclletters/gen0106.html)

<http://ifap.ed.gov/dpclletters/GEN1521.html>

## DISTRIBUTION OF ASSETS FROM THE FEDERAL PERKINS LOAN REVOLVING FUND

**NEW**

The Extension Act amended HEA section 466(a). The HEA now requires each school participating in the Perkins Loan Program to return to the Department the Federal share of the school's Perkins Loan Revolving Fund (fund). The Department will begin collecting the federal share of schools' funds following the submission of the 2019–2020 FISAP.

The process we will use to determine the federal share of the Perkins Loan Revolving Fund that must be returned to the Department and the institutional share, which must be removed and returned to the institution, will be similar to the Excess Liquid Capital (ELC) process the Department currently has in place in accordance with HEA section 466(c). It is important to note that the upcoming Perkins Loan Revolving Fund asset distribution process accounts for changes in the Institutional Capital Contribution (ICC) matching requirements that have occurred over time, as well as any overmatching by the institution. We also take into consideration any Federal Capital Contribution (FCC) that has been previously returned by the institution to the Department, and any ICC that was previously returned to the institution. We will not take into consideration unreimbursed cancellation amounts in determining the federal share of the revolving funds to be returned to the Department because HEA section 465(b) prohibits the use of funds appropriated for FCCs from being used for cancellation reimbursement.

Because schools may choose to continue servicing their Perkins Loans, the process of requiring the distribution of assets from the Perkins Loan Revolving Fund will continue on an annual basis, until such time as all of the outstanding Perkins Loans held by the school have been paid in full or otherwise fully retired, or assigned to and accepted by the Department. Schools that choose to continue servicing their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Perkins Loan Program regulations in 34 CFR part 674, and must also continue to report on their outstanding loan portfolio to the Department annually, using the FISAP. Because schools may no longer advance funds to students, they may no longer claim an administrative cost allowance against their school's Perkins Loan Revolving Fund.



**NEW**

To ensure accuracy in processing the payment made by a school, the school should follow the instructions for “Returning Perkins Funds” that are located on IFAP on the Campus-Based-Processing Information web-page:

**[ifap.ed.gov/cbpmaterials/attachments/InstructionsForReturningPerkinsFunds.pdf](http://ifap.ed.gov/cbpmaterials/attachments/InstructionsForReturningPerkinsFunds.pdf)**

The Department strongly encourages institutions to return the federal share through the G5 miscellaneous refund functionality. For schools that have to submit payment by check, the school must follow the process and steps as written in the instructions that include sending an email to [Perkinsliquid@ed.gov](mailto:Perkinsliquid@ed.gov), notifying the Department that a check has been sent.

## MAKING A PERKINS LOAN

Under the Perkins Loan Extension Act of 2015, the authority to make new Perkins Loans to eligible students expired on September 30, 2017. Schools were permitted to advance subsequent disbursements to borrowers for loans first disbursed between July 1, 2017, and September 30, 2017, through June 30, 2018.

**TIP**

For questions regarding making a Perkins Loan prior to the deadlines specified in the Perkins Loan Extension Act of 2015, please refer to *Volume 6, Chapter 3* of the 2017-2018 Federal Student Aid Handbook.

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### MPN Promissory Note

34 CFR 674.31  
DCL GEN-16-13

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### Retention of records

34 CFR 674.19(d) & (e)

## PERKINS PROMISSORY NOTE

**The promissory note is the legally binding document that is evidence of a borrower’s indebtedness to a school.** The note includes information about the loan’s interest rate, repayment terms, and minimum rates of repayment; deferment, forbearance, and cancellation provisions; credit bureau reporting; and late charges, attorney fees, collections costs, and consequences of default.

**You must ensure that each Perkins Loan is supported by a legally enforceable promissory note.** If the school does not have a valid note or other written evidence that would be upheld in a court of law, the school has no recourse against a borrower who defaults. Two examples of invalid notes are notes that have been changed after they were signed and notes without proper signatures or dates. If a school does not have a valid promissory note or other written records (disbursement records or other proof the borrower received the loan), it may have to repay to its Perkins Loan Fund any amounts loaned, as well as any Administrative Cost Allowance (ACA) claimed on those amounts. The school can seek to recover the amount repaid from the borrower.

If an error is discovered in a promissory note, the school should obtain legal advice about what action it should take. The appropriate school official and the student should sign or initial all approved changes in the note.

When the borrower has fully repaid the Perkins Loan, your school must either notify the borrower in writing, or mark the original note “paid in full” and return it to the borrower. **Your school must keep a copy of the note for at least three years after the date the loan was paid in full.**

**Remember, when a loan has been repaid, your school must update the loan’s status in NSLDS.**

### ***Single vs. multiyear use of the Master Promissory Note (MPN)***

The MPN for the Perkins Loan Program is a promissory note under which the borrower received loans for a single award year or multiple award years.

Because the MPN was used to award Federal Perkins Loans on a multiyear basis, there is no box for loan amount or loan period on the note. If you used the Federal Perkins MPN as a single award year promissory note, the borrower must have signed a new MPN each award year. When used as a multiyear note, the borrower should have signed the MPN only once—before the first disbursement of the borrower’s first Federal Perkins Loan.

While the Perkins Loan Extension Act of 2015 prohibits any new loans after September 30, 2017, you may have made Perkins Loans under an MPN for up to 10 years from the date the borrower signed the MPN. However, the first disbursement must have been made within 12 months of the date the borrower signed the MPN. If no disbursements were made within that 12-month period, the borrower must have signed another MPN before receiving a Perkins Loan. In addition, no further loans could have been made under an MPN after a school received written notice from the borrower requesting that the MPN no longer be used as the basis for additional loans, or after September 30, 2017.

### Retaining the electronic MPN (eMPN)

If the student completed an eMPN, your school must maintain the original electronic promissory note, plus a certification and other supporting information regarding the creation and maintenance of any electronically-signed Perkins Loan promissory note or MPN). Your school must provide this certification to the Department, upon request, should it be needed to enforce an assigned loan. **Schools and lenders are required to maintain the electronic promissory note and supporting documentation for at least three years after all loan obligations evidenced by the note are satisfied.**

### REIMBURSEMENT OF THE PERKINS LOAN FUND

The Department may require your school to reimburse its Perkins Loan fund for any outstanding balance on an overpayment or a defaulted loan for which your school failed to record or retain the promissory note, record disbursements, or exercise due diligence. If your school is required to reimburse its fund, your school must also reimburse the Perkins Loan fund for the amount of the administrative cost allowance claimed on any reimbursed portion of a loan.

You do not have to reimburse the Perkins Loan fund if your school can recover the defaulted loan or show the Department that the borrower would not have paid the loan even if your school properly exercised due diligence. Also, you should not reimburse the Perkins Loan fund for loans on which your school obtains a judgment.

### Required coordination process

When a student ceases to be enrolled at least half time, he or she immediately enters grace or repayment. **Your school must have a process for coordinating between the office that tracks enrollment status, the financial aid office, and the office that manages or coordinates the servicing of your Federal Perkins Loan portfolio.**

You must have a *coordinating official* who is responsible for ensuring that such information is shared among the offices that need it. For example, the office that tracks enrollment status must alert the coordinating official when a student's enrollment status drops below half time. The coordinating official then notifies the financial aid and business office. For a more detailed discussion of the *coordinating official*, see *Volume 2*.

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#### Reimbursement for overpayments or default

34 CFR 674.13(a)(2) & (c)

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#### Coordinating official

34 CFR 668.16(b)(1)

**NSLDS Reporting Requirement**

Schools and third-party servicers are required to report new loans or update data on existing loans to the National Student Loan Data System (NSLDS) on a monthly basis. It is ultimately the school's responsibility to ensure that its required reporting to NSLDS (which includes Perkins loan account detail) is completed timely and accurately. Schools that use a third-party servicer must communicate the reporting requirements to its third-party servicer and ensure that its servicer complies with timely and accurate reporting. It is important for schools to understand that they will be responsible for any non-compliance by the servicer.

**Perkins NSLDS reporting**

34 CFR 674.16(j)

You must report enrollment and loan status information to [nsldsfap.ed.gov](http://nsldsfap.ed.gov) according to the schedule published in the *NSLDS Reporting Guide*.

For NSLDS assistance call 1-800-999-8219 or send an email to [NSLDS@ed.gov](mailto:NSLDS@ed.gov).

**Credit bureau reporting**

Your school or its servicer should have reported each Federal Perkins Loan to at least one of the three national credit bureaus (see sidebar) with which the Department has an agreement or to a local credit bureau that is affiliated with one of those three credit bureaus. You should have reported the following information:

- ◆ the amount and date of each disbursement;
- ◆ repayment information and collection of the loan until the loan is paid in full; and
- ◆ the date the loan was repaid, canceled, or discharged for any reason.

You must continue to report changes to information previously reported to the same credit bureau(s) to which the information was originally reported until the loan is repaid, transferred, or otherwise satisfied. You must report those changes in the month that they occur.

**NSLDS reporting**

Schools with active Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans) are required to update data on existing loans to NSLDS once a month on a schedule established by the Department.

Data providers must meet all NSLDS reporting requirements as detailed in the NSLDS Federal Perkins Data Provider Instructions (Version 8) at

[ifap.ed.gov/nsldsmaterials/attachments/FederalPerkinsDPIInstructVer8.pdf](http://ifap.ed.gov/nsldsmaterials/attachments/FederalPerkinsDPIInstructVer8.pdf)

## PERKINS RECORDKEEPING

### Clarification

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#### Perkins Record Retention

34 CFR 674.19.(e)

Perkins Loan records a school must maintain include, but are not limited to the following:

- ◆ the promissory note;
- ◆ documentation of the amount of a Perkins Loan, its payment period, and the calculations used to determine the amount of the loan;
- ◆ documentation of the date and amount of each disbursement of Perkins Loan funds; and
- ◆ information collected during exit loan counseling as required by the Perkins Loan regulations.

You must maintain the original promissory note signed by the student until the loan is satisfied. If the original promissory note is released for the purpose of enforcing repayment, the school must keep a certified true copy. To qualify as a certified true copy, a photocopy (front and back) of the original promissory note must bear a certification statement signed by the appropriate school official.

A school must keep original paper promissory notes or original paper MPNs and repayment schedules in a locked, fireproof container. If your school uses an electronic Perkins Loan promissory note, it must maintain an affidavit or certification regarding creation and maintenance of the electronic note, including its authentication and signature processes. If a promissory note was signed electronically, the school must store it electronically and the promissory note must be retrievable in a coherent format.

When the borrower has fully repaid a Perkins Loan, your school must either return the original or a true and exact copy of the note marked “paid in full” to the borrower, or otherwise notify the borrower in writing that the loan is paid in full. Your school must keep the original or a copy of the promissory note for at least three years after the date the loan was paid in full. An original electronically signed MPN must also be retained by the school for three years after all the loans made on the MPN are satisfied.

A school must maintain records pertaining to cancellations of Defense, NDSL, and Federal Perkins Loans separately from its other Perkins records.

## EXIT COUNSELING

### Exit counseling requirements

34 CFR 674.42(b)

HEA section 485(b)(1)(A)

### Exit interviews

34 CFR 674.42(b)

#### Exit Interviews for Students Enrolled in a Correspondence or Study-Abroad Program

In the case of students enrolled in a correspondence program or a study-abroad program that your school approves for credit, you may provide written counseling materials by mail within 30 days after the borrower completes the program.

Schools making Perkins Loans are required to conduct exit counseling. Your school should conduct exit interviews with borrowers either in person, by audiovisual presentation, or by interactive electronic means. (If you conduct exit interviews through interactive electronic means, you should take reasonable steps to ensure that each student borrower receives the materials and participates in and completes the exit interview.)

Schools should conduct this interview shortly before the borrower graduates or drops below half-time enrollment (if known in advance). If individual interviews are not possible, group interviews are acceptable. Your school may employ third-party servicers to provide Perkins Loan borrowers with exit interviews. In the case of correspondence study, distance education, and students in the study-abroad portion of a program, you may provide written interview materials by mail within 30 days after the borrower completes the program.

If you elect to conduct exit counseling through interactive electronic means, the school must take reasonable steps to ensure that each student borrower receives the required materials and participates in and completes the exit counseling. Some of the material presented at the entrance counseling session will again be presented during exit counseling. The suggested emphasis for exit counseling shifts, however, to more specific information about loan repayment and debt-management strategies.

The financial aid or business office professional must emphasize the seriousness and importance of the repayment obligation the borrower is assuming, describing the likely consequences of default, including adverse credit reports, litigation, and referral to a collection agency. The counselor must further emphasize that the borrower is obligated to repay the full amount of the loan even if the borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with the school's educational or other services.



If a borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session, the school must provide exit counseling through either interactive electronic means or by mailing counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from school or failed to complete exit counseling.

### *Required elements of exit counseling*

- ◆ **Review terms and conditions of the loan** including the current interest rate, the applicable grace period, and the approximate date the first installment payment will be due.
- ◆ **Inform the student as to the average anticipated monthly repayment amount** based on the student's indebtedness or on the average indebtedness of students who have obtained Federal Perkins Loans for attendance at the school or in the borrower's program of study. We recommend giving the borrower a sample loan repayment schedule based on his or her total indebtedness. A loan repayment schedule usually will provide more information than just the expected monthly payment—for instance, it would show the varying monthly amounts expected in a graduated repayment plan.
- ◆ **Suggest debt-management strategies that would facilitate repayment.** Stress the importance of developing a realistic budget based on the student's minimum salary requirements. It's helpful to have the student compare these costs with the estimated monthly loan payments and to emphasize that the loan payment is a fixed cost, like rent or utilities.
- ◆ **Emphasize to the borrower the seriousness and importance of the repayment obligation** the borrower is assuming.
- ◆ **Provide a general description of the types of tax benefits** that might be available to borrowers.
- ◆ **Explain options the borrower has to change repayment plans.**
- ◆ **Explain the use of an MPN.**
- ◆ **Explain options the borrower has to prepay** a loan without penalty.
- ◆ **Provide information on forbearance provisions** and a general description of terms and conditions under which the borrower may defer repayment of principal or interest or be granted an extension of the repayment period.
- ◆ **Provide information on loan forgiveness and cancellation** and the conditions under which the borrower may obtain full or partial forgiveness or cancellation of principal and interest.

- ◆ **Describe the consequences of default**, including adverse credit reports, federal offset, and litigation. We also recommend that you tell the borrower of the charges that might be imposed for delinquency or default, such as the school's collection expenses, late charges, and attorney's fees. Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule. A defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the FSA programs.
- ◆ **Emphasize that the borrower is obligated to repay the full amount of the loan** even if the borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the borrower purchased from the school.
- ◆ **Require the borrower to provide current information** concerning name, address, Social Security number, references, and driver's license number; and the borrower's expected permanent address, the address of the borrower's next of kin, and the name and address of the borrower's expected employer.
- ◆ **Remind the borrower that, in a timely manner, he or she must inform the school of any changes to the aforementioned information.**
- ◆ **Remind the borrower of the existence and purpose of the FSA Ombudsman Group. The FSA Ombudsman Group** is a resource for borrowers when other approaches to resolving student loan problems have failed.
- ◆ **Inform the borrower of the availability of FSA loan information in the National Student Loan Data System (NSLDS at [nslds.ed.gov](http://nslds.ed.gov)).**
- ◆ **Review the opportunity for and effects of loan consolidation.**

**Note:** As part of the exit information, you must collect the name and address of the borrower's expected employer.

### Information on Consolidating Perkins Loans

Consolidation offers a Perkins borrower options the borrower does not have under the Perkins regulations alone.

During exit counseling, a school must also include information on the consequences of consolidating a Perkins Loan, including

- the effects of the consolidation on total interest to be paid, fees, and length of repayment;
- the effect on a borrower's underlying loan benefits, which includes grace periods, loan forgiveness, cancellation, and deferment; and
- the option the borrower has to prepay the loan or to select a different repayment plan.

### FSA Ombudsman

The Ombudsman Group is a resource for borrowers to use when other approaches to resolving student loan problems have failed. Borrowers should first attempt to resolve complaints by contacting the school, company, agency, or office directly involved. If the borrower has made a reasonable effort to resolve the problem through normal processes and has not been successful, he or she should contact the FSA Ombudsman.

U.S. Department of Education  
FSA Ombudsman Group  
PO Box 1843  
Monticello, KY 42633

Phone: 202-377-3800  
Toll-free: 1-877-557-2575  
Fax: 202-275-0549

[StudentAid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman](http://StudentAid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman)

### Disclosure of repayment information

Either shortly before the borrower ceases at least half-time study or during the exit interview, schools must disclose critical repayment information to the borrower in a written statement. Most of the repayment terms that the school must disclose to the borrower already appear in the promissory note. The school must also provide the borrower with the information listed under *Required elements of exit counseling* earlier in this chapter.

If your school exercises the minimum monthly payment option, you must inform the borrower that if he or she wants your school to coordinate payments with another school, he or she must request such coordination.

If a borrower enters the repayment period without the school's knowledge, the school must provide the required disclosures to the borrower in writing immediately upon discovering that the borrower has entered the repayment period.

### Disclosure of repayment information

34 CFR 674.42(a)

## Repayment Information a School Must Disclose

Schools participating in the Perkins Loan Program must disclose the following information in a written statement provided to the borrower either shortly before the borrower ceases at least half-time study at your school or during exit counseling. If the borrower enters the repayment period without the institution's knowledge, your school must provide the required disclosures to the borrower in writing immediately upon discovering that the borrower has entered the repayment period. The repayment information must include the following:

1. the name and address of the school to which the debt is owed and the name and address of the official or servicing agent to whom communications should be sent;
2. the name and address of the party to which payments should be sent;
3. the current balance owed by the borrower;
4. the stated interest rate on the loan;
5. the repayment schedule for all loans covered by the disclosure including the date the first installment payment is due, and the number, amount, and frequency of required payments;
6. an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan, and a statement that the borrower has the right to prepay all or part of the loan at any time without penalty;
7. a description of the charges imposed for failure of the borrower to pay all or part of an installment when due;
8. a description of any charges that may be imposed as a consequence of default, such as liability for expenses reasonably incurred in attempts by the Secretary or the institution to collect on the loan;
9. the total interest charges which the borrower will pay on the loan pursuant to the projected repayment schedule;
10. the contact information of a party who, upon request of the borrower, will provide the borrower with a copy of his or her signed promissory note;
11. an explanation that if a borrower is required to make minimum monthly payments, and the borrower has received loans from more than one institution, the borrower must notify an institution if he or she wants the minimum monthly payment determination to be based on payments due to other institutions.

34 CFR 674.42(a)

## Sample Summary of the Rights and Responsibilities of a Federal Perkins Loan Borrower

*This is only a summary of your rights and responsibilities. For more detailed information, consult your Federal Perkins Loan promissory note or the holder of your loan.*

You have the right to cancel all or part of your Federal Perkins Loan.

You have the right to receive a statement of your account upon request.

You have the right to prepay all or part of your loan without any penalty.

If you graduate or leave school, or if your enrollment drops below half time, you have the right to a **nine**-month grace period before beginning repayment of your Federal Perkins Loan.

You have the right to defer payments on your Federal Perkins Loan if you are attending an eligible postsecondary school as at least a half-time student, and in some cases if you are

- participating in a rehabilitation training program;
- enrolled and attending graduate school;
- participating in an internship or residency program in dentistry;
- seeking but unable to find full-time employment;
- experiencing economic hardship;
- serving in the Peace Corps;
- receiving payment from a federal or state public assistance program;
- performing qualifying military service; or
- repaying federal education loans that exceed or for which the payments exceed certain specified amounts.

If your Federal Perkins Loan is placed in deferment, you will not have to make payments, and interest will not accrue.

You have the right to forbearance—a temporary cessation of payments, an extension of the time for making payments, or temporarily making smaller payments than were previously scheduled—under certain health-related or financial circumstances. You also have the right to have part or all of your loan cancelled for

- death or total and permanent disability;
- full-time employment in the Head Start Program or full-time staff member in a child care or pre-kindergarten program;
- full-time employment as a teacher in an elementary school, secondary school, or educational service agency serving low-income students;
- full-time teaching as a special education teacher;
- full-time teaching of certain academic subjects in which there are teacher shortages;
- full-time employment as a nurse or medical technician;
- full-time employment in a public or nonprofit child or family service agency;
- full-time service as a qualified professional provider of early intervention services;
- full-time employment as a law enforcement or corrections officer or firefighter;
- military service in a hostile fire/imminent danger area;
- full-time employment as a librarian with a master's degree or speech language pathologist with a master's degree;
- full-time employment as a faculty member in a tribal college; or
- full-time employment as a federal public defender or federal community defender.

Summary of Federal Perkins Loan Borrowers Rights and Responsibilities, page 1

## Sample Summary of the Rights and Responsibilities of a Federal Perkins Loan Borrower (continued)

*This is only a summary of your rights and responsibilities. For more detailed information, consult your Federal Perkins Loan promissory note or the holder of your loan.*

You are responsible for using the proceeds of your Federal Perkins Loan only to pay authorized educational expenses.

You are responsible for repaying the full amount of your Federal Perkins Loan even if you

- do not complete the program;
- are unable to obtain employment upon completion; or
- are dissatisfied with the program or other services you purchased from the school.

Repayment begins the day after your grace period ends.

You are responsible for notifying the financial aid office if you

- change your local address, permanent address, or telephone number;
- change your name (for example, maiden name to married name);
- do not enroll at least half time for the loan period certified by the school;
- do not enroll at the school that determined you were eligible to receive the loan;
- stop attending school or drop below half-time enrollment;
- transfer from one school to another school; or
- graduate.

You are also responsible for notifying the financial aid office if you

- change your employer, or your employer's address or telephone number changes, or
- have any other change in status that would affect your loan (for example, if you received a deferment while you were unemployed but you have found a job and therefore no longer meet the eligibility requirements for the deferment).

You are responsible for obtaining, completing, and returning to the school for processing any forms required to apply for forbearance, deferment, or cancellation benefits.

You are responsible for notifying the school before the due date of any payment that you cannot remit.

You are responsible for making payments on time even if you do not receive a billing statement.

You may contact the school by writing to us at

School Name  
Business Office  
Building, Name, Room Number  
City, State Zip

by calling us at

1-555-666-1234

by sending an email to

PerkinsRepayment@schoolname.edu

## INTERNAL CONTROLS IN THE FEDERAL PERKINS LOAN PROGRAM—RECONCILIATION, FISCAL, AND PROGRAM RECORDS

You should continue to examine your Federal Perkins Loan program and fiscal records at the start of the year and monthly until all loans have been assigned to and accepted by the Department (or otherwise fully satisfied) and you have completed the liquidation process in order to ensure the following:

- ◆ all funds paid directly by students,
- ◆ collected by third-party servicers,
- ◆ received for loans cancelled, and
- ◆ received as interest

flow into your Federal Perkins Loan bank account, and are accurately reflected on your Asset Account, Cash–Federal Perkins Loan.

Your school must return the Federal share of its Revolving Fund (distribution of assets process) annually as instructed by the Department.

**NEW**

**Note:** The Excess Liquid Capital process was replaced by the distribution of Assets process beginning with the 2018–2019 award year.

## WHEN A FEDERAL PERKINS LOAN IS CONSOLIDATED

If a student with an outstanding Federal Perkins Loan from your school applies to have that loan consolidated, the Direct Loan Consolidation System (DLCS) will send you a Loan Verification Certificate (LVC). You have 10 days from the date of receipt to complete the LVC and return it to DLCS. Loans that have been subject to a judgement may not be consolidated.

If DLCS makes the consolidation loan, you will receive the amount you indicated on the LVC plus interest. You must deposit the funds in the account holding your Federal Perkins Revolving Fund, record the deposit in the appropriate ledgers (and contra accounts), and report the payment on your next scheduled FISAP.

If the amount you receive from DLCS is more than what is owed on the loan, you must return the overpayment to DLCS. You may not distribute any funds to the borrower. If the amount you receive is less than what is owed on the loan you must request the underpayment from DLCS. You may not bill the student (34 CFR 685.220(f) (iii) (4)).

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### LVC

34 CFR 685.220(f)(1)(i)  
DCL FP-04-02

## ENDING PARTICIPATION IN THE PERKINS LOAN PROGRAM

A school must liquidate its Perkins Loan portfolio when the school

- ♦ voluntarily withdraws from the Perkins Loan Program, or Title IV participation;
- ♦ has had its eligibility to participate in the Perkins Loan Program or Title IV participation terminated by the Department;
- ♦ has not been approved by the Department for continued participation in the Perkins Loan Program or Title IV programs during the school's recertification process; or
- ♦ is closing.

If your school is closing, please see procedures and guidance provided by the ED's School Participation Team at

**[ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division](http://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division)**

### Clarification

The wind-down of the Perkins Loan Program does not require schools to assign Perkins Loans to the Department or to liquidate their Perkins Loan Revolving Funds. However, schools may choose to assign any Perkins Loan to the Department or liquidate their Perkins Loan Revolving Fund at any time.

Assigning loans to the Department is just one of several steps in the process a school must complete in order to liquidate its Perkins Loan portfolio and complete the closeout of the program. A school's Perkins Loan portfolio is not considered liquidated unless it has received an official letter of completion from the Department.

**Clarification**

## Steps for Schools Ending Participation in the Federal Perkins Loan Program

(For complete instructions, see the new Perkins Loan Assignment and Liquidation Guide on IFAP.)

Schools must use the Campus-Based Programs System in COD to initiate the process for Perkins liquidation and follow it through to completion. The Campus-Based System in COD guides schools through the liquidation and closeout process. Once a school has satisfactorily completed the liquidation and closeout process, the Department will post a Liquidation Completion Letter on the school's self-service page. The Department will also notify the school's financial aid office electronically that a school has satisfactorily completed the liquidation and closeout process.

Before beginning the liquidation process, a school must

- decide what its relationship will be with all third-party servicers it has been employing in managing its Perkins Loan program;
- communicate with those third-party servicers how the servicers will be utilized going forward (A school's third-party servicer may be obligated or contracted to assist with the process of assignment, including providing initial notification to borrowers and compiling loan data that will be used in completing assignment forms);

If a third-party servicer is assisting a school with liquidation of its portfolio, the servicer must adhere to the assignment and liquidation process procedures as outlined in the Assignment and Liquidation Guide as posted on IFAP. It is important that schools and/or its servicer check the Campus-Based Resources page on IFAP to ensure it is referencing the latest Guide and materials on the Perkins Liquidation process. See additional information about third-party servicers in Step 2 below.

- recall outstanding loans the school has placed with outside collection and litigation firms. 

### Step 1. Notify the Department of Education of Intent to Liquidate

A school must submit its intent to liquidate electronically using the COD website. A school can log into COD and begin the liquidation and closeout process at any point during the program year.

### Step 2. Notify Borrowers

A school must notify borrowers of the pending assignment of their Perkins Loan(s) to the Department.

Borrowers should be given at least 30 day's notice. Loans should be submitted to the Department no later than 45 days from the date the school submitted their intent to liquidate.

#### Sample Notification

Dear Federal Perkins, Direct, or Defense Loan Borrower:

We are writing to inform you that [*school name*] intends to cease participating in the Federal Perkins Loan Program. As part of this process, your Federal Perkins (or NDSL or Defense) loans(s) will be assigned to and transferred to the Department of Education.

Once the assignment of your Federal Perkins Loan(s) to the Department has been completed, "ECSI," the Federal Perkins Loan Servicer will provide you with information on where to send your payments and how contact them if you need assistance. Please continue to make your payments to [*school name or servicer name*] until you receive the notification from ECSI.

**IMPORTANT:** This information pertains ONLY to Federal Perkins Loans, National Direct Student Loans and National Defense Student Loans.

## Steps for Schools Ending Participation in the Federal Perkins Loan Program (continued)

Third-party servicers must continue to bill and process loans that are in repayment. When a loan is submitted for assignment to the Department, the servicer should continue to bill and collect from the borrower until the loan is officially accepted for assignment. Third-party servicers should not stop collecting on loans in repayment prematurely and instead must wait until loans have been officially accepted for assignment. Third-party servicers must also continue to report changes to credit reporting agencies monthly until a loan is repaid, transferred, or otherwise satisfied. It is important that schools ensure their servicers receive copies of all official Acceptance Reports.

If a loan has been submitted for assignment but not yet accepted, funds collected on a loan should be deposited immediately into the school's Perkins Program Fund to await official notification of acceptance. Upon notification that the loan has been accepted for assignment, the school must issue a check to the Department, including the borrower and loan information so that the borrower's records can be updated to reflect payment.

A school/servicer should have reported every Perkins Loan to at least one of the three national credit bureaus with which the Department has an agreement or to a local credit bureau that is affiliated with one of those three credit bureaus.

### Step 3. Assign Loans to the Department of Education

When a school liquidates its Perkins Loan portfolio, it must assign the remaining loans with outstanding balances to the Department for collection.

A school must ensure that its loans are properly accounted for and updated in NSLDS. The school should request a Reconciliation Report from NSLDS when it begins the assignment process and reconcile its records against the report to ensure its portfolio has been accurately reported to NSLDS. Schools can request a reconciliation file report (REC005) online at [NSLDSfap.ed.gov](https://www.nsls.gov). Ultimately, the total amount of loans and number of borrowers the Department has in NSLDS should reconcile with what the school reports on its final FISAP. Following the assignment process and updating of NSLDS, the system should show that no open loans remain at the school.

Schools can complete and submit assignments either manually by paper or electronically by using the Department's Perkins Loan Assignment System (PLAS).

### Step 4. Purchase Loans (if applicable)

A school may be required to purchase loans that the Department will not accept for assignment.

The Department will not accept a loan for assignment if the promissory note is missing or unsigned.

All accounts deemed unenforceable by the Department will be rejected for assignment and returned to the school for purchase.



## Steps for Schools Ending Participation in the Federal Perkins Loan Program (continued)

### Step 5. Update NSLDS

A school must update Perkins loan records in NSLDS, and complete its NSLDS reporting requirements in accordance with the instructions in the *NSLDS Reporting Guide*.

For the purposes of Perkins liquidation and closeout, schools must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS—NSLDS must reflect that all borrower loan accounts for a liquidating school are retired, accepted for assignment by the Department, or purchased by the school.

It is a school's responsibility to ensure the required reporting to NSLDS (which includes Perkins Loan account detail) is completed on time and accurately. A school must complete its NSLDS reporting requirements in accordance with the instructions in the NSLDS Enrollment Reporting Guide and the Perkins Data Provider Instructions. Schools that utilize a third party servicer for billing, collecting, and reporting should communicate these requirements to its servicer.

### Step 6. Perkins Closeout Audit

The school must schedule the Perkins closeout audit and provide a copy of the audit to Department when completed. A Perkins closeout audit is required as part of the liquidation process.

### Step 7. Remit the Federal Share

A school must remit the federal share of the remaining Perkins cash from its Perkins Fund to the Department.

Any federal share of remaining capital should be refunded electronically via G5 ([g5.gov](http://g5.gov)), using the G5 Miscellaneous Refunds option.

### Step 8. Final FISAP Data

A school must continue to file its FISAP annually until it can report all final activity. "Final" activity consists of assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and the distribution of the final Fund capital (current cash) has been made.

Schools that have yet to receive an Official Liquidation Completion letter from the Department at the time that annual FISAPs are due to be submitted must report Perkins data on its annual FISAP.

Schools may be directed to report final FISAP data using Phase 4 of the Perkins online closeout form through the Campus-Based Processing COD system.

**Assignment of loans**

34 CFR 674.50

**Reminder****Schools Have a Choice**

Schools are not required to assign Perkins Loans to the Department or to liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program; however, schools may choose to liquidate at any time in the future.

Institutions may continue to service their Perkins Loans (or contract with a third-party servicer for such servicing), and may assign both nondefaulted and defaulted Perkins Loans, or either, to the Department at any time.

**Questions About the Assignment Process**

Questions about the status of assignment submissions or the correction of pending assignments should be directed to

ECSI Federal Perkins Loan Services  
1-844-301-2620

**productionprocessing@efpls.com**

All emails about accounts submitted for assignment must be encrypted and must include your school's name and OPEID.

In addition, for each account about which you are inquiring you must include the student's name and Social Security number.

**Required Assignment Documents**

1. Assignment Manifest
2. Perkins Assignment Form
3. Institutional Certification (OMB 1845-0048) including Borrower and Loan Information (OMB 1845-0048)
4. Original Promissory Note or Perkins Master Promissory Note (MPN)
5. Repayment History
6. Judgment Information (if applicable)
7. Bankruptcy Information (if applicable)

**Assigning Perkins Loans to the Department**

Schools, including nonliquidating schools, participating in the Federal Perkins Loan Program may submit a Perkins Loan for assignment to the Department at any time during the processing year using the Perkins Loan Assignment System User Access Process.

Visit the following for additional information:

[ifap.ed.gov/eannouncements/attachments/092115PerkinsLoanAssignmentSystemSystemAvailandUserAccessInfoAttach.pdf](http://ifap.ed.gov/eannouncements/attachments/092115PerkinsLoanAssignmentSystemSystemAvailandUserAccessInfoAttach.pdf)

Schools assigning loans should keep in mind that

- ◆ All Perkins loans that have been accepted for assignment by the Department are assigned without recompense.
- ◆ Any funds collected by the Department on assigned loans are the property of the United States. (A school loses access to the nonfederal portion of those Perkins Loans it assigns to the Department.)
- ◆ The Department will not reimburse the school's Federal Perkins Loan Fund for those loans.
- ◆ All rights, authorities, and privileges associated with the loan are transferred to the United States.
- ◆ The school is relieved of incurring additional expenses in attempting to collect on the loan.
- ◆ Assignment of defaulted loans does not affect the calculation of the school's Perkins Loan cohort default rate.

The Department recognizes that a school may have exhausted all of its available collection options on some of its defaulted Perkins Loans and encourages schools to assign these loans to the Department so additional steps can be taken to recover the loan funds. The Department has collection tools that are not available to schools, such as administrative wage garnishment, Treasury offset, and litigation by the Department of Justice.

The Department recommends schools assess older, defaulted loans that have been reported on their FISAP for years, take any necessary action, and consider assigning these to the Department.

**TIP**

## ASSIGNMENT AND LIQUIDATION GUIDE

The *Federal Perkins Loan Assignment and Liquidation Guide* is available on the Campus-Based Processing Information Page on the Information for Financial Aid Professionals (IFAP) website.

The Assignment and Liquidation Guide includes information about the assignment process and information about the required processes for the liquidation of a school's Federal Perkins Loan (Perkins Loan) portfolio and Perkins Loan Revolving Fund (Fund). The following two processes can assist a school with the assignment and liquidation of its loans:

1. **Perkins Loan Assignment System (PLAS)**—allows schools to submit Perkins Loan assignments electronically. The system is found at [efpls.com](http://efpls.com). There is a chart that summarizes supporting documentation that schools must provide when assigning Perkins Loan to the Department in Chapter 5.
2. **Online Perkins Liquidation Module in the eCampus-Based section of COD System**—streamlines the Perkins Loan liquidation process for schools and provides an accessible tracking system for both schools and the Department of Education (the Department) to view and track the eventual closeout process of a school's Perkins Loan Program.

Schools must use the eCampus-Based section of COD System to notify the Department of their intent to liquidate their portfolio and Fund and begin the liquidation process. To get started, a school would log in to the eCampus-Based section of COD System and select “Perkins Liquidation” from the menu choices on the left. Click on “Intent and Close-out Form” and follow the on-screen instructions. Other key features of the Perkins Liquidation Module include the following:

- The determination of the Federal and Institutional shares of the remaining cash in the Fund is now calculated as part of the Perkins Liquidation Module. Schools are given the opportunity to update the cash on hand amount prior to the calculation. The calculation may include a liability for any amount of loans a school must purchase.
- The eCampus-Based section of COD System will post the Federal share amount owed to a school's self-service page in the eCampus-Based section of COD System with instructions for remitting payment to the Department.
- Once the Federal share amount has been received by the Department, schools will submit final FISAP data for the Perkins Loan Program.

### Perkins Loan Assignment System

**EA 2015-04-22 Electronic Processing Option for Perkins Loan Assignments**  
**EA 2015-09-21 Perkins Loan Assignment System**

#### Paper Documentation

Since original promissory notes with a borrower's signature are required, even if a school utilizes PLAS, promissory notes, should be mailed to ECSI Federal Perkins Loan Servicer.

#### Supporting Documentation for Assignment of Perkins Loans

You can find a chart that summarizes the supporting documentation schools must provide when assigning Perkins Loans to the department in *Chapter 5* of this volume.

#### Navigating to the Updated Guide

From the IFAP website home page at

[ifap.ed.gov/ifap/](http://ifap.ed.gov/ifap/)

Click on the Processing Resources box, and then click on the Campus-Based Processing Information link.

Perkins liquidation and assignment information is highlighted in an orange box on the right side of the page.

Note: We encourage schools to bookmark the Campus-Based Processing Information page for easy reference to all information regarding Perkins.

**Reminder**

A school must continue to file its FISAP annually until it can report all final activity. *Final* activity consists of assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and the distribution of the final Fund capital (current cash) has been made. Schools that have yet to receive an Official Liquidation Completion letter from the Department at the time annual FISAPs are due to be submitted to the Department must report Perkins data on its annual FISAP. Schools may be directed to report final FISAP data using the Phase 4 of the Perkins online closeout form through the Campus-Based Processing COD system online.

If you have questions regarding the Perkins Assignment and Liquidation Guide, contact the COD School Relations Center at 800-848-0978. Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (ET). You may also email the center at [CODSupport@ed.gov](mailto:CODSupport@ed.gov).

***Payments received before the loan has been accepted***

If the loan has been submitted but not yet accepted and the school receives a payment, the school should deposit the funds immediately into its Perkins Program Fund and await official notification of acceptance. Upon acceptance of the account, the institution must issue a check to the Department, including the borrower and loan information noted previously so that the borrower records can be updated to reflect payment.

***Loans accepted for assignment***

*Official Notification of Acceptance Report*— When manual paper assignments are accepted, the school will receive a document identified as a *Perkins Load Database Report* (Acceptance Report) via email. The Acceptance Report is sent securely as an attachment from the email address [productionprocessing@efpls.com](mailto:productionprocessing@efpls.com). The subject line of the email is “Acceptance Report” and the body states that the attached is the acceptance report for date of batch submission.

**NEW**

A password is sent from the same email address separately in order to open the reports.

This report provides borrower identification information, school identification information, and outstanding principal, interest and fees accepted for assignment by the Department. This is the official Acceptance Report notice and should be retained in the school’s records.

**NEW**

Schools that utilize a third-party servicer to complete NSLDS monthly reporting must ensure that the Acceptance Reports reports are provided to those servicers, and that the servicers update the loan status of accepted loans in NSLDS.

Hard copies of the acceptance notices (Perkins Load Database Reports) may be sent to the address provided in the school's program participation agreement. The school should ensure that its mail distribution staff becomes familiar with these notices and the offices to which they should be distributed.

**Note:** Schools that use PLAS for electronic submission can access information about accepted and rejected assignments through PLAS. These reports can be viewed online or printed from PLAS.

### *Notification to borrowers of assigned loans*



A school must notify borrowers of the pending assignment of their loan(s) to the Department at least 30 days prior to assignment of the loan. This notification may result in payments from borrowers who have been unwilling to make payments in the past. If a payment is received, the school or its servicer should deposit the funds immediately into its Perkins Program Fund and await official notification that the loan has been accepted for assignment.

### *Payments received after the loan has been accepted*

Any payment the school or its servicer receives from a borrower after the borrower's account has been submitted to the Department for assignment and accepted by the Department should be forwarded as soon as possible to

**Department of Education  
ECSI Federal Perkins Loan Servicer  
P.O. Box 105765  
Atlanta, GA 30348-5765**

The Borrower Customer Service telephone number is **866-313-3797**.

**Note:** Courier services do not deliver to postal boxes. Therefore, we recommend using United States Postal Service registered mail.

Each payment submission must clearly identify the borrower's full name, Social Security number, and the type of loan to which the payment is to be applied. The school's name and OPEID should also be included and easily identifiable.

A school should not contact the Department to request the return of a submission because a borrower has made a payment to the school.

Once a loan is submitted and accepted for assignment, it becomes the property of the Department. If the Department refuses to accept the loan for assignment, the school should correct any deficiencies and resubmit the complete loan package including the additional information for assignment.

### *Collection agency fees*

If a collection agency has deducted fees from borrower payments after the account has been submitted and accepted by the Department, the institution may not charge these fees to the Perkins Loan Fund. The entire borrower payment must be forwarded to the Department.

## **Reminder**

### **CREDIT BUREAU REPORTING ON LOANS ACCEPTED FOR ASSIGNMENT**

Once a Perkins Loan has been accepted for assignment by the Department, a school or servicer that has previously reported a borrower's loan to a credit reporting agency **MUST** report to that agency that the loan has been transferred.



In **Field 17A** the school or servicer should report the two digit code **05** (*Transferred*) AND enter the Special Comment Code **AL** (*Student Loan — Permanently Assigned to Government*).

In addition, when a school or servicer reports code 05, the school or servicer **MUST** also report, **Field 21** (*Current Balance*), **Field 22** (*Amount Past Due*), and **Field 17B** (*Payment Rating*).

**Field 21 and Field 22 must always be reported as 0.**

The acceptable values for the Payment Rating a school or servicer must enter in **Field 17B** are:

- 0 = Current account
- 1 = 30 - 59 days past due date
- 2 = 60 - 89 days past due date
- 3 = 90 - 119 days past due date
- 4 = 120 - 149 days past due date
- 5 = 150 - 179 days past due date
- 6 = 180 or more days past due date.

## SCHOOLS CAN SUBMIT ASSIGNMENT DATA ELECTRONICALLY

Schools can complete the Perkins Loan Assignment Form online using the new PLAS.

The Perkins Loan Assignment System allows authenticated users to

- ◆ submit multiple loans as a “batch file” or submit individual loans;
- ◆ securely upload supporting documentation such as promissory notes, payment histories, etc. (note that the school is still required to mail the original promissory note to ECSI);
- ◆ search, view, and edit submitted loan assignment information; and
- ◆ view reports of Perkins Loans that have been accepted or rejected for assignment.

You can find additional information about PLAS in Appendix A to this volume and on the IFAP website.

## RETURNING FEDERAL PERKINS LOAN PROGRAM FUNDS TO THE DEPARTMENT

Schools that need to return Federal Perkins Loan Program Funds to the Department should follow the instructions below. The preferred method for returning Perkins funds to the Department is to use the Department's G5 website ([g5.gov](http://g5.gov)), which allows you to electronically refund the money directly to the Department using the Miscellaneous Refunds option. Utilizing G5 reduces chances for human error and processing delays.

### *Electronic process (G5) for returning Perkins Loan funds to the Department*

The process for returning Perkins Loan Funds is as follows:

1. Log in to G5 at [g5.gov](http://g5.gov).
2. Click on Payments.
3. Click on Create Refunds.
4. Under Refunds Creation, click on the Miscellaneous Refunds tab and select Continue.
5. On the Create Miscellaneous Refunds tab, enter the required details below and click continue to submit:
  - a. Refund Amount
  - b. Bank Account Information to be debited
  - c. Select Appropriate Refund Type
    - Perkins Excess Cash—Use this type when returning the Federal Share of the Excess Liquid Capital.
    - Perkins Liquidation—Use this type when closing out your Perkins Loan Fund and returning the Federal Share at the end of the school's liquidation of the Excess Liquid Capital.

**IMPORTANT:** Schools must use the Miscellaneous Refunds option and select the appropriate Refund Type when returning Perkins Loan funds to the Department. This ensures the funds are properly applied under the Program and will be identified for nonliquidating schools as ELC or liquidating schools as Liquidation in our system.

## If a school cannot use G5 to return funds

In rare cases a school might not be able to use G5 to return funds. A school that has no recourse other than to pay by check should understand that there may be processing delays and a chance that funds could be misapplied if the school fails to provide precise information when returning the funds.



**If you choose to pay by check, you must include the following information on the accompanying paperwork:**

1. Make the check payable to the “U.S. Department of Education.”
2. Include with the remittance the correct school name and OPEID number, and DUNS numbers.
3. Include the reason for the remittance on any accompanying paperwork included with the check.
  - *Perkins Excess Cash*—when returning the Federal share of the ELC
  - *Perkins Liquidation*—when closing out the Perkins loan Fund and returning the Federal Share at the end of the school’s liquidation process
4. Mail the check and remittance information to the following address:

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, MO 63197-9000**

5. Notify Campus-Based Division that a check was sent by sending an email to [perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov).

If you have further questions or need assistance, contact the G5 Help Desk via email at [edcaps.user@ed.gov](mailto:edcaps.user@ed.gov) or by phone at 1-888-336-8930.



# Perkins Repayment Plans, Forbearance, Deferment, Discharge, and Cancellation



*Repayment terms vary substantially among Perkins Loans, National Direct Student Loans, and National Defense Student Loans. In addition, the Federal Perkins Loan Program offers borrowers a variety of forbearance, deferment, and cancellation options. Finally, there are a number of situations that allow a Perkins, National Direct, or Defense Loan to be discharged. All of these topics are addressed in this chapter.*

## GRACE PERIODS

A grace period is the period of time before the borrower must begin or resume repaying a loan. There are two kinds of grace periods for Perkins Loans:

- ◆ *Initial grace period*—a nine-month grace period that immediately follows a period of enrollment and immediately precedes the date repayment is required to begin *for the first time*. A borrower is only entitled to one initial grace period.
- ◆ *Post-deferment grace period*—a six-month grace period that follows any subsequent period of deferment.

### *Initial grace periods*

A Perkins borrower is entitled to an initial grace period of nine consecutive months after dropping below half-time enrollment. If the borrower returns to school on at least a half-time basis before the nine months have elapsed, the initial grace period has not been used. The borrower is entitled to a full initial grace period (nine consecutive months) from the date that he or she graduates, withdraws, or drops below half-time enrollment again.

### *Post-deferment grace periods*

A *post-deferment grace period* is the period of six consecutive months that immediately follows the end of a period of deferment and precedes the date on which the borrower must resume repayment on the loan. Neither the deferment nor the grace period is counted as part of the 10-year repayment period.

#### **Grace period**

Definitions  
34 CFR 674.2

#### **Prepayment**

34 CFR 674.31(b)(4)

#### **Less than half-time grace periods**

34 CFR 674.32

#### **Grace periods for NDSLs**

Note that repayment of an NDSL made on or after October 1, 1980, begins **six months** after the date that the borrower drops below at least half-time enrollment.

**Approved leaves of absence**

34 CFR 668.22 (c)(1)(v) and (vi);

34 CFR 668.22 (d)

**Deferment During Initial Grace Period**

If a borrower requests a deferment to begin during the initial grace period, the borrower must waive (in writing) his or her rights to the initial grace period. The request for a deferment alone is not sufficient documentation for a school to waive the initial grace period; the borrower must also acknowledge in writing that he or she wants the waiver.

Except for hardship deferments on loans made before July 1, 1993, all deferments for all loans made under the Federal Perkins Loan Program have post-deferment grace periods of six consecutive months.

***Applicable grace period when student is attending less than half time***

A borrower who is attending less than half time and who has no outstanding Perkins Loans must begin repaying a new loan nine months from the date the loan is made or nine months from the date the student enrolled less than half time, whichever is earlier. (This nine-month period includes the date the loan was made.)



A borrower who is attending less than half time and who has an outstanding Perkins Loan or NDSL must begin repayment on an additional loan when the next scheduled installment of the outstanding loan is due; there is no formal grace period or in-school deferment on the new loan.

***Calculating the grace period***

A grace period is always day specific—an initial grace period begins the day after the day the borrower drops below half-time enrollment. Similarly, a post-deferment grace period begins on the day immediately following the day on which an authorized period of deferment ends.

If a borrower has received loans with different grace periods (and different deferment provisions), the borrower must repay each loan according to the terms of its promissory note; the borrower must pay the minimum monthly payment amount that applies to each loan that is not in a grace or deferment period.

***Grace period when student doesn't return from leave of absence***

Students granted approved leaves of absence retain their in-school status for FSA loans. However, if a student does not return from an approved leave of absence, the student's grace period begins the date the student began the leave of absence. (If the school is required to take attendance, the grace period begins on the last date of academic attendance.)

For a student who does not return from an approved leave of absence, this withdrawal date might result in the exhaustion of some or all of the student's grace period.

**TIP**

Leaves of absence no longer qualify as approved leaves of absence for FSA purposes unless the school explains the effects that the student's failure to return from an approved leave of absence might have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

### Use of Initial Grace Period

#### Example: Student returns before initial grace period elapses

Fenriz takes out a Perkins Loan in the fall quarter at Sims School of Botany but drops out of school for the winter quarter. He reenrolls as a half-time student in the summer session before the nine-month grace period has expired. Therefore, Fenriz is entitled to a full initial grace period once he again leaves school or drops below half-time status.

#### Example: Different grace period for earlier loans

Steve took out several Perkins Loans while attending New Frontier Community College (NFCC) and began repaying them nine months after graduating. Later, he enrolled in a bachelor's degree program at Old Ivy College and was able to defer his older Perkins Loans. He took out two additional Perkins Loans at Old Ivy.

When Steve graduates from Old Ivy, he is entitled to an initial grace period (nine months) for his Perkins Loans at Old Ivy but must resume repaying his older Perkins Loans (from NFCC) at the end of the six-month post-deferment period.

### Exclusion for Reservists on Active Duty

If a borrower is a member of the Armed Forces Reserve, the initial grace period does not include any period (up to three years) during which the borrower is ordered to active duty for more than 30 days, including the period necessary for the borrower to resume enrollment at the next available enrollment period. The period necessary for the borrower to resume enrollment at the next available enrollment period may not exceed 12 months.

The borrower must notify you of the beginning and end dates of his or her service and the date he or she resumes enrollment. A borrower who enrolls in a different educational program after returning from active duty is entitled to the same grace period benefits. A borrower who is in a grace period when called or ordered to active duty is entitled to a new grace period upon conclusion of the excluded period.

## Grace Periods and Less Than Half-Time Enrollment

### Example: Perkins received while enrolled less than half time

Paula started school full-time in September. She did not have an outstanding Perkins Loan or NDSL. In January, Paula dropped to one-quarter-time and in March, she received a Perkins Loan.

Since Paula dropped below half-time enrollment *before* the Perkins Loan was made, Paula must begin repayment nine months after the date she dropped below half-time enrollment—her first payment will be due in October.

### Example: Second Perkins Loan received while first loan is in repayment

Jason had been making monthly payments on Perkins Loan #1, which went into repayment nine months after he completed a one-year program at a career school.

He subsequently enrolled in a new program at a community college and received Perkins Loan (#2) in September. He was only enrolled one-quarter-time at the community college, so he was not eligible for in-school deferment. Jason's next payment on Loan #1 is due October 15. Jason will begin repaying Loan #2 at the same time. ***Remember that the repayment status of the outstanding loan determines the repayment status of the second loan.***



## Contacts with Borrowers During Perkins Grace Period

If the borrower's Perkins Loans have a six-month grace period, you must contact that borrower at the 90-day and 150-day points in the grace period. If the borrower's Perkins Loans have a nine-month grace period, you must also contact the borrower at the 240-day point.

### First contact: 90 days after the grace period begins

The school or servicer must

- remind the borrower of the responsibility to comply with the terms of the loan,
- inform the borrower of the total outstanding amount on the loan account, including the principal and interest accruing over the remaining life of the loan, and
- notify the borrower of the date and amount of the first requested payment.

### Second contact: 150 days after the grace period begins

The school or servicer must remind the borrower of the date and amount of the first requested payment.

### Third contact (nine-month grace periods only): 240 days after the grace period begins

The school or servicer must remind the borrower of the date and amount of the first requested payment.

## Prepayment

A borrower may prepay all or part of a Perkins Loan at any time without penalty.

If a borrower makes a payment during the academic year in which a loan was made, the school must use any amount repaid to reduce the original loan amount and not consider these amounts to be prepayments.

If a borrower makes a payment during the academic year in which the loan was made and the initial grace period ended, only those amounts in excess of the amount due for any repayment period shall be treated as prepayments.

If a borrower makes a payment in any academic year, other than the one in which the loan was made, that exceeds the amount due for any repayment period, the school must use the excess to prepay the principal unless the borrower designates it as an advance payment of the next regular installment. 34 CFR 674.31(b)(4)

### *Pre-collection activities during the grace period*

Collection procedures on the part of a school or its servicer begin on the day a student ceases to be enrolled at least half time. By performing certain pre-collection activities, a school or its servicer can increase the likelihood that a student will begin satisfactory repayment on his or her Federal Perkins Loan.

The school must perform and maintain documentation substantiating that it has contacted the borrower.

1. For Federal Perkins Loans, the school shall contact the borrower three times within the initial grace period.
2. For loans with a six-month initial or post-deferment grace period, the school shall contact the borrower twice during the grace period.
3. The school or its servicer shall contact the borrower for the first time 90 days after the commencement of any grace period. The school shall, at this time, remind the borrower of his or her responsibility to comply with the terms of the loan and shall send the borrower
  - the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan; and
  - the date and amount of the first required payment.
4. The school shall contact the borrower the second time 150 days after the commencement of any grace period. The school shall, at this time, notify the borrower of the date and amount of the first required payment.
5. The school shall contact a borrower with a nine-month initial grace period a third time 240 days after the commencement of the grace period and shall inform him or her of the date and amount of the first required payment.

### **Payment Made During Initial Grace Period Example**

Shannon applies her yearly birthday check of \$400 to her \$1,000 Perkins Loan before the initial grace period ends. Then, the principal advanced to Shannon becomes \$600. This is not considered a prepayment because payment was made before the end of the initial grace period.

## ESTABLISHING A REPAYMENT PLAN

### When repayment begins

34 CFR 674.31(b)(2)(B) and (C) and 674.32

### Repayment plan requirements

34 CFR 674.33(a)

### Minimum monthly payments

34 CFR 674.33(b)

A borrower must repay his or her loan, plus interest, in 10 years. This repayment period never includes authorized periods of deferment, forbearance, or cancellation.

The repayment plan must be established and disclosed to the student before the student ceases to be enrolled at least half time.

If a student receives loans from more than one school, the repayment of each loan is made to the school where the student received the loan.

### Calculating Payment Amount Example

Bernadine received a \$2,500 Perkins Loan to attend Jordan College, which requires quarterly payments. To calculate Bernadine's quarterly payment, Jordan College multiplies the original principal by the constant multiplier for a quarterly payment frequency:

$$\$2,500 \times .0319214 = \$79.80$$

### Calculating the repayment amount

Schools may require the borrower to make payments on a monthly, bimonthly, or quarterly basis. Each of the borrower's payments must sufficiently cover the interest accruing between payments to ensure that the loan is repaid in 10 years. Schools calculate the correct payment amount by multiplying the principal by the appropriate constant multiplier (see table). Schools using the minimum monthly payment plan option may require the borrower to pay a minimum monthly amount of \$40 instead.

If the installment for all loans a school made to a borrower is not a multiple of \$5, the school may round the installment payments to the next highest dollar amount that is a multiple of \$5.

If the last scheduled payment is \$25 or less, the school may combine it with the next-to-last payment.

### 10-Year Repayment Table of Constant Multipliers

Annual Rate	Payment Frequency	Payments Per Year	Total Payments	Constant Multiplier
5%	Monthly	12	120	<b>.0106065</b>
5%	Bimonthly	6	60	<b>.0212470</b>
5%	Quarterly	4	40	<b>.0319214</b>

$$\text{Principal} \times \text{Constant Multiplier} = \text{Payment Amount}$$

## Interest accrual

Interest on a Perkins Loan made on or after October 1, 1981, must be computed at the rate of 5% per annum simple interest on the unpaid principal balance. Although interest accrues on a Perkins Loan, *your school may not capitalize it*. This means that your school may not add unpaid interest to the principal balance to increase the principal balance of the Perkins Loan. Instead, your school must track principal and interest as separate figures, adding accrued interest to the interest balance, *not* the principal balance.

Generally, interest is computed from the date a payment is received rather than from the due date. However, there are exceptions. Interest charges may be computed to the nearest first-of-the-month, or they may be computed in accordance with the borrower's established schedule of payments of principal and interest if the borrower is making payments on a regular basis according to that schedule. For example, if a grace period expires in the middle of a month, interest may be computed to the beginning of the next month. Also, if a past-due payment is received before the next regularly scheduled payment, the interest may be computed according to the established payment schedule—no adjustments are necessary.

## Incentive repayment program

To encourage repayment, a school may

- ◆ reduce a loan's interest rate by up to 1% if the borrower makes 48 consecutive monthly payments;
- ◆ discount by up to 5% the balance a borrower owes on a loan if the loan is paid in full before the end of the repayment period; or
- ◆ with the Secretary's approval, establish any other repayment incentive options that reduce default and replenish student loan funds.

A school may not use federal funds or school funds from the Perkins Loan Revolving Fund to absorb the costs associated with repayment incentives. On at least a quarterly basis, schools must reimburse the Perkins Loan Fund for income lost as a result of the discounts offered through the Incentive Repayment Program.

### Interest Rate on Older Perkins Loans

Older Perkins Loans have different interest rates. The interest rate is stated in the borrower's promissory note. The annual interest rate for loans made before July 1, 1981, was 3%; between July 1, 1981, and September 30, 1981, was 4%; on or after October 1, 1981, is 5%.

### Simple Interest Accrual Example

Fred has been granted a hardship forbearance for a year. At the beginning of his forbearance period, Fred's loan balance is \$1,000:

Principal:	<b>\$1,000</b>
Interest:	<b>\$0</b>

Interest accrues throughout the forbearance period at a simple rate of 5% per annum. At the end of the year-long forbearance period, Fred's loan balance is \$1,050:

Principal:	<b>\$1,000</b>
Interest:	<b>\$50</b>

When Fred makes his first payment after the end of the forbearance, his payment is applied to interest first, then principal. Fred makes a payment of \$25, reducing his balance to \$1,025:

Principal:	<b>\$1,000</b>
Interest:	<b>\$25</b>

### Incentive repayment program

34 CFR 674.33(f)

**Minimum monthly repayment**

34 CFR 674.33(b)

**Minimum Monthly Repayment Amount for Older Loans**

The minimum monthly repayment amount is \$30 for NDSLs and Perkins Loans made before October 1, 1992, and Perkins Loans made after October 1, 1992, to borrowers who have an outstanding balance on a Perkins Loan, NDSL, or Defense Loan made before October 1, 1992, that included a \$30 minimum monthly repayment provision. The minimum monthly repayment amount is \$15 for Defense Loans.

If a borrower has both Defense and NDSL or Perkins Loans from one or more schools and the total monthly repayment is less than \$30 and the monthly repayment on a Defense Loan is less than \$15, the amount applied to the Defense Loan may not exceed \$15.

**Hardship Payment Reduction**

A school may reduce a borrower's scheduled payments for up to one year at a time if the borrower is scheduled to pay the \$40 minimum monthly payment and the school determines that the borrower is unable to make the scheduled payments due to hardship, such as prolonged illness or unemployment.

**Minimum monthly repayment amounts**

Schools may choose to include a minimum monthly repayment requirement in the Perkins Loan promissory note. The minimum monthly repayment amount is \$40, unless the borrower on the date the new loan is made has an outstanding balance on a Perkins Loan made before October 1, 1992, that included a \$30 minimum monthly repayment provision. (See sidebar.)

To determine the minimum repayment for bimonthly and quarterly payment schedules, schools should multiply \$40 by two (months) and three (months), respectively.

**Conditions for minimum monthly repayment**

A school may require a borrower to pay a minimum monthly payment amount of \$40 on a Perkins Loan if

- ♦ the promissory note includes a provision specifying a minimum monthly repayment of \$40 and the monthly repayment of principal and interest for a 10-year repayment period (as calculated using a constant multiplier) would be less than \$40; or
- ♦ the borrower has received Perkins Loans with different interest rates at the same school and the total monthly payment would otherwise be less than \$40 (provided any of the promissory notes includes the minimum monthly repayment provision).

Under no circumstances may a school require a minimum monthly repayment of more than \$40.

**Multiple loans at same school**

If a borrower has multiple Perkins Loans from the same school, any of which include the minimum monthly payment provision, the school may require the borrower to make a minimum monthly payment if the borrower's total monthly payment on all the loans totals less than \$40. A student's monthly payment amount may need to be higher than \$40, of course, so that his or her debt is repaid by the end of 10 years.

If the school exercises this option, the school must divide each monthly payment among all the loans proportionate to the amount of principal advanced under each loan. If the borrower's total monthly payment equals or exceeds \$40 for all of the loans made at that school, the school may not exercise the minimum monthly payment on any loan. The school determines the minimum monthly repayment in this manner even if the Perkins Loans have different interest rates.

If the borrower has received Perkins Loans with different grace periods and deferments, the school must treat each note separately. The school still divides the minimum monthly payment proportionately among the loans. However, the borrower must pay each loan's portion when it is due.

### Loans from multiple schools

A borrower may have received Perkins Loans from more than one school. If the borrower wants your school to coordinate minimum monthly payments with another school, he or she must request such coordination.

If the total of the monthly payments is

- ◆ *at least equal to \$40*, none of the lending schools may exercise the minimum monthly repayment requirement.
- ◆ *less than \$40, but only one school exercises the minimum monthly payment option*, that school receives the difference between \$40 and the repayment owed to the second school.
- ◆ *less than \$40 and each school exercises the minimum repayment option*, the \$40 minimum repayment is divided among the schools in proportion to the total amount of principal each has advanced.

If the borrower requests that your school coordinate minimum monthly payment amounts with another school, you should ask the borrower for

- ◆ the names of all other schools to which the borrower owes funds under the Federal Perkins Loan Program;
- ◆ the approximate amount borrowed from, and the current indebtedness to, each school; and
- ◆ any information that would help identify the loans—for example, the loan number and the dates of loan advances.

Using this information, the schools should contact each other and negotiate the amount each should receive from the borrower.

### Loans from multiple schools

34 CFR 674.33(b)(2) & (3)

#### Two Schools/Minimum Monthly Payment Amount Example

Betsy has Perkins Loans from Heinz College and Elise University. Heinz does not exercise the minimum monthly payment option and receives from Betsy \$25 a month (the amount due under its established 10-year repayment plan). Elise exercises the \$40 option and receives from Betsy \$15, the difference between \$40 and the amount of principal and interest paid to Heinz.

### Perkins Loan Quarterly Billing Example

(with four standard repayment dates)

Borrower's Termination Date	Initial Nine-Month Grace Period Ends	Installment Due
January 1	September 30	January 1
February 1	October 31	"
March 1	November 30	"
April 1	December 31	April 1
May 1	January 31	"
June 1	February 28	"
July 1	March 31	July 1
August 1	April 30	"
September 1	May 31	"
October 1	June 30	October 1
November 1	July 31	"
December 1	August 31	"

### ESTABLISHING REPAYMENT DATES

#### Use of Fixed Repayment Dates

For collection and bookkeeping purposes, a fixed repayment date is preferred. Otherwise, if the borrower is entitled to a deferment, the school may have problems computing payments due.

Depending on the repayment schedule (monthly, bimonthly, or quarterly), the borrower's first payment is due one, two, or three months from the date the grace period expires. Repayment schedules must be adjusted (preferably on the first installment) so that the loan will be repaid within the normal 10-year period or as prescribed in the terms of the promissory note.

For convenience, a school may establish standard repayment dates for borrowers who are on quarterly repayment schedules. The first repayment date may be the first day of the calendar quarter after the grace period has expired. Four standard repayment dates would be used: January 1, April 1, July 1, and October 1. (See the chart above.)

Alternatively, a school may adopt a "rolling" quarterly repayment schedule in which each borrower's first payment is due exactly three months after the date his or her grace period expires. For example, if a borrower's first grace period expires on May 17, the first installment payment is due August 18. Another borrower's grace period expires May 18, so the first installment payment on that loan is due August 19.

Once the payment date is established, the borrower will owe principal and interest for any portion of a scheduled installment period not covered by a deferment. However, if the borrower is in deferment on a due date, any amounts owed are carried over and paid on the first due date on which the borrower is out of deferment.

## Extending repayment period for illness, unemployment, or low income

A school may extend a repayment period if the borrower is experiencing a period of prolonged illness or unemployment.

A school may also extend the repayment period for a Perkins Loan if, during the repayment period, the school determines that the borrower qualifies as a *low-income individual* based on total family income (see sidebar).

In the case of low-income individuals, the repayment period may be extended up to 10 additional years. You must review the borrower's income status annually to determine whether he or she still qualifies as a low-income individual.

If you determine that a borrower ceases to qualify for an extended repayment period, you must amend the borrower's repayment schedule. The amended repayment schedule may not exceed the number of months remaining on the original repayment schedule (not including any extensions of the repayment period).

There are two other ways that a school may adjust the repayment schedule for a borrower who qualifies as a low-income individual:

- ◆ The school may require a borrower to pay a reduced amount for a limited time and then later increase the payment amount so the borrower catches up on payments. The repayment period does not have to be extended. For example, a school reduces the payment amount to \$10 per month for six months and then increases it to \$50 per month until the borrower catches up.
- ◆ The school may allow the borrower to pay \$10 per month for a year and then resume normal payments. This type of adjustment extends the repayment period.

Interest continues to accrue during an extension of a repayment period for any of these reasons.

### Repayment period extension

34 CFR 674.33(c)

#### Low-Income Individual

The school must use the Income Protection Allowance (published annually by ED in the Federal Register, usually in May) to determine whether a student is a low-income individual.

Based on the most recent Income Protection Allowance tables (May 2017, applicable for 2018–2019)

- an unmarried borrower without dependents qualifies as a *low-income individual* if his or her total income for the preceding calendar year did not exceed \$9,980.
- a borrower with a family that includes the borrower and any spouse or legal dependents qualifies as a *low-income individual* if his or her total family income for the preceding calendar year did not exceed the relevant amount below:

Family of 2	\$25,870
Family of 3	\$32,210
Family of 4	\$39,780
Family of 5	\$46,940
Family of 6	\$54,890

For each additional family member add \$6,020.

**For more information, please see FR Vol. 82, No. 82/Monday, May 1, 2017.**

**Forbearance**

34 CFR 674.33(d)

The HEOA eliminates the requirement that a forbearance request be in writing.

HEOA 464

HEA 464(e)

**Reduction of payments during hardship**

34 CFR 674.33(b)(5) &amp; (6)

**Extension of repayment during hardship**

34 CFR 674.33(c)(1)

**Extension of repayment for low-income individuals**

34 CFR 674.33(c)(2)

**Paying Interest During Forbearance Period**

Unlike deferment, interest continues to accrue during any period of forbearance. The borrower may request to pay interest as it accrues during periods of forbearance, but the school *may not* require the borrower to do so.

**Forbearance Forms**

The Department has issued OMB-approved forbearance forms for use in the Perkins, Direct Loan, and FFEL programs.

As of June 1, 2016, only the OMB-approved “Mandatory Forbearance” form may be provided to Perkins borrowers requesting forbearance due to student loan debt burden.

As of July 1, 2016, only the OMB-approved “General Forbearance” form may be provided to Perkins borrowers requesting forbearance due to poor health or for other acceptable reasons.

See DCL GEN-16-02 and DCL GEN-16-06.

**Peace Corps Deferment**

If the borrower is currently in economic hardship deferment for service in the Peace Corps, the school may grant deferment for the full term of the borrower’s service, not to exceed three years, or for the remaining period of economic hardship deferment eligibility, if it is less than the remaining period of service.

**Payment processing**

Any payment a school receives must be applied in the following order:

1. collection costs
2. late charges (or penalty charges)
3. accrued interest
4. principal

Past-due payments should be applied in the same order as other payments except that past-due payments must be applied to the “oldest” past-due dollars first.

**FORBEARANCE**

Forbearance is usually a temporary postponement of payments. Forbearance is available for all loans made under the Federal Perkins Loan Program, regardless of when they were made.

The borrower may alternatively request an extension of time allowed for making payments or the acceptance of smaller payments than were previously scheduled.

Schools may grant forbearance to borrowers who are experiencing financial hardship or poor health, or for other acceptable reasons. For example, the Department strongly encourages schools to grant periods of forbearance to borrowers who are serving in AmeriCorps. Also, the Department may authorize periods of forbearance due to a national military mobilization or other national emergency.

Borrowers must request forbearance and provide supporting documentation of the reason for forbearance. (Schools may now process forbearance requests based on a verbal request from a borrower.) The school and borrower must agree to the terms of the forbearance. The school confirms this agreement by notice to the borrower and by recording the terms in the borrower’s file.

Schools may grant the borrower forbearance for a period of up to one year at a time. The forbearance may be renewed, but the periods of forbearance collectively may not exceed a total of three years. A school may apply an authorized period of forbearance to begin retroactively (that is, to begin on an earlier date than the date of the borrower’s request) if the borrower requests that the school do so and if he or she provides adequate documentation to support the request.

Schools may not include periods of forbearance in determining the 10-year repayment period.

## Hardship

A school must grant forbearance if the total amount the borrower is obligated to pay monthly on all FSA loans is equal to or greater than 20% of the borrower's total monthly gross income. Total monthly gross income is the gross amount of income received by the borrower from employment (either full-time or part-time) and from other sources.

To receive forbearance for hardship, the borrower must submit at least the following documentation:

- ◆ evidence of the amount of the borrower's most recent total monthly gross income,
- and
- ◆ evidence of the amount of the monthly payments the borrower owes for the most recent month on his or her FSA loans.

## DEFERMENT

Under certain circumstances, a borrower is entitled to have the repayment of a loan deferred. During deferment, the borrower is not required to pay loan principal and interest does not accrue. After each deferment, the borrower is entitled to a post-deferment grace period of six consecutive months.

In most cases, the borrower must request deferment *unless* the borrower is engaged in service that may qualify for loan cancellation or the school can determine that the borrower is enrolled at least half time at an eligible school. Borrowers are no longer required to request deferments in writing. However, a borrower who requests deferment must provide the school with **supporting documentation on an OMB-approved deferment form** by the school's deadline. Borrowers must immediately report any change in their deferment status to lending schools.

You may grant a deferment, at the borrower's request, based on information from the holder of an FSA loan that a borrower has been granted a deferment for the same reason and the same time period on the borrower's Perkins, Direct, or FFEL Stafford or PLUS Loan. (Holders of federal student aid loans include another Perkins school, an FFEL lender, the Department of Education, or a guaranty agency.) This simplified deferment granting process is optional and only applies to in-school deferments, graduate fellowship deferments, rehabilitation training program deferments, unemployment deferments, economic hardship deferments, military service deferments, and active duty student deferments.

If a borrower is currently in deferment, the school must reaffirm continued eligibility for deferment on at least an annual basis (except for Peace Corps service—see sidebar on previous page). Schools may not include periods of deferment in the 10-year repayment period.

### Calculating Equivalent Monthly Payment (Hardship Forbearance)

If the borrower's loan payments are due less frequently than monthly, a proportional share of the payments is used to determine the equivalent in total monthly payments. For example, if a payment is due quarterly, divide the amount by three (because the payment covers three months) to determine the equivalent monthly payment amount.



### Must Be a "Regular" Student to Get a Deferment

A Perkins borrower must be a "regular student" enrolled at least half time at an eligible school in order to qualify for an in-school deferment on a Perkins Loan.

Students who are merely auditing classes are NOT eligible for in-school deferments. When courses are taken for academic credit, there is the potential that they could be applied to a degree or certificate program at some point or serve as required prerequisites for some future anticipated degree program. Students who are auditing classes are not usually subject to the same academic requirements, receive neither credits or grades, and are not able to apply those courses toward a degree.

### Deferment Forms

The Department has issued OMB-approved deferment forms for use in the Perkins, Direct Loan, and FFEL programs. As of June 1, 2016, only the OMB-approved deferment forms may be provided to Perkins borrowers requesting the following deferments:

- In-school
- Graduate fellowship
- Rehabilitation training program
- Unemployment
- Economic hardship

DCL GEN-16-02

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**Concurrent deferment**

34 CFR 674.34(c)

34 CFR 674.52(d)

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**Deferments–Perkins regulations**34 CFR 674.34 Deferment of repayment—  
Federal Perkins Loans34 CFR 674.35 Deferment of repayment—  
Federal Perkins Loans made before July 1,  
199334 CFR 674.36 Deferment of repayment—  
NDSLs made on or after October 1, 1980, but  
before July 1, 199334 CFR 674.37 Deferment of repayment—  
NDSLs made before October 1, 1980, and  
Defense loans

34 CFR 674.38 Deferment procedures.

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**Deferments on defaulted loans**

The policy permitting deferments on defaulted loans applies to all requests for deferment received after February 3, 1988, regardless of the date the loan was made.

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**Acceleration**

Loan acceleration is one of the penalties a school may impose on a defaulted loan. A loan that has been accelerated becomes due and payable immediately in one lump sum.

**Concurrent deferment/cancellation**

Schools must automatically defer loans during periods when the borrower is performing service that will qualify him or her for loan cancellation. Borrowers do not need to apply for concurrent deferment. Schools may grant concurrent deferment for up to 12 months at a time. Concurrent deferment is available to all loans made under the Federal Perkins Loan Program, regardless of disbursement date and contrary provisions on the promissory note.

A borrower who receives concurrent deferment is also entitled to a post-deferment grace period of six consecutive months. Therefore, regardless of the length of time that the eligible service is performed, repayment is deferred during that period of service and does not resume until six months after the cessation of service.

**Deferment and default**

A borrower is not entitled to a deferment on a defaulted loan. If the borrower signs a new repayment agreement, however, a school may grant a deferment even if the school has “accelerated” the loan. The school would have to undo the loan acceleration before granting the deferment.

A borrower must file for deferment by a deadline the school sets and provide satisfactory documentation that he qualifies for the deferment.

Before granting a deferment on a defaulted loan, the school may require the borrower to pay immediately late fees, collection costs, and some or all of the amount past due as of the date on which the school determined that the borrower had demonstrated eligibility for a deferment. The Department encourages schools to require the borrower to do so, thus “curing” the default.

*A school is not required to grant deferments on loans in default.* However, if a school does so, it is expected to calculate past due accrued interest. If a school believes this is too burdensome, it may deny deferments on defaulted loans.

### **Maintaining in-school enrollment status vs. in-school deferment**

When a student borrower graduates or leaves school and subsequently reenrolls at another school before the initial grace period expires, he or she retains “in-school” enrollment status and does not “use up” the nine-month initial grace period. A borrower is entitled to a full initial grace period when he or she ceases half-time enrollment in the new program.

The borrower may submit proof at any time—even after a loan has been accelerated—that he or she reenrolled at least half time before the initial grace period expired. Upon receipt of this proof, *the school must recalculate the first date of repayment*. The school must also deduct from the loan balance any interest accrued and any late charges added before the date the repayment period actually should have begun. Note that the borrower remains responsible for payments that would have been due under the recalculated repayment period and that the school is not obligated to grant a deferment for any payments past due under that period.

If a Perkins borrower graduates or leaves school and reenrolls at least half time in an eligible postsecondary school *after* the initial grace period has expired, the student is no longer in in-school enrollment status. However, the student may be eligible for an in-school *deferment* (see next page). Keep in mind that a post-deferment grace period is only six months.

Schools exercising the minimum monthly payment provision listed in the promissory note must cease doing so and grant a deferment to cover any period of qualifying service. The amount to be deferred and subsequently canceled must be calculated using the 10-year repayment period.

#### **Enrollment Reporting Process**

Perkins schools can receive student enrollment information through the NSLDS Enrollment Reporting Process. Schools should be accurately reporting enrollment on a monthly basis. It is the school’s responsibility to make sure all loan statuses are reported accurately.

Please refer to the NSLDS Reference Materials, Federal Perkins Technical Update dated 04-06-2012 at

**[ifap.ed.gov/nsldsmaterials/PK201201PerkinsTechUpdate.html](http://ifap.ed.gov/nsldsmaterials/PK201201PerkinsTechUpdate.html)**

Borrowers and students may also self-report their enrollment status by logging into the NSLDS student access website to inform NSLDS of their enrollment status.

## Deferments for All Perkins Loans, NDSLs, and Defense Loans (34 CFR 674.34)

*The deferments that follow are available to all loans made under the Federal Perkins Loan Program, regardless of disbursement date or contrary provisions in the promissory note.*

### In-school deferment

A borrower may defer repayment of a Perkins Loan if he or she is enrolled at least half time in an eligible school.

To receive an in-school deferment for a Perkins Loan, the borrower must be enrolled as a regular student in an eligible institution of higher education or a comparable institution outside the United States approved by the Department for deferment purposes. A regular student is one who is enrolled for the purpose of obtaining a degree or certificate. (The eligible institution need not participate in the Federal Perkins Loan Program.)

If the borrower is attending at least half time as a regular student for a full academic year and intends to do so in the next academic year, he or she is entitled to a deferment for **12 months**. This means that a school must continue to apply the in-school deferment through the summer session, even if the borrower does not attend classes during the summer session. In-school deferment ends on the day the borrower graduates or drops below half-time enrollment.

Schools may grant in-school deferments to borrowers based on student enrollment information provided by third-party servicers or other schools. The enrollment information must establish that the borrower is enrolled as a regular student on at least a half-time basis. If a school grants deferment based on this information, the school must notify the borrower of the deferment and offer the option to cancel the deferment and continue repayment of the loan.

If a borrower is attending a school that ceases to qualify as an institution of higher education, the borrower's deferment ends on the date the school ceases to qualify.

### Graduate fellowship

A borrower may defer repayment if he or she is enrolled and in attendance as a regular student in a course of study that is part of a graduate fellowship program approved by the Department, including graduate or postgraduate fellowship-supported study (such as a Fulbright grant) outside the United States. To qualify for a deferment for study as part of a graduate fellowship program, a borrower must provide the lending institution with a statement from an authorized official of the borrower's graduate fellowship program certifying—that the borrower holds at least a baccalaureate degree conferred by an institution of higher education; that the borrower has been accepted or recommended by an institution of higher education for acceptance on a full-time basis into an eligible graduate fellowship program; and the borrower's anticipated completion date in the program.

An eligible graduate fellowship program is a fellowship program that provides sufficient financial support to graduate fellows to allow for full-time study for at least six months; requires a written statement from each applicant explaining the applicant's objectives before the award of that financial support; requires a graduate fellow to submit periodic reports, projects, or evidence of the fellow's progress; and, in case of a course of study at a foreign university, accepts the course of study for completion of the fellowship program.

## Deferments for All Perkins Loans (continued)

### Rehabilitation training

A borrower may defer repayment if he or she is enrolled in a course of study that is part of a Department-approved rehabilitation training program for disabled individuals.

To receive this deferment, the borrower must provide the school with certification that

- the borrower is receiving, or is scheduled to receive, rehabilitation training from the agency;
- the agency is licensed, approved, certified, or otherwise recognized by a state agency responsible for programs in vocational rehabilitation, drug abuse treatment, mental health services, or alcohol abuse treatment; or by the Department of Veterans Affairs; and
- the agency provides or will provide the borrower rehabilitation services under a written plan that (1) is individualized to meet the borrower's needs (2) specifies the date that services will end and (3) is structured in a way that requires substantial commitment from the borrower.

A substantial commitment from the borrower is a commitment of time and effort that would normally prevent the borrower from holding a full-time job either because of the number of hours that must be devoted to rehabilitation or because of the nature of the rehabilitation.

### Seeking full-time employment

A borrower may defer repayment on a Perkins Loan for up to three years, regardless of disbursement date and contrary provisions on the promissory note, if the borrower is seeking and unable to find full-time employment. Forms for requesting deferment are available at <https://ifap.ed.gov/dpcletters/attachments/GEN1606Attach.pdf>.

34 CFR 674.34(g)

### Economic hardship

A borrower is entitled to an economic hardship deferment for periods of up to one year at a time, not to exceed three years cumulatively, if the borrower provides the school with satisfactory documentation showing one of the following:

- the borrower has been granted an economic hardship deferment for either a Stafford or PLUS Loan for the same period of time for which the Perkins Loan deferment has been requested;
- the borrower is receiving federal or state general public assistance, such as Temporary Assistance to Needy Families, Supplemental Security Income, or Supplemental Nutrition Assistance Program (SNAP);
- the borrower is working full-time<sup>1</sup> and is earning a total monthly gross income that does not exceed (1) the monthly earnings of someone earning the minimum wage, or (2) 150% of the poverty line<sup>2</sup> for the borrower's family size;

<sup>1</sup> A borrower is considered to be working full-time if he or she is expected to be employed for at least three consecutive months for at least 30 hours per week.

<sup>2</sup> The poverty guidelines are published annually by the Department of Health and Human Services. If a borrower is not a resident of a state identified in the poverty guidelines, the poverty guideline to be used for the borrower is the poverty guideline (for the relevant family size) used for the 48 contiguous states.

## Deferments for All Perkins Loans (continued)

- the borrower is serving as a volunteer in the Peace Corps. Schools may grant deferments for Peace Corps service for periods longer than one year at a time, but these periods must not collectively exceed three years.<sup>3</sup>

Note that the deferment provision for borrowers whose debt burden exceeds 20% of total monthly gross income has been eliminated.

### *Determining maximum monthly gross income and 150% of poverty line (#3)*

#### Monthly gross income at minimum wage

The current hourly minimum wage is available at [dol.gov/general/topic/wages/minimumwage](https://www.dol.gov/general/topic/wages/minimumwage)

To find monthly gross income, multiply the minimum wage by the typical work hours in a year, and then divide this amount by 12 months.

### *Determining 150% of the poverty line for the borrower's family size*

Annual poverty line guidelines, as defined by Section 673(2) of the Community Service Block Grant Act, are available at [aspe.hhs.gov/poverty-research](https://aspe.hhs.gov/poverty-research).

Note that an unborn child may be included if that child will be born during the year the borrower certifies family size or for the period the borrower requests an economic hardship deferment.

#### Military service deferment

A borrower who is serving on active duty in the U.S. Armed Forces or performing qualifying National Guard duty may defer repayment (principal or interest) on a Perkins Loan if the duty is in connection with a war, military operation, or national emergency.

The deferment is extended 180 days for qualifying periods of service that include October 1, 2007, or that begin on or after that date. This additional period is available each time a borrower is demobilized at the conclusion of qualifying service. This additional 180-day deferment may not be granted without documentation supporting the borrower's claim of end-of-military-service date.

A borrower may not be reimbursed for any payments made by or on behalf of a borrower during a period for which the borrower qualified for a deferment.

34 CFR 674.34(h)

<sup>3</sup> To qualify for a *subsequent* period of deferment that begins less than one year after the end of the deferment described in option three, the borrower must submit a copy of his or her federal income tax return if the borrower filed a tax return within the eight months preceding the date the deferment is requested.

## Deferments for All Perkins Loans (continued)

### 13-month post-active duty deferment

Effective October 1, 2007, borrowers who are members of National Guard or Armed Forces Reserve, and members of the Armed Forces who are in retired status, are eligible for a 13-month period of deferment on repayment of their Perkins Loans following the completion of their active duty military service if they were enrolled in a postsecondary school at the time of, or within six months prior to, their activation. Reserve or retired members of the Armed Forces may qualify for both the post-active duty deferment and for the military service deferment, and may receive both deferments if eligible. If a student receives both deferments, the overlapping periods of deferment will run concurrently.

A borrower returning from active duty who is in a grace period is not required to waive the grace period to use the 13-month post-active duty student deferment. If the borrower reenrolls in postsecondary school (at least half time) prior to the expiration of the 13-month period, the deferment ends on the date the student reenrolls.

Unlike the military service deferment described above, students receiving the active duty student deferment need not be activated in connection with a war, national emergency, or other military operation.

For purposes of the post-active duty student deferment, "active duty" has the same meaning as in Section 101(d)(1) of Title 10, United States Code, but does not include active duty for training or attendance at a service school/academy.

Members of the National Guard may qualify for this deferment for Title 32 full-time National Guard duty under which a governor is authorized, with the approval of the President to Secretary of Defense, to order a member to state active duty and the activities of the National Guard are paid for by federal funds; or for state active duty under which a governor activates National Guard personnel based on state statute or policy, and the activities of the National Guard are paid for by state funds. Active duty does not include a borrower who is serving full-time in a permanent position with the National Guard, unless the borrower is reassigned as part of a call-up to active duty service.

34 CFR 674.34(i)

## Deferments for All Perkins Loans (continued)

### Auditing Classes and Deferments

A Perkins borrower must be a “regular student” enrolled at least half time at an eligible school in order to qualify for an in-school deferment on a Perkins Loan.

Note that a FFEL or DL borrower who is not enrolled in an eligible program can still get an in-school deferment as long as he or she is enrolled at least half time at an eligible school.

Classes that a student is auditing may not be counted toward the student’s enrollment status in determining whether the student is enrolled half time. For example, at a school where six credits is considered half time, a student who is enrolled in three credits for a grade and three credits as an audit would not be considered a half-time student for the purpose of an in-school deferment.

### Deferments for Older Perkins Loans (34 CFR 674.35, 674.36, and 674.37)

For information on deferment provisions exclusive to loans made before October 1, 1980, see the 1994–1995 Federal Student Financial Aid Handbook or 34 CFR 674.37.

For information on deferment provisions exclusive to loans made before July 1, 1993, see the 2015–2016 Federal Student Financial Aid Handbook.

### Definitions for Purposes of Military Service Deferments

*Active duty* means full-time duty in the active military service of the United States, except that it does not include active duty for training or attendance at a service academy.

*Military operation* means a contingency operation that is designated by the Secretary of Defense as an operation in which members of the Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or an opposing military force; or results in the call to or retention on active duty of members of the uniformed services.

*National Guard duty* means training or other duty, other than inactive duty, when called to active service authorized by the President of the United States or Secretary of Defense (and paid for with federal funds) for a period of more than 30 consecutive days in connection with a war, national emergency, or other military operation.

## GENERAL CANCELLATION PROVISIONS

### *Application for cancellation*

The following cancellation application procedures apply to any loan under this program.

The borrower applies for cancellation of his or her loan by obtaining the appropriate cancellation form from the business or student loan office of the school that made the loan (or from the school's billing service if it uses one). The borrower submits the form to the school, along with any supporting documentation the school requests, by the deadline the school establishes.

A school must determine, based on the borrower's documentation, whether the borrower is entitled to have any portion of his or her loans cancelled. **This responsibility cannot be delegated.** For information on documentation, see the appropriate cancellation category in this section.

### *Concurrent deferment*

Schools must automatically defer loans during periods of service for which schools also grant loan cancellation. Borrowers do not need to apply for these automatic deferments.

### *ED reimbursement to schools*

If funds are appropriated, the Department will reimburse each school every award year for the principal and interest cancelled from its Perkins Loan Fund for all of the cancellation provisions except for death, total and permanent disability, bankruptcy, and closed school discharge.

If it receives reimbursement, a school must deposit the amount reimbursed in its Perkins Loan Fund.

For more information and a full Q&A on reimbursing amounts cancelled, see Dear Colleague Letter CB-05-08.

**Note:** Congress has not appropriated funds for Perkins cancellation reimbursement for a number of years.

### **Perkins Cancellation**

34 CFR 674 Subpart D  
34 CFR 674.51-62  
Special definitions  
34 CFR 674.51  
Procedures  
34 CFR 674.52

#### **Reminder**

**When a borrower who is already receiving cancellation benefits becomes eligible for another type of cancellation**

Perkins borrowers who become eligible for an additional cancellation category continue along in the same cancellation progression if both categories are cancelled at the same rate.

However, if a borrower becomes eligible for a cancellation category with a different rate of progression, the borrower "begins at the year one cancellation rate" for the new cancellation category.

34 CFR 674.52(g)(2)

### ***Break in service due to a condition covered by the Family and Medical Leave Act (FMLA)***

A borrower who is unable to complete an academic year of eligible teaching service due to a condition covered under the FMLA may still qualify for a cancellation if the borrower completes at least one half of the academic year, and the borrower's employer considers the borrower to have fulfilled the contract requirements for the academic year for purposes of salary increases, tenure, and retirement.

For a cancellation type that requires 12-consecutive months of eligible service, a borrower who is unable to complete the year of eligible service due to a condition covered under the FMLA may still qualify for the cancellation if the borrower completes at least 6 months of eligible service.

## CANCELLATION RESTRICTIONS

### *Prior service and payments prior to cancellation*

Schools may not cancel any portion of a loan for services the borrower performed either before the date the loan was disbursed or during the enrollment period covered by the loan.

Schools may not refund payments made during a period for which the borrower qualified for a cancellation, unless the borrower made the payment because of the school's error. To reduce the chance of error, a school should keep the borrower informed of any new cancellation benefits.

### *Defaulted loans*

A school may cancel a defaulted loan if the only reason for the default was the borrower's failure to file a cancellation request on time. If the loan has already been **accelerated**, only eligible service performed **prior** to the date of acceleration can be considered for cancellation. A borrower is not entitled to cancellation for any eligible service performed **after** the date of acceleration.

### *AmeriCorps recipients*

Schools may not grant cancellation of a Perkins Loan or National Direct Student Loan to a borrower who has received a national service education award for volunteer service with AmeriCorps (Subtitle D of Title I of the National and Community Service Act of 1990).

### **Cancellation restrictions**

Prior service

34 CFR 674.62(a)

Payment refund

34 CFR 674.62(b)

Defaulted loans

34 CFR 674.52(d)

AmeriCorps (National Community Service)

34 CFR 674.52(f)

### **Perkins Cancellation Extended to Loans Prior to October 7, 1998**

The Higher Education Act was amended to extend all service cancellations to Perkins, NDSL, and Defense Loan borrowers who were previously ineligible. However, only periods of qualifying service performed on or after October 7, 1998, are eligible for cancellation benefits if the borrower was not previously eligible.

## Cancellation Rates for Military, Teachers AND Public Servants

With the exception of the early childhood education and volunteer service cancellations, the cancellation rate per completed year of qualifying full-time service is

- first and second years: 15% of the original principal loan amount, plus the interest that accrued during the year;
- third and fourth years: 20% of the original principal loan amount, plus the interest that accrued during the year; and
- fifth year: 30% of the original principal loan amount, plus any interest that accrued during the year.

A “year of service” consists of 12 consecutive months of service, except for teaching service, where the borrower must teach full-time for a full academic year or its equivalent. For cancellation rates for early childhood education and volunteer service, please see the corresponding sections in this chapter.

## ELEMENTARY AND SECONDARY TEACHER CANCELLATION

Schools must cancel up to 100% of a Perkins Loan if the borrower has served full-time in a *public or private nonprofit elementary or secondary school system* as

- ♦ a teacher in a *low-income school* or a *low-income educational service agency*;
- ♦ a teacher in a *teacher shortage field*, including mathematics, science, foreign languages, or bilingual education or any other field of expertise that is determined by a state education agency to have a shortage of qualified teachers in that state; or
- ♦ a *special-education* teacher, including teachers of infants, toddlers, children, or youth with disabilities.

### Teacher cancellation

34 CFR 674.53

Teacher definition 34 CFR 674.51(y)

Academic year definition 34 CFR 674.51(a)

Part-time 34 CFR 674.52(b)(1)

Low-income schools 34 CFR 674.53(a)

Teaching children & adults 34 CFR 674.53(f)

Field of expertise 34 CFR 674.53(c)

Special education 34 CFR 674.53(b)

### Teacher Cancellation Directory

You can identify schools and educational service agencies that are eligible for Perkins deferment and cancellation by searching the *Teacher Cancellation Low-Income Directory* online at:

**StudentLoans.gov.**

Information about the compilation and publication of the directory is available from **COD School Relations Center** at

**800-848-0978.**

Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (ET). You may also email the center at

**CODSupport@ed.gov.**

The cancellation form that the borrower files must be signed by an official in the school system or agency to certify the borrower's service. Eligibility for teacher cancellation is based on the duties presented in an official position description, not on the position title. To receive a cancellation, the borrower must be *directly employed* by the school system.

To qualify for cancellation based on any of these three conditions, a borrower must teach full-time for a complete academic year or its equivalent. See the next page for exceptions covering special cases, such as illness or pregnancy.

### **Cancellation for teaching in a low-income school or educational service agency**

A borrower qualifies for this cancellation by teaching full-time in a low-income public or other nonprofit elementary or secondary school, or by teaching full-time for an *educational service agency* (ESA) listed in the *Teacher Cancellation Low-Income Directory* (see sidebar).

For cancellation purposes, a borrower employed by an ESA may be teaching

- ◆ at a location operated by the ESA (such as a stand-alone school that serves students from many different school districts), or
- ◆ in a conventional elementary and secondary school (such as a vocational education teacher employed by the ESA to teach courses in several different secondary schools).

If a borrower is teaching at a school that is on the list one year but not in subsequent years, the borrower may continue to teach in that school and remain eligible to receive a cancellation for service in that school.

#### **Cancellations for Teachers at Educational Service Agencies**

These cancellations are for Perkins, for eligible service that includes August 14, 2008, or begins on or after that date, regardless of whether the cancellation category appears on the borrower's promissory note.

HEA section 465(a)

*Definition of educational service agency:* A regional public multi-service agency authorized by state law to develop, manage, and provide services or programs to local educational agencies as defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended.

HEA sections 481(e) and (f)

#### **BIA Schools**

All elementary and secondary schools operated by the Bureau of Indian Affairs (BIA) are considered to qualify as schools serving low-income families for the purpose of teacher cancellations of Perkins Loans. Elementary and secondary schools operated on reservations by Indian tribal groups under contract with the BIA are also considered to qualify for this purpose.

34 CFR 674.53(a)(5)

## Who Is a Teacher?

A teacher is a person who provides students direct classroom teaching, classroom-type teaching in a non-classroom setting, or educational services directly related to classroom teaching (e.g., school librarian, guidance counselor).

It is not necessary for a teacher to be certified or licensed to receive cancellation benefits. However, the employing school must consider the borrower to be a full-time professional for the purposes of salary, tenure, retirement benefits, and so on. In other words, to qualify, the borrower should accrue the same benefits as teachers who are licensed and/or certified.

A supervisor, administrator, researcher, or curriculum specialist is not a teacher unless he or she primarily provides direct and personal educational services to students.

Under certain conditions, a teacher's aide may be considered eligible for teacher cancellation. The teacher's aide must meet the definition of a "full-time teacher." He or she must have a bachelor's degree and be a professional recognized by the state as a full-time employee rendering direct and personal services in carrying out the instructional program of an elementary or secondary school.

Volunteer teachers are not professionally employed on a full-time basis and, therefore, are not eligible for teacher cancellation benefits.

### Teaching full-time for a full academic year

The borrower must teach full-time for a full academic year or its equivalent. There is no requirement that a teacher must teach a given number of hours a day to qualify as a full-time teacher; the employing school is responsible for determining whether or not the individual is considered to be a full-time teacher.

An "academic year or its equivalent" for teacher cancellation purposes is defined as one complete school year. Two half-years count as an academic year if they are complete, consecutive, from different school years (excluding summer session), and generally fall within a 12-month period.

A borrower who cannot complete the academic year because of illness or pregnancy may still qualify for cancellation if he or she has completed the first half of the academic year and has begun teaching the second half, as long as the borrower's employer considers the borrower to have fulfilled his or her contract for the academic year.

### Teaching part-time at multiple schools

Schools must grant cancellation to a borrower who is simultaneously teaching part-time in two or more schools *if* an official at one of the schools where the borrower taught certifies that the borrower taught full-time for a full academic year. For example:

- under a consortium agreement, a borrower may be employed by the consortium and teach at member schools;
- two or more schools, by mutual agreement, could arrange to have one school employ the borrower on a full-time basis and then hire out his or her services to the other school(s) involved in the agreement; or
- a borrower can be considered to have been a full-time teacher for an academic year if he or she can obtain appropriate certifications that he or she has taught in half-time teaching positions for a complete academic year in two elementary schools, two secondary schools, or a combination of the two school levels.

A school may refuse cancellation for simultaneous teaching in two or more schools if it cannot easily determine that the teaching was full-time.

## Who Is a Teacher? (Continued)

### Teaching in a private school

A borrower may receive teacher cancellation for services performed in a private elementary or secondary school or academy, if the private school or academy has established its nonprofit status with the Internal Revenue Service (IRS) and if the school or academy is providing elementary or secondary education according to state law. The school or academy does not necessarily need to be accredited for a borrower teaching there to qualify for teacher cancellation.

### Teaching in a school system

To be eligible for cancellation, a borrower employed in a public or other nonprofit elementary or secondary school system or an educational service agency must be directly employed by the school system.

### Teaching in a preschool or pre-kindergarten program

A borrower may receive teacher cancellation for teaching service performed in a preschool or pre-kindergarten program if the state considers the program to be a part of its elementary education program. A low-income-school-directory designation that includes pre-kindergarten or kindergarten does not suffice for a state determination of program eligibility. The school must check with the state superintendent of public instruction to determine whether these programs are part of the state elementary education program.

### Teaching both children and adults

If the borrower teaches both children and adults, the majority of students must be children for the borrower to qualify for cancellation.

### Job Corps teachers

Teaching service performed in a Job Corps project does not qualify for Perkins Loan cancellation unless the teaching is conducted in an elementary or secondary school or school system.

### How are low-income schools and ESAs selected?

The Department selects elementary/secondary schools and educational service agencies (ESAs) for inclusion in the *Teacher Cancellation Low-Income Directory* in consultation with each state's educational agency based on these criteria:

- The school or ESA is in a school district that qualifies for "Title I" federal funding based on the large number of low-income families in the district.
- More than 30% of the school's or ESA's enrollment is made up of children from low-income families.

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### Teaching in a teacher shortage field by field of expertise

34 CFR 674.53(c)

### *Cancellation for teaching in a teacher shortage field*

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins Loan for a full-time teacher in a field of expertise that is determined by a state education agency to have a shortage of qualified teachers in that state. A borrower who is teaching in science, mathematics, foreign language, or bilingual education qualifies for cancellation even if the state has not designated the subject area in which he or she is teaching as a shortage area.

For a borrower to be considered as teaching in a field of expertise that has a shortage of teachers, the majority of classes taught must be in that field of expertise.

### *Cancellation for teaching in special education*

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins Loan for a full-time special education teacher of infants, toddlers, children, or youth with disabilities. The teaching service must be performed in a public or other nonprofit elementary or secondary school system.

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### Teaching in special education

34 CFR 674.53(b)

#### **Defining Children and Youth with Disabilities**

For children and youth from ages 3 through 21 who require special education and related services because they have disabilities as defined in Section 602(3) of the Individuals with Disabilities Education Act (the Act), the Act defines a "child with a disability" as one (1) with mental retardation, hearing impairments (including deafness), speech or language impairments, visual impairments (including blindness), serious emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or specific learning disabilities; and (2) who, by reason thereof, needs special education and related services.

For a child age three through nine, the term a "child with a disability" may include, at the discretion of a state and local education agency, individuals (1) experiencing developmental delays, as defined by the state and as measured by appropriate instruments and procedures, in one or more of the following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development; and (2) who, by reason thereof, require special education and related services.

A person performing one of the following services is considered a teacher if the service is part of the educational curriculum for handicapped children:

- ◆ speech and language pathology and audiology
- ◆ physical therapy
- ◆ occupational therapy
- ◆ psychological and counseling services
- ◆ recreational therapy

To qualify for cancellation, the borrower must be licensed, certified, or registered by the appropriate state education agency for that area in which he or she is providing related special educational services.

## PUBLIC SERVICE CANCELLATIONS

### *Nurse or medical technician cancellation*

Schools must cancel up to 100% of a Perkins Loan if the borrower has served full-time as a *nurse* or *medical technician* providing health care services. The borrower must provide health care services *directly* to patients.

For purposes of this cancellation,

- ◆ a *nurse* is a licensed practical nurse, a registered nurse, or other individual who is licensed by the appropriate state agency to provide nursing services.
- ◆ a *medical technician* is an allied health professional (working in fields such as therapy, dental hygiene, medical technology, or nutrition) who is certified, registered, or licensed by the appropriate state agency in the state in which he or she provides health care services; an allied health professional is someone who assists, facilitates, or complements the work of physicians and other specialists in the health care system. (See Dear Colleague Letter CB-08-14 for a more detailed discussion of the eligibility requirements for the medical technician cancellation.)

A school may refuse a request for cancellation based on a claim of simultaneous employment as a nurse or medical technician in two or more facilities if it cannot determine easily from the documentation supplied by the borrower that the combined employment is full-time. However, it shall grant the cancellation if one facility official certifies that a nurse or medical technician worked full-time for a full year.

### *Firefighter cancellation*

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins Loan for service that includes August 14, 2008, or begins on or after that date, as a full-time *firefighter*.

A firefighter is an individual who is employed by a federal, state, or local fire fighting agency to extinguish destructive fires or provide fire-fighting related services such as conducting search and rescue, providing hazardous materials (HAZMAT) mitigation, or providing community disaster support and, as a first responder, providing emergency medical services.

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### Cancellation

Definitions 34 CFR 674.51

Employment cancellations 34 CFR 674.56

- Nurse or medical technician (a)
- Child or family services agency (b)
- Early intervention (disability) services (c)
- Firefighter (d)
- Faculty at tribal college or university (e)
- Librarian with master's degree at Title I school (f)
- Speech pathologist with master's degree at Title I school (g)

Law enforcement 34 CFR 674.57

Early Childhood Education 34 CFR 674.58

Military service 34 CFR 674.59

Volunteer service 34 CFR 674.60

Cancellation reimbursement

34 CFR 674.63(b)

GEN-05-15

Sec. 465(a)(2)(I) of the HEA

Campus-Based E-Announcement,

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### Firefighter cancellation

34 CFR 674.56(d)

## Early Intervention Definitions

### Infants and toddlers with disabilities

An individual under three years of age who needs early intervention services because the individual (1) is experiencing developmental delays, as measured by appropriate diagnostic instruments and procedures, in one or more of the areas of cognitive development, physical development, communication development, social or emotional development, and adaptive development; or (2) has a diagnosed physical or mental condition, that has a high probability of resulting in developmental delay.

The term may also include, at a state's discretion, individuals under age three, who are at risk of having substantial developmental delays if early intervention services are not provided. (Section 632(5)(A) of the Individuals with Disabilities Education Act [IDEA].)

### Qualified professional provider of early intervention services

A provider of services, as defined in Section 632 of the Individuals with Disabilities Education Act. Section 632 of that act defines early intervention services as developmental services that

- are provided under public supervision;
- are provided at no cost except where federal or state law provides for a system of payments by families, including a schedule of sliding fees;
- are designed to meet the developmental needs of an infant or toddler with a disability in one or more of the following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development;
- meet the standards of the state in which they are provided;
- are provided by qualified personnel, including special educators; speech and language pathologists and audiologists; occupational therapists; physical therapists; psychologists; social workers; nurses; nutritionists; family therapists; orientation and mobility specialists; and pediatricians and other physicians;
- to the maximum extent appropriate, are provided in natural environments, including the home, and community settings in which children without disabilities participate; and
- are provided in conformity with an individualized family service plan adopted in accordance with Section 636 of the Individuals with Disabilities Education Act.

Under the Individuals with Disabilities Education Act, early intervention services include family training, counseling, and home visits; special instruction; speech-language pathology and audiology services; occupational therapy; physical therapy; psychological services; service coordination services; medical services only for diagnostic or evaluation purposes; early identification, screening, and assessment services; health services necessary to enable the infant or toddler to benefit from the other early intervention services; social work services; vision services; assistive technology devices and services; and transportation and related costs necessary to enable infants, toddlers, and their families to receive other services identified in Section 632(4).

### Early intervention (for disabled infants/toddlers) cancellation

Schools must cancel up to 100% of the outstanding balance on a Perkins Loan if the borrower has been employed full-time as a *qualified professional provider of early intervention services* in a public or other non-profit program. “Early intervention services” are provided to infants and toddlers with disabilities.

This cancellation applies to Perkins Loans made on or after July 23, 1992. Perkins Loans made prior to that date are eligible for cancellation for early intervention service that is performed on or after October 7, 1998.

### Child or family services cancellation

A school must cancel up to 100% of the outstanding balance on a Perkins Loan made on or after July 23, 1992, for service as a full-time employee in a public or private nonprofit child or family service agency. To qualify for cancellation, the borrower must be providing services directly and exclusively to *high-risk children from low-income communities* and to the families of these children, or supervising the provision of such services. Any services provided to the children’s families must be secondary to the services provided to the children.

For purposes of this cancellation

- ◆ *high-risk children* are defined as individuals under the age of 21 who are low-income or at risk of abuse or neglect; have been abused or neglected; have serious emotional, mental, or behavioral disturbances; reside in placements outside their homes; or are involved in the juvenile justice system.
- ◆ *low-income communities* are communities in which there is a high concentration of children eligible to be counted under Title I rules (see sidebar on next page).

The types of services a borrower may provide to qualify for a child or family service cancellation include child care and child development services; health, mental health, and psychological services; and social services. The Department has determined that an elementary or secondary school system, a hospital, or an institution of higher education is not an eligible employing agency. When reviewing child or family service cancellation requests, Perkins schools and their servicers should refer to Dear Colleague Letter GEN-5-15, which provides a more detailed discussion of the eligibility requirements for child or family service cancellations.

### Early intervention cancellation

34 CFR 674.56(c)

#### Cancellation Rates

With the exception of cancellations for Head Start, military, and volunteer service, the cancellation rate per completed academic year of full-time teaching or for each year of otherwise qualifying full-time service is

- 15% of the original principal loan amount—plus the interest that accrued during the year—for each of the first and second years;
- 20% of the original principal loan amount—plus the interest that accrued during the year—for each of the third and fourth years; and
- 30% of the original principal loan amount—plus any interest that accrued during the year—for the fifth year.

A year of service consists of 12 consecutive months of service.

### Child or family services cancellation

34 CFR 674.56(b)

### Tribal college or university cancellation

34 CFR 674.56(e)

#### Tribal College or University

An institution that

1. qualifies for funding under the Tribally Controlled Colleges and Universities Assistance Act of 1978 (25 U.S.C. 1801 et seq.) or the Navajo Community College Assistance Act of 1978 (25 U.S.C. 640a note); or
2. is cited in section 532 of the Equity in Education Land Grant Status Act of 1994 (7 U.S.C. 301 note) 34 CFR 674.51(bb).

You can find a list of accredited Tribal Colleges and Universities at

[sites.ed.gov/whiaiane/tribes-tcus/tribal-colleges-and-universities/](https://sites.ed.gov/whiaiane/tribes-tcus/tribal-colleges-and-universities/)

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**Speech pathologist cancellation**

34 CFR 674.56(g)

**Faculty member at a tribal college or university cancellation**

An institution must cancel up to 100% of the outstanding balance on a borrower's Federal Perkins Loan for service that includes August 14, 2008, or begins on or after that date, as a full-time faculty member at a Tribal College or University.

**Speech pathologist (at Title I school) cancellation**

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins Loan for full-time employment that includes August 14, 2008, or begins on or after that date, as a speech pathologist. A speech pathologist is someone who evaluates or treats disorders that affect a person's speech; language; cognition; voice; swallowing and the rehabilitative or corrective treatment of physical or cognitive deficits/disorders resulting in difficulty with communication, swallowing, or both; and who has obtained a postgraduate academic degree awarded after the completion of an academic program of up to six years in duration (excluding a doctorate or professional degree).

To qualify for cancellation, the speech pathologist must have a master's degree and be working exclusively with Title I–eligible schools.

**Librarian (at Title I school) cancellation**

A school must cancel up to 100% of the outstanding Perkins balance for service that includes August 14, 2008, or begins on or after that date, as a full-time librarian.

The librarian must have a master's degree. A *librarian with a master's degree* is defined as an information professional trained in library or information science who has obtained a postgraduate academic degree in library science awarded after the completion of an academic program of up to six years in duration (excluding a doctorate or professional degree).

The librarian must be employed

- ◆ in an elementary school or secondary school that is eligible for Title I assistance (see sidebar), or
- ◆ by a public library that serves a local school district that contains one or more Title I-eligible schools.

**LAW ENFORCEMENT CANCELLATIONS****Law enforcement or corrections officer cancellation**

A school must cancel up to 100% of a Perkins Loan made on or after November 29, 1990, if the borrower performs full-time service for 12 consecutive months as a law enforcement or corrections officer for an eligible employing agency.

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**Title I schools**

Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended, provides funding for schools with high numbers or high percentages of poor children

Elementary and Secondary Education Act  
See 20 U.S.C. 70

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**Librarian cancellation**

34 CFR 674.56(f)

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**Law enforcement/corrections cancellation**

34 CFR 674.57(a)

To establish the eligibility of a borrower for the law enforcement or corrections officer cancellation provision, the school must determine that (1) the borrower's employing agency is eligible and that (2) the borrower's position is essential to the agency's primary mission.

A local, state, or federal agency is an eligible employing agency if it is publicly funded and its activities pertain to crime prevention, control, or reduction, or to the enforcement of the criminal law. Such activities include but are not limited to

- ◆ police efforts to prevent, control, or reduce crime or to apprehend criminals;
- ◆ activities of courts and related agencies having criminal jurisdiction;
- ◆ activities of corrections, probation, or parole authorities; and
- ◆ the prevention, control, or reduction of juvenile delinquency or narcotic addiction.

Agencies that are primarily responsible for enforcement of civil, regulatory, or administrative laws are ineligible. However, because the activities of many divisions and bureaus within local, state, and federal agencies pertain to crime prevention, control, or reduction, or to the enforcement of criminal law, a sub-unit within a larger, non law enforcement agency may qualify as a law enforcement agency for purposes of a law enforcement cancellation.

For the borrower's position to be considered essential to the agency's primary mission, he or she must be a full-time employee of an eligible agency and a sworn law enforcement or corrections officer or person whose principal responsibilities are unique to the criminal justice system and are essential in the performance of the agency's primary mission. The agency must be able to document the employee's functions. Examples of positions that are considered essential to a law enforcement agency's primary mission and that are unique to the criminal justice system include prosecuting attorneys whose primary responsibilities are to prosecute criminal cases on behalf of law enforcement agencies, forensic scientists, and latent fingerprint examiners.

Individuals whose official responsibilities are supportive, such as those that involve typing, filing, accounting, office procedures, purchasing, stock control, food service, transportation, building, equipment, or grounds maintenance are not eligible for the law enforcement or correction officer loan cancellation, regardless of where these functions are performed.

#### **Law Enforcement Cancellation for Loans Prior to November 29, 1990**

A school must cancel up to 100% of the outstanding loan balance on a Perkins Loan made prior to November 29, 1990, for law enforcement or correction officer service performed on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the terms of the borrower's promissory note. The service must be full-time and be performed over 12 consecutive months.

## PUBLIC DEFENDER CANCELLATION

### Public defender cancellation

34 CFR 674.57(b)

### Eligible public/community defender organizations

34 CFR 674.51(e)

Section 3006A(g)(2) of Title 18, U.S.C.

You can find a list of eligible federal public defender and community defender organizations at

[fd.org/sites/default/files/cja\\_resources/defenderdir.pdf](http://fd.org/sites/default/files/cja_resources/defenderdir.pdf)

Full-time attorneys employed in *federal public defender organizations* or *community defender organizations* (see sidebar), are eligible for public defender cancellations.

For purposes of this cancellation,

- ◆ a *community defender organization* is a defender organization established in accordance with section 3006A(g)(2)(B) of Title 18, United States Code.
- ◆ a *federal public defender organization* is a defender organization established in accordance with section 3006A(g)(2)(A) of Title 18, United States Code.

Cancellations are for eligible service that includes August 14, 2008, or begins on or after that date, regardless of whether information on the expansion of this cancellation category appears on the borrower's promissory note.

### Military service cancellation

34 CFR 674.59

### Military cancellations for earlier loans

- A school must cancel up to 50% of a Defense loan made after April 13, 1970, for the borrower's full-time active service starting after June 30, 1970, in the U.S. Armed Forces.
- A school must cancel up to 50% of the outstanding balance on a Perkins Loan for active duty service that ended before August 14, 2008, as a member of the U.S. Armed Forces in an area of hostilities that qualifies for special pay under section 310 of title 37 of the United States Code (see below).

The cancellation rate is 12.5% of the original loan principal, plus the interest on the unpaid balance accruing during the year of qualifying service, for each complete year of qualifying service.

## MILITARY SERVICE CANCELLATION

A school must cancel up to 100% of the outstanding balance of a Perkins Loan for a full year of active duty service in the U.S. Armed Forces in an *area of hostilities* or an *area of imminent danger* that qualifies for special pay (see sidebar). The "U.S. Armed Forces" are the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard.

The borrower's commanding officer must certify the borrower's service dates. Active duty service for less than a complete year or a fraction of a year beyond a complete year does not qualify. A complete year of service is 12 consecutive months.

Areas that qualify for hostile fire/imminent danger pay are listed on the Web (see sidebar). Note that the borrower does not have to serve the full 12 months of active duty service in such an area to qualify for the cancellation. If a borrower is on active duty in such an area for any part of a month, that month counts toward the borrower's eligibility for a military cancellation.

The cancellation rate is the standard progression for up to 100% cancellation: 15% for the first and second year of qualifying service, 20% for the third and fourth year of qualifying service, and 30% for the fifth year of qualifying service. The year of qualifying service must include August 14, 2008, or begin on or after that date.

## EARLY CHILDHOOD EDUCATION CANCELLATION (PRE-KINDERGARTEN, CHILD CARE, HEAD START)

A school must cancel up to 100% of a Perkins Loan if the borrower has served

- ◆ as a *full-time staff member* in a *Head Start* program, or
- ◆ as a *full-time staff member* of a *pre-kindergarten* or *child care program* that is licensed or regulated by the state.

For purposes of these early education cancellations,

- ◆ *Head Start* is a preschool program carried out under the Head Start Act (subchapter B, chapter 8 of Title VI of Pub. L. 97–35, the Budget Reconciliation Act of 1981, as amended; formerly authorized under section 222(a)(1) of the Economic Opportunity Act of 1964). (42 U.S.C. 2809(a)(1)).
- ◆ *pre-kindergarten program* is a state-funded program that serves children from birth through age six and addresses the children’s cognitive (including language, early literacy, and early mathematics), social, emotional, and physical development.
- ◆ *child care program* is a program that is licensed or regulated by the state and provides child care services for fewer than 24 hours per day per child, unless care in excess of 24 consecutive hours is needed due to the nature of the parents’ work.
- ◆ *full-time staff member* is someone who is regularly employed in a full-time professional capacity to carry out the educational part of the early education program.

For the pre-kindergarten and child care program cancellation, the period of service must include August 14, 2008, or begin on or after that date.

In order to qualify for cancellation, the early education program in which the borrower serves must operate for a complete academic year or its equivalent. The borrower’s salary may not exceed the salary of a comparable employee working in the local educational agency of the area served by the early education program.

The cancellation rate is 15% of the original loan principal, plus the interest on the unpaid balance accruing during the year of qualifying service for each complete academic year or its equivalent of full-time teaching service.

An official of the early education program should sign the borrower’s cancellation form to certify the borrower’s service.

### Early childhood cancellation

34 CFR 674.58

#### Early Education Cancellations for Defense Loans

*Head Start.* An institution must cancel up to 100% of the outstanding balance on a Defense Loan for service as a full-time staff member in a Head Start program performed on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the terms of the borrower’s promissory note.

## VOLUNTEER SERVICE CANCELLATION

Schools must cancel up to 70% of a Perkins Loan if the borrower has served as a Peace Corps or AmeriCorps VISTA (under Title I, Part A of the Domestic Volunteer Service Act of 1973) volunteer. An authorized official of the Peace Corps or AmeriCorps VISTA program must sign the borrower's cancellation form to certify the borrower's service.

AmeriCorps volunteers do not qualify for this cancellation unless their volunteer service is with AmeriCorps VISTA. An AmeriCorps VISTA volunteer may only qualify for this cancellation if the AmeriCorps VISTA volunteer elects not to receive a national service education award for his or her volunteer service. The AmeriCorps VISTA volunteer must provide appropriate documentation showing that the volunteer has declined the AmeriCorps national service education award.

Schools apply cancellation for volunteer service in the following increments:

- ◆ 15% of the original principal loan amount—plus any interest that accrued during the year—for each of the first and second 12-month periods of service, and
- ◆ 20% of the original principal loan amount—plus any interest that accrued during the year—for each of the third and fourth 12-month periods of service.

For Peace Corps Volunteers, the 12-month periods of service include any pre-enrollment training the volunteer receives at the Peace Corps post.

## DISCHARGING PERKINS LOANS

### *Discharge due to death*

**NEW**

A school must discharge the unpaid balance of a borrower's Defense, NDSL, or Federal Perkins Loan, including interest, if the borrower dies. The school must discharge the loan on the basis of the following:

- ◆ An original or certified copy of the death certificate
- ◆ An accurate and complete photocopy of the original or certified copy of the death certificate
- ◆ An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission
- ◆ Verification of the borrower's death through an authoritative Federal or State electronic database approved for use by the Department

Under exceptional circumstances and on a case-by-case basis, the chief financial officer of the institution may approve a discharge based upon other reliable documentation of the borrower's death.

### *Discharge for total and permanent disability (nonveterans)*

If a Perkins borrower contacts a school to request a total and permanent disability (TPD) discharge, the school must tell the borrower to notify the Department of the borrower's intent to apply for a TPD discharge. The school must provide the borrower with the information needed for the borrower to contact the Department. When the borrower notifies the Department of the borrower's intent to apply for a TPD discharge, the Department provides the borrower with the information necessary to apply for the discharge. The Department identifies all FSA loans held by the borrower and notifies the holders of those loans of the borrower's intent to apply for a TPD discharge. The Department directs the loan holders to suspend collection activity on the borrower for a period not to exceed 120 days. The Department informs the borrower of the suspension of collection activity and tells the borrower that the suspension of collection activity will end after 120 days if the borrower does not submit a TPD discharge application within that time.

### **Discharge for death of a borrower**

34 CFR 674.61

### **Total and permanent disability loan discharge**

34 CFR 674.61

DCL GEN 06-14

#### **TPD Discharge Application**

You can find additional information on TPD at

[disabilitydischarge.com/](http://disabilitydischarge.com/)

You can find forms at

[disabilitydischarge.com/Forms](http://disabilitydischarge.com/Forms)

#### **A TPD Discharge Based on Social Security (SSA) Disability**

For a borrower applying for a TPD discharge based on an SSA disability determination, the documentation from the SSA must show that the borrower qualifies for SSA disability benefits and that the borrower's next SSA disability review will be within five to seven years. If the notification of eligibility for disability benefits that borrower received from the SSA doesn't contain a medical review period, the borrower can obtain this information by calling his or her local SSA office or by calling 1-800-772-1213 and requesting a Benefits Planning Query.

### Assignment Procedures due to Total and Permanent Disability Discharge

Accounts submitted for assignment must be mailed via overnight or private courier service. To safeguard Personally Identifiable Information (PII) the Department has developed safeguards related to data exchanged between the Department and our data exchange partners. The new requirements for packaging TPD-related documents bring TPD packaging standards in line with the Department's established policies on mailing PII.

For complete directions see Total and Permanent Disability Discharge Assignment Guide for Federal Perkins Loans at

[ifap.ed.gov/cbpmaterials/attachments/TPDPerkinsAssignments.pdf](http://ifap.ed.gov/cbpmaterials/attachments/TPDPerkinsAssignments.pdf)

Electronic Announcement posted October 31, 2016.

### Definitions of "Totally and Permanently Disabled"

Total and permanent disability is defined as

The condition of an individual who—  
(1) Is unable to engage in any *substantial gainful activity*\* by reason of any medically determinable physical or mental impairment that

- (i) Can be expected to result in death;
- (ii) Has lasted for a continuous period of not less than 60 months; or
- (iii) Can be expected to last for a continuous period of not less than 60 months; or

(2) Has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected disability.

34 CFR 674.51(aa)

\* *Substantial gainful activity* is defined as "a level of work performed for pay or profit that involves doing significant physical or mental activities, or a combination of both."

34 CFR 674.51

The borrower must submit to the Department a TPD discharge application certified by a physician who is a doctor of medicine or osteopathy legally authorized to practice in a state. By signing the TPD discharge application, the physician certifies that the borrower is totally and permanently disabled, as defined in the Perkins Loan Program regulations (see sidebar). The borrower must submit the application to the Department within 90 days of the date the physician signed it. Alternatively, instead of having a physician certify the TPD discharge request, a borrower may provide the Department with documentation from the Social Security Administration (SSA) showing that the borrower qualifies for SSA disability benefits and that the borrower's next SSA disability review will be within five to seven years.

After the Department receives the TPD application, the Department notifies the borrower's FSA loan holders that the application has been received and directs the loan holders to maintain the suspension of collection activity while the Department reviews the application.

During its review of the TPD application, the Department may ask the borrower to provide additional medical evidence and may arrange for an additional review of the borrower's condition by an independent physician at no expense to the borrower.

If the Department determines that the borrower does not qualify for a total and permanent disability discharge, the Department notifies the borrower and the school resumes collection on the loan.

If the Department determines that the borrower qualifies for a total and permanent disability discharge, it directs the school to assign the loan to the Department (see sidebar for ED servicers) within 45 days. After the Department receives the assignment, it discharges the loan and notifies the borrower and the school that the loan has been discharged. The notification to the borrower will explain to the borrower that the loan will be reinstated if, within three years of the date the Department granted the discharge, the borrower

- ♦ has annual earnings from employment that exceed 100% of the poverty guideline for a family of two.
- ♦ receives a new TEACH Grant or a new loan under the Perkins or Direct Loan programs, except for a Direct Consolidation Loan that includes loans that were not discharged.
- ♦ fails to ensure that the full amount of any disbursement of an FSA loan or TEACH grant received before the discharge date is returned to the loan holder or the Department, as applicable, within 120 days of the disbursement date.

- ◆ receives a notice from the SSA that the borrower is no longer disabled or that the borrower's continuing disability review will no longer be the five- to seven-year period.

If your school receives payments from a borrower after the loan has been assigned to the Department, you must return the payments to the sender and notify the borrower that there is no need to make payments on the loan after it has been discharged due to TPD, unless the loan is reinstated or the Department directs the borrower otherwise.

### ***Discharge for service-connected disability (veterans)***

A veteran's Perkins Loan will be discharged if the veteran is unemployable due to a service-connected disability, as determined by the Department of Veterans Affairs (VA). Beginning July 1, 2013, to qualify for discharge of a Perkins Loan based on a disability determination by the VA, a veteran must submit a completed copy of the TPD discharge application to the Department. The veteran does not need to obtain a physician's certification or provide documentation of eligibility for SSA disability benefits with the application. Instead, the veteran must include documentation from the VA showing that the veteran is unemployable due to a service-connected disability. The veteran will not be required to provide any additional documentation related to his or her disability.

If the Department determines that the documentation from the Department of Veterans Affairs indicates that the veteran meets the conditions for a service-related disability discharge, the Department directs the school to discharge the loan. Schools are not required to assign the loan, because loans discharged based on VA disability documentation are not subject to the post-discharge monitoring period or to reinstatement. The school must return to the sender any loan payments received on or after the effective date of the determination by the Department of Veterans Affairs that the veteran is unemployable due to a service-connected disability. (Any such loan payments must be returned to the person who made them.)

If the Department determines that the documentation from the VA does not indicate that the veteran meets the conditions for the discharge, the Department directs the school to resume collection on the loan. The Department also notifies the veteran that the TPD discharge request has been denied and informs the veteran that even if he or she does not qualify for a service-connected disability discharge, the veteran may reapply for a TPD discharge if he or she meets the general definition of "totally and permanently disabled" (see previous topic).

### Closed School Search

Each week, the Department publishes a spreadsheet you can use to determine if one of your students has a loan from a school that might be eligible for a closed-school discharge. You can find the spreadsheet at

[www2.ed.gov/offices/OSFAP/PEPS/closedschools.html](http://www2.ed.gov/offices/OSFAP/PEPS/closedschools.html)

Additional information can be obtained from

Ombudsman Group  
U.S. Department of Education  
UCP-3/MS 5144  
830 First Street, NE  
Washington, D.C. 20202-5144  
Phone: 202-377-3800  
Fax: 202-275-0549  
Email: [fsaombudsmanoffice@ed.gov](mailto:fsaombudsmanoffice@ed.gov)

### Closed-School Discharge

34 CFR 674.33(g)

#### ED may cancel a Perkins Loan when a borrower's other Title IV loans have been cancelled

34 CFR 674.33(g)(3)

#### Right of recovery from third parties

34 CFR 674.33(g)(7)

#### Discharge procedures

34 CFR 674.33(g)(8)

#### Determining borrower qualification for discharge

34 CFR 674.33(g)(4)

#### Discharge not available for fraudulently obtained loans

34 CFR 674.33(g)(5)

#### Borrower must cooperate in enforcement actions on discharged loans

34 CFR 674.33(g)(6)

### Closed school discharge

**Reminder**

Schools that close or otherwise lose Title IV eligibility are required to liquidate their Perkins portfolio and fund if they have an active portfolio (i.e., have not liquidated). Procedures for assignment and liquidation are posted on the Campus-Based Processing Information resources page on IFAP.

FSA Collections may discharge a Perkins Loan made on or after January 1, 1986, if the borrower is unable to complete his or her program of study due to the closure of the school. The Debt Management and Collections System (DMCS) must reimburse borrowers for payments made voluntarily or by forced collection.

A borrower whose loan was in default and then discharged under this provision is not considered to have been in default and reestablishes FSA eligibility, provided he or she meets all other eligibility criteria. DMCS reports the discharge to the credit bureaus to which the previous loan status was reported.

**Note:** A borrower is also eligible for a closed school discharge if the borrower withdrew from the school not more than 120 days before the school closed (or longer in exceptional circumstances).

### Discharge for spouses of victims of 9/11 attacks

Schools must discharge the outstanding balance of a Perkins Loan that was made to the spouse of an eligible public servant who died or became permanently and totally disabled due to injuries suffered in the September 11, 2001, terrorist attacks. An eligible public servant is a police officer, firefighter, or other safety or rescue personnel, or a member of the Armed Forces, who died or became permanently and totally disabled due to injuries suffered in the September 11, 2001, terrorist attacks. This discharge is only available on Perkins Loan amounts that were owed on September 11, 2001. The law doesn't authorize refunding of any payments made on a loan prior to the loan discharge date.

## Bankruptcy discharge

The basic actions a school must take when a borrower files for bankruptcy protection are covered here, in Dear Colleague Letter GEN-95-40 (dated September 1995), in GEN-15-13 (dated July 2015), and in 34 CFR 674.49. For the best advice on how to proceed when a borrower files for bankruptcy protection, a school should consult its attorney. The school should ensure that the attorney is aware of the due diligence provisions that apply to school actions.

If a school receives notice that a borrower has filed for bankruptcy protection, it must immediately stop collection efforts (outside of the bankruptcy proceeding itself). If the borrower has filed under Chapter 12 or 13 of the Bankruptcy Code, the school must also suspend collection efforts against any endorser.

The school must file a proof of claim in the bankruptcy proceeding unless, in the case of a proceeding under Chapter 7 of the Bankruptcy Code, the notice of meeting of creditors states the borrower has no assets.

Effective for bankruptcies filed on or after October 8, 1998, a borrower who receives a general discharge in bankruptcy does not, by that order, obtain a discharge of a loan that has been in repayment for seven years or more at the time of the bankruptcy filing. For these bankruptcies, a student loan is discharged by a general discharge order only if the borrower also obtains a court ruling that repayment of the loan would impose an undue hardship on the borrower and his or her dependents.

## Resuming or terminating billing and collection

A school must resume billing and collection procedures after the borrower has received a discharge under 11 U.S.C. 727, 11 U.S.C. 1141, 11 U.S.C. 1228, 11 U.S.C. 1328(a), or U.S.C. 1328(b) unless the court has found that repayment would impose an undue hardship. If the court has found that repayment would impose an undue hardship, the school must terminate all collection action and write off the loan. If a school receives a repayment from a borrower after a loan has been discharged, it must deposit that payment in its Perkins Loan Fund.

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### Bankruptcy laws and regulations

11 U.S.C. 1307, 1325, and 1328(b) are laws applicable to bankruptcy cases in general, not just to Perkins Loan bankruptcy cases.

11 U.S.C. 1307 concerns the dismissal of a Chapter 13 case or the conversion of a case filed under Chapter 13 to a Chapter 7 proceeding.

11 U.S.C. 1325 concerns the confirmation by the court of a borrower's proposed repayment plan.

11 U.S.C. 1328(b) allows a debtor who fails to complete the payments required under the plan to obtain a discharge if conditions are met. A school should consult an attorney for the best advice in bankruptcy cases.

DCL GEN-15-13

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### Bankruptcy and student eligibility

See *Volume 1* for a discussion of how bankruptcy affects a student's eligibility for aid.

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### Bankruptcies filed before October 8, 1998

See previous editions of the *FSA Handbook* for discussion of bankruptcies filed before October 8, 1998.

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### Chapter 13 bankruptcies

34 CFR 674.49(e)

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### Resuming billing and collection

34 CFR 674.49(f)

## Bankruptcy Procedures

### Responding to complaint for determination of dischargeability

Customarily, a borrower obtains a judicial ruling of undue hardship by filing an adversary proceeding—a lawsuit within the bankruptcy proceeding—in the bankruptcy court seeking to prove undue hardship. If a borrower files an adversary proceeding to prove undue hardship under 11 U.S.C. 523(a)(8), the school must decide, on the basis of reasonably available information, whether repayment under the current repayment schedule or under any adjusted schedule would impose undue hardship on the borrower and his or her dependents.

If the school concludes that repayment would not impose an undue hardship, the school must then decide whether the expected costs of opposing the discharge would exceed one-third of the total amount owed on the loan (principal, interest, late charges, and collection costs). If the expected costs do not exceed one-third of the total amount owed on the loan, the school must oppose the discharge and, if the borrower is in default, seek a judgment for the amount owed. If necessary, the school may compromise a portion of that amount to obtain a judgment.

If the school opposes a request for determination of dischargeability on the ground of undue hardship, a school may also file a complaint with the court to obtain a determination that the loan is not dischargeable and to obtain a judgment on the loan.

Schools that are state instrumentalities may, as an alternative, oppose an undue hardship claim by asserting their immunity from suit in bankruptcy. As with any other action in defending student loans in bankruptcy, the school should consult with counsel and should ensure that counsel is fully informed about recent changes in Department regulations to support this position.

### Procedures for responding to proposed Chapter 13 repayment plan

Under Chapter 13, the borrower may generally obtain an adjustment in repayment terms of all of his/her debts. The borrower proposes a repayment plan that addresses whether and how each debt or class of debts will be paid. If the court approves the plan, creditors are bound to the terms of that plan for duration of the plan, typically three to five years. If the borrower's repayment plan proposes full repayment of the Perkins Loan, including all principal, interest, late charges, and collection costs on the loan, no response from the school is required. The school is also not required to respond to a proposed repayment plan that does not include any provision in regard to the Perkins Loan obligation or to general unsecured claims.

If the borrower proposes to repay less than the total amount owed and that the remainder be discharged, the school must determine, from its own records and court documents, the amount of the loan dischargeable under the plan. The school does this by subtracting the total proposed payments from the total amount owed. The school must also determine from its own records and court documents whether the borrower's proposed repayment plan meets the requirements of 11 U.S.C. 1325.

## Bankruptcy Procedures (continued)

Two of those requirements are particularly relevant:

- First, the amount to be paid under the plan must at least equal the amount the school would receive if the debtor had filed under Chapter 7 rather than under Chapter 13.
- Second, to pay creditors under the plan, the debtor must use all income not needed to support himself or herself and his or her dependents.

If the borrower's proposed repayment plan does not meet the requirements of 11 U.S.C. 1325, the school must object to the confirmation by the court of the proposed plan, unless the cost of this action will exceed one-third of the dischargeable loan debt; if the cost will exceed one-third of the dischargeable debt, the school is not required to take this action.

Also, when a borrower proposes to repay less than the total amount owed, the school must determine whether grounds exist under 11 U.S.C. 1307 for the school to move to have the Chapter 13 case either dismissed or converted to a Chapter 7 proceeding. Such grounds include a borrower's failure to (1) begin payments under the plan within the required time (usually 30 days from the date the plan is filed), (2) file a proposed plan in a timely manner, or (3) pay required court fees and charges.

If the school determines that such grounds do exist, the school must move to dismiss or convert the Chapter 13 case to a Chapter 7 proceeding, unless the cost of this action will exceed one-third of the dischargeable loan debt.

After a borrower's proposed repayment plan is confirmed by the court, the school must monitor the borrower's compliance with the repayment plan. If the school determines from its own records or court documents that the borrower either has not made the payments required under the plan or has filed for a hardship discharge under 11 U.S.C. 1328(b), the school must determine whether grounds exist under 11 U.S.C. 1307 to dismiss the case filed under Chapter 13 or to convert the Chapter 13 case to a Chapter 7 proceeding or whether the borrower is entitled to a hardship discharge. If grounds do exist under 11 U.S.C. 1307 to dismiss or convert a Chapter 13 case, the school must move to convert or dismiss the case. If a borrower has not demonstrated entitlement to a hardship discharge under 11 U.S.C. 1328(b), the school must oppose the hardship discharge request, unless the costs of these actions, when added to those already incurred, would exceed one-third of the dischargeable debt.



# Perkins Loan Billing, Collection, and Default



*When a Perkins Loan enters repayment, your school must follow the due diligence requirements of Subpart C of the Perkins regulation (34 CFR 674.41-50). You must afford a borrower maximum opportunity to repay a Federal Perkins Loan. Specific steps the school must take include (but are not limited to) billing the borrower, sending overdue notices, and conducting address searches if the borrower cannot be located. If billing procedures fail, a school must take more aggressive collection steps such as hiring a collection firm and/or litigating. Default in the Federal Perkins Loan Program is defined as “the failure of a borrower to make an installment payment when due or to comply with other terms of the promissory note or written repayment agreement.”*

## COMMUNICATION WITH BORROWERS

While billing and collection activities involve many steps, there are general requirements that your school must adhere to at all times. You must inform the borrower of all program changes that affect his or her rights and responsibilities. Your school must respond promptly to the borrower’s inquiries. If a borrower disputes a loan and you cannot resolve the dispute, you must explain the services provided by the Department’s Federal Student Aid (FSA) Ombudsman Group.

Keeping current information on a borrower makes it easier for the school to know when repayment must begin and where to send billing notices. The various offices at the school—the admissions, business, alumni, placement, financial aid, and registrar’s offices, and others, as necessary—must provide any available information about the borrower that is relevant to loan repayment, including

- ◆ the borrower’s current enrollment status;
- ◆ the borrower’s expected graduation or termination date;
- ◆ the date the borrower officially withdraws, drops below half-time enrollment, or is expelled; and
- ◆ the borrower’s current name, address, telephone number, Social Security number, and driver’s license number (if any).

### Communication requirements

#### General due diligence

34 CFR 674.41(a)

#### Coordination of information

34 CFR 674.41(b)

#### Contact with borrower

34 CFR 674.42

#### Disclosure of repayment information

34 CFR 674.42(a)

#### Exit counseling

34 CFR 674.42(b)

#### Contact during initial and post-deferment grace periods

34 CFR 674.42(c)

For information about maintaining billing and collection records, see *Chapter 1*.

## REQUIREMENTS AT END OF ENROLLMENT

### Exit interviews

Contact with the borrower becomes even more important as the borrower's last day of attendance approaches. As described in Chapter 3, your school must conduct exit interviews with borrowers shortly before borrowers graduate or drop below half-time enrollment (if known in advance).

### Contact during grace periods

**A school must contact the borrower during both initial and post-deferment grace periods to remind him or her when repayment will begin or resume.**

Your school must contact the borrower three times during the nine-month initial grace period. The school must also contact the borrower twice during any six-month post-deferment grace period. The chart on the next page shows the length of initial and post-deferment grace periods for Perkins Loans.

#### Grace period contact

34 CFR 674.42(c)

#### When Payments Are Made

Any funds collected as a result of billing the borrower are to be

- deposited in an account insured by the federal government, or
- secured by collateral of reasonable equivalent value, or
- invested in low-risk income-producing securities.

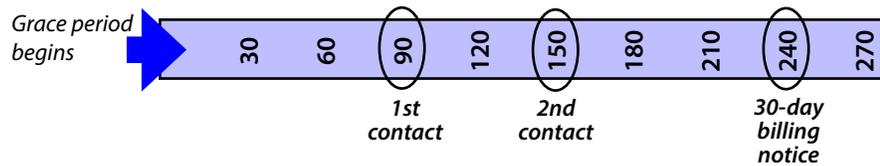
Your school must exercise the level of care required of a fiduciary with regard to these deposits and investments.

- ◆ The *first contact* must be *90 days* after any grace period (initial or post-deferment) begins. The school must remind the borrower that he or she is responsible for repaying the loan. The school must also inform the borrower of the amount of principal and interest, as projected for the life of the loan, and the due date and amount of the first (or next) payment.
- ◆ The *second contact* must be *150 days* after any grace period begins, when the school must again remind the borrower of the due date and amount of the first (or next) payment. For six-month grace periods, the second contact should coincide with the first billing notice. These two notices may be combined.
- ◆ For nine-month grace periods, the school must make a *third contact 240 days* after the grace period begins to remind the borrower of the date and amount of the first payment. This contact should coincide with the first billing notice. Again, the school may combine the two notices.

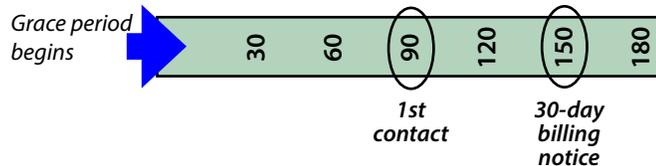


### Contact with Borrower During Grace Period

#### Nine-month grace



#### Six-month grace period



Applicable grace periods	Perkins	NDSL <i>on/after</i> 10/1/80	NDSL <i>before</i> 10/1/80
initial grace period	9 months	6 months	9 months
post-deferment period	6 months	6 months	6 months

## BILLING PROCEDURES AND OVERDUE PAYMENTS

Billing refers to that series of actions the school routinely performs to notify borrowers of payments due, remind them of overdue payments, and demand payment of overdue amounts.

The school may choose a coupon payment system as its method of billing. The school must send the coupons to the borrower at least 30 days before the first payment is due when using a coupon payment system.

If the school does not use a coupon system, it must, at least *30 days* before the first payment is due, send the borrower a statement of account and a written notice giving the name and address of the party to which payments should be sent. The statement of account includes information such as the total amount borrowed, the interest rate on the loan, and the amount of the monthly payment. For subsequent payments, the school must send the borrower a statement of account at least *15 days* before the due date of the payment.

If the borrower chooses to make payments through electronic funds transfer, the school doesn't have to send the borrower a statement of account before each payment. However, the school must send the borrower an annual statement of account that lists the required amounts and dates of repayment, as well as any information tracking the status of any late charges.

### Billing procedures

34 CFR 674.43

### Procedures required when payments are overdue

34 CFR 674.43(b), (c), & (d)

### Optional late charge

34 CFR 674.31(b)(5)(i) & (ii)

34 CFR 674 Appendix E

Schools are authorized but not required to assess a late charge for an overdue payment on a loan. Late charges may be assessed only during the billing process.

### *Notices of overdue payments*

If a payment is overdue and you have not received a request for forbearance, deferment, or cancellation, you must send the borrower



- ◆ the first overdue notice 15 days after the payment due date;
- ◆ the second overdue notice 30 days after the first overdue notice; and
- ◆ the final demand letter 15 days after the second overdue notice.

In this notice, you must tell the borrower the amount of any late charge your school has assessed (see discussion under Late charges later in this chapter), and whether your school has

- ◆ added the charge amount to the principal amount as of the first day on which the payment was due, or
- ◆ demanded payment of the charge no later than the first day on which the next installment is due.

You may skip the first two letters and send just the final demand letter within 15 days after a payment is overdue if the borrower's repayment history has been unsatisfactory or if you can reasonably conclude the borrower does not intend to repay the loan or to seek forbearance, deferment, or cancellation. A borrower is considered to have an unsatisfactory repayment history if he or she has failed to make payments when due; has failed to request deferment, forbearance, or cancellation on time; or has received a final demand letter.

The final demand letter must inform the borrower that unless the school receives a payment or a request for forbearance, deferment, or cancellation within 30 days of the date of the letter, the school will refer the account for collection or litigation and will report the default to a credit bureau as required by law.

If mail sent to a borrower is returned undelivered, or if the borrower fails to respond, you must take steps to locate the borrower. These steps must include



- ◆ reviews of borrower records in all appropriate school offices;
- ◆ reviews of telephone directories or inquiries to directory assistance at the borrower's last known address, and attempting to reach the borrower by phone; and
- ◆ attempting to locate and contact the borrower by electronic means.

### Contacting the borrower by telephone



If the borrower does not respond to the final demand letter within 30 days of the date the letter was sent, you must try to contact him or her by telephone before beginning collection procedures. As telephone contact is often very effective in getting the borrower to begin repayment, one call may avoid the more costly procedures of collection.

You should make at least two attempts to reach the borrower on different days and at different times. If the borrower has an unlisted telephone number, you must make reasonable attempts to obtain it by contacting sources such as the borrower's employer or parents. If you are still unsuccessful, you should document the contact attempts in your files.

### Address searches



The school must take the following steps to locate the borrower if communications are returned undelivered (other than unclaimed mail):

1. Review the records of all appropriate school offices.
2. Review printed or web-based telephone directories or check with information operators in the area of the borrower's last known address.

If these methods are unsuccessful, you must continue efforts to locate the borrower, using either school personnel or a commercial skip-tracing firm. If you use school personnel, you must employ and document efforts comparable to commercial skip-tracing firms. If you still can't locate the borrower after taking these steps, you must continue to make reasonable attempts at least twice a year until the loan is recovered through litigation, the account is assigned to the Department, or the account is written off.

### Late charges

The assessment of late charges on an overdue Perkins Loan borrower is optional. A school that adopts a policy of assessing late charges on an overdue Perkins Loan must impose them on all borrowers with overdue payments. The charge is based either on the actual costs the school incurs in taking steps to obtain the overdue amount or on average costs incurred in similar attempts with other borrowers. The charge may not exceed 20% of the installment payment most recently due.

If a school opts to charge late fees, the school may charge late fees only during the billing process; a school may not charge late fees once the school begins collections procedures.

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#### Telephone contact required

34 CFR 674.43(f)

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#### Contacting the endorser—loans Before July 23, 1992

For loans made prior to July 23, 1992, the school must also try to collect the amount owed from any endorser of the loan. It may help to send the endorser a copy of the final demand letter that was sent to the borrower and copies of all subsequent notices, including demand/collection letters. For loans made on or after July 23, 1992, an endorser is no longer required.

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#### Address search

34 CFR 674.44

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#### Late charges

34 CFR 674.43(b)(5)

You may add a late charge to the principal amount of the loan as of the first day the payment was due. Alternatively, you may include the charge with the next payment that is scheduled after the date you notify the borrower that the charge must be paid in full by the next payment due date. You must inform the borrower of the late charge, preferably in the first overdue payment notice.

For a borrower who repays the full amount of past-due payments, the school may waive any late charges that were imposed.

### *Loan acceleration*

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**Loan acceleration**

34 CFR 674.31(b)(8)

34 CFR 674.43(e)

You may *accelerate* a loan if the borrower misses a payment or does not file for deferment, forbearance, or cancellation on time. Acceleration means immediately making payable the entire outstanding balance, including interest and any applicable late charges or collection fees.

Because this marks a serious stage of default, the borrower should have one last chance to bring his or her account current. For that reason, if the school plans to accelerate the loan, it must send the borrower a written acceleration notice at least 30 days in advance. The notice may be included in the final demand letter or in some other written notice sent to the borrower.

If the loan is accelerated, you must send the borrower another notice to inform him or her of the date the loan was accelerated and the total amount due. Remember that acceleration is an option, not a requirement. However, if you plan to assign the loan to the Department for collection, you must first accelerate the loan. Once a loan has been accelerated, the borrower loses all rights to deferment and cancellation benefits for qualifying service performed *after* the date of acceleration.

## DEFAULT REDUCTION ASSISTANCE PROGRAM

The Default Reduction Assistance Program (DRAP) assists schools in contacting defaulted Federal Perkins Loan (Perkins Loan) borrowers. A letter is sent from the Department of Education (the Department) on official letterhead to defaulted Perkins Loan borrowers. It explains the serious consequences of default including the inability to obtain other federally-supported financial assistance, withholding of federal and state income tax refunds, salary garnishment, and damage to credit history. It also encourages borrowers to contact the school to initiate repayment arrangements.

Through DRAP, a school or its third party servicer can

- ◆ submit borrower information for letters to be printed and mailed;
- ◆ maintain borrower information;
- ◆ edit DRAP contact information without the Department’s intervention;
- ◆ run a report that assists in monitoring the letters mailed to borrowers;
- ◆ run a report that assists in tracking the total number of letter requests submitted; and
- ◆ determine if a letter was returned to the Department as “undeliverable” and if an address has been determined to be invalid.

Participation in the DRAP process is voluntary. There is no cost to the school.

### Timing

The DRAP process is most effective when used during the 30-day period when the school is waiting for the defaulted borrower to respond to the final demand letter. Do not request default reduction assistance once the account has been referred to a collection agency.

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Perkins Loan Default Reduction Assistance Program (DRAP)  
EA November 15, 2013

**Default** The failure of a borrower to make an installment payment when due or to comply with other terms of the promissory note or written repayment agreement.

### *Accessing and initiating the DRAP process*

**Reminder**

All related functions of the DRAP process are accessed via the COD website. To access the DRAP section of the COD website, log in at <https://cod.ed.gov>, and from the School tab select Campus-Based and then “DRAP.”

To initiate the process, a school or its third party servicer enters information about borrowers who have defaulted on their Perkins Loans. The information may be entered for each borrower or it may be uploaded from a file. Following submission of the information, a letter will be printed on the Department’s letterhead and emailed to each borrower. The email encourages borrowers to contact the school in order to initiate repayment arrangements. A PDF copy of the email may also be downloaded and printed for mailing by the school or third party servicer.

If a school or a third-party servicer that submits DRAP data on behalf of a school does not also provide Fiscal Operations Report and Application to Participate (FISAP) services for the school, the servicer must be granted DRAP-only access to the COD system by the school’s Destination Point Administrator (DPA).

### *Address information and undeliverable mail*

The Department will send only one DRAP email to each address provided by a school. Schools will need to log in periodically to review and print reports of undeliverable emails. Schools are encouraged to provide updated addresses. When an address is updated, a DRAP letter is sent to the new address.

### *Contact information*

For additional information about DRAP, contact the **COD School Relations Center at 800-848-0978**. Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (ET). You may also email the center at

**CODSupport@ed.gov.**

## COLLECTION PROCEDURES

If a borrower is unresponsive and required billing procedures have been exhausted, your school will need to institute more intensive collections procedures. You must make a first effort to collect using either your own personnel or hiring a collection firm. Before beginning collection procedures, you must attempt all of the required contact methods described previously. You must also report the borrower to at least one nationwide credit bureau. If the school's personnel or the collection firm cannot convert the account to regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, or cancellation), you have two options—either to litigate or to make a second effort to collect.

A second effort to collect requires one of the following procedures:

- ◆ If you first attempted to collect by using your own personnel, you must refer the account to a collection firm unless state law prohibits doing so.
- ◆ If you first used a collection firm, you must attempt to collect by using your own personnel or by using a different collection firm, or the school must submit the account to the Department for assignment. If a collection firm (retained by a school as part of its second effort to collect) cannot place an account into regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, or cancellation), the firm must return the account to the school.

If you are unsuccessful in your effort to place the loan in repayment after a second collection effort, you must continue to make yearly attempts to collect from the borrower until

- the loan is recovered through litigation,
- the account is assigned to the Department, or
- the loan is written off.

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### Collection procedures

34 CFR 674.45

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### Credit bureau reporting

34 CFR 674.45(a)(1) & (b)

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### First effort to collect

34 CFR 674.45(a)(2)

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### Litigation or second effort

34 CFR 674.45(c)

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### Annual efforts to collect

34 CFR 674.45(d)

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### Requirements after one year

34 CFR 674.45(e)

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### Costs assessed to borrower

34 CFR 674.45(e)

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### Treatment of collected funds

34 CFR 674.43(g)

34 CFR 674.45(f)

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### Preemption of state law

34 CFR 674.45(g)

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### Ombudsman information

34 CFR 674.45(h)

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### Use of contractors for billing and collection

34 CFR 674.48

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### School is ultimately responsible

34 CFR 674.48(a) & (b)

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### School responsibilities when using contractors

34 CFR 674.48(c) & (d)

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### Limitations on use of contractors

34 CFR 674.48(e)

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### School requirements of contractors

34 CFR 674.48(f)

## Credit bureau reporting

### Credit bureau reporting

34 CFR 674.45(a)(1) & (b)



A school must report an account to credit bureaus as being in default when a borrower fails to respond to the final demand letter or the telephone contact. You must report the default to any one national credit bureau or to an affiliated credit bureau that transmits credit information to one of the three national credit bureaus with which the Department has an agreement (see box below).

You must report any subsequent changes in the status of the borrower's account to the same national credit bureau, using the procedures required by that credit bureau. You must respond within one month to any inquiry received from any credit bureau about reported loan information. Finally, you must notify all credit bureaus to which you reported the default when a borrower makes consecutive, on-time monthly payments.

Reporting all credit history is essential to ensure that current and future creditors have complete information regarding the credit obligations of the borrower.

Under the Fair Credit Reporting Act, a borrower may appeal the accuracy and validity of the information reported to the credit bureau and reflected in the credit report. You should be prepared to handle the appeal and make necessary corrections to the report as required by the provisions of the Act.

### National Credit Bureaus

The Department has entered into an agreement with the three national credit bureaus listed below:

Trans Union Corporation	1-800-888-4213
Experian (formerly TRW)	1-888-397-3742
Equifax	1-800-685-1111

National credit bureaus charge fees for their services. These fees differ from credit bureau to credit bureau. Credit bureaus affiliated with the above credit bureaus may have different fees from those of the national credit bureaus. The Department does not keep a list of these affiliated bureaus and their fees.

The Privacy Act authorizes disclosure of a borrower's account information to creditors without the borrower's consent if the disclosure helps enforce the terms and conditions of the loan. You may also make such disclosures about loans that haven't defaulted and/or are being disbursed.

## Ceasing collection

A school may cease collection activity on defaulted accounts with balances of less than \$200 (including outstanding principal, accrued interest, collection costs, and late charges) if the school carried out the required due diligence and if the account has had no activity for four years. Although interest will continue to accrue and may put the account over \$200, you will not have to resume collection activity if you document that you ceased collection activity when the account was under \$200. The borrower will remain responsible for repaying the account, including accrued interest. The borrower will still be in default and ineligible for FSA funds and the account will still be included in the school's cohort default rate, if applicable.

## ALTERNATIVES TO LITIGATION

To avoid litigation, a school may offer to waive collection costs as incentive for repayment. You may waive *all* collection costs on a loan if the borrower makes a lump-sum payment of the entire amount outstanding, including principal and interest; a written repayment agreement is not required. You may also waive a *portion* of the collection costs on a loan if the borrower agrees to pay a corresponding portion of the loan within 30 days of entering into a written repayment agreement with the school. For example, if the borrower repays half of the outstanding balance on a loan within 30 days of the agreement, the school may waive half of the collection costs incurred through the date of that payment. The amount of waived collection costs may be charged to the Perkins Loan fund.

You may compromise the repayment of a defaulted loan if you have fully complied with all due diligence requirements and the borrower pays, in a single lump-sum payment, at least 90% of the outstanding principal balance, plus all interest and collection fees. The federal share of the compromise repayment must bear the same relation to the school's share as the Federal Capital Contribution (FCC) bears to the Institutional Capital Contribution (ICC).

A borrower may rehabilitate a defaulted Perkins Loan by making nine consecutive, on-time, monthly payments. A rehabilitated Perkins Loan is returned to regular repayment status. (See *Default Status and Perkins Eligibility* later in this chapter.)

A borrower may include his or her defaulted Perkins Loan in a Direct Consolidation Loan. The amount eligible for consolidation is the sum of the unpaid principal, accrued unpaid interest, late charges, and outstanding collection costs. A defaulted loan that is being repaid under a court order remains in default status until paid and is not eligible for consolidation.

## Ceasing collections cites

### Ceasing collections

34 CFR 674.47(g)

### Account write-off

34 CFR 674.47(h)

### Litigation

34 CFR 674.46

### Compromise

34 CFR 674.33(e)

### Collection costs waiver

34 CFR 674.47(d)

## Consolidating defaulted Perkins Loans

To get information about obtaining a Direct Consolidation Loan-contact the Loan Consolidation Call Center at 1-800-557-7392 or by visiting [StudentAid.gov/consolidation](http://StudentAid.gov/consolidation).

### Writing Off Accounts

You may write off a defaulted account with a balance of less than **\$25** (including outstanding principal, accrued interest, collection costs, and late charges).

You may also write off a defaulted account with a balance of less than **\$50** (including outstanding principal, accrued interest, collection costs, and late charges) if, for a period of two years, you have billed the borrower as required by 34 CFR 674.43(a) and 674.47(h).

If you write off an account, the borrower is relieved of all payment obligations, and you must deduct the amount of the account from the Federal Perkins Loan fund. If you receive a payment from a borrower after you have written off the loan, you must deposit that payment into the Fund.

## LITIGATION

### Elimination of defense of infancy

HEOA Section 486

Schools in the Perkins Loan Program are not subject to a defense raised by a borrower on the basis of a claim of infancy under state law. See General Provisions relating to student assistance.

### Deceased student and family estate

HEOA section 486 | HEA section 484A  
Effective date: August 14, 2008

The HEOA of 2008 provides that a deceased student, a deceased student's estate, or the estate of such student's family does not have to repay any federal student aid, including interest, collection costs, or other charges.

### Litigation

34 CFR 674.46

If the collection procedures prescribed in the regulations do not result in the repayment of a loan, the school must review the account for litigation once every two years. If all the conditions are met, the school must litigate. The conditions are

- ◆ the total amount owed, including outstanding principal, interest, collection costs, and late charges, on all the borrower's Perkins Loans at the school is more than \$500;
- ◆ the borrower can be located and served with process;
- ◆ the borrower either has enough assets attachable under state law to cover a major portion of the debt or enough income that can be garnished under state law to satisfy a major portion of the debt over a reasonable period of time (defining a "reasonable period of time" is left to the school);
- ◆ the borrower does not have a defense that will bar judgment for the school; and
- ◆ the expected cost of litigation (including attorneys' fees) does not exceed the amount that can be recovered from the borrower.

Even if all the above conditions are not met, your school may still choose to sue a defaulted borrower. If the borrower has a partial defense that may bar judgment for the school, you must weigh the costs of litigation against the costs of recovery based on the amount of the enforceable portion of the debt. No federal or state statute of limitation can apply to enforcement actions to collect Perkins Loans.

Your school must attempt to recover from the borrower all litigation costs, including attorneys' fees, court costs, and other related costs, to the extent permitted by applicable state law. You are also required to try to recover all costs previously incurred in the collection of overdue payments if the borrower has not paid these collection costs; a percentage of these unrecovered costs may be charged to the fund as explained later in this chapter under *Billing and Collection Costs*.

When a school has filed suit to collect a defaulted Perkins Loan and a judgment has been rendered on the loan, the borrower is obligated to repay only the amount of the judgment obtained on the loan. A defaulted loan that is being repaid under court order remains in default status until paid and is not eligible for consolidation. After a judgment is satisfied on the defaulted loan, the student is again eligible for future awards under these programs if all other eligibility criteria are met.

## DEFAULT STATUS AND FSA LOAN ELIGIBILITY

A borrower who is in default on an FSA loan is not eligible for any further FSA loans unless they have regained eligibility. (See *Volume 1* for guidance on how a student may regain eligibility.)

### Regaining eligibility for federal student aid

To the extent that he or she is otherwise eligible, a borrower who is in default on a Perkins Loan may regain eligibility for federal student aid by making satisfactory repayment arrangements on his or her defaulted loan. (See also *Volume 1*.) For purposes of regaining eligibility for federal student aid, a borrower who is in default on a Perkins Loan can regain eligibility for the remaining *Title IV* programs by making six on-time, consecutive, monthly payments on the defaulted loan. **A borrower may regain eligibility only once in this way.** After a borrower has made six on-time, consecutive, monthly payments on the defaulted loan the school must appropriately update the borrower's loan status code in the NSLDS. Note that a borrower who makes six payments in the course of rehabilitating a defaulted loan but does not seek additional *Title IV* aid will not be considered to have used the one time opportunity to regain eligibility. **Note that a borrower whose Perkins Loan is in default also can regain eligibility for federal student aid by consolidating his or her Perkins Loan.**



**On Time** A rehabilitation payment is on time if it is a full monthly payment, as determined by the school, and made within 20 days of the due date.

**TIP**

### Involuntary Payments

The term "involuntarily" includes payments obtained by income tax offset, garnishment, income asset execution, or pursuant to a judgment.

### Perkins Loan rehabilitation

Your school must establish a rehabilitation program and notify all borrowers with defaulted loans of the option to rehabilitate and the advantages of rehabilitation. A borrower may rehabilitate a defaulted Perkins Loan by making **full monthly payments, as determined by the school, each month for nine consecutive months and requesting rehabilitation.**



### Rehabilitation of a Perkins Loan

34 CFR 674.39

Borrowers may not rehabilitate loans on which the holder has obtained a judgment. However, your school may enter into an agreement with the borrower that provides the borrower with some of the benefits of rehabilitation. For example, your school could promise to vacate the current judgment and request the removal of the default from the borrower's credit report after the borrower makes nine consecutive payments and signs a new promissory note.

The rehabilitation payments should be sufficient to satisfy the outstanding balance on the loan within a 10-year repayment period. A school may not establish a loan rehabilitation policy that requires defaulted Perkins Loan borrowers to pay the full outstanding balance of the loan within the nine-month rehabilitation period, if such payments would create a hardship for the borrower. In most cases, such a policy would require a borrower to make excessively high monthly payments, and would, in effect, deny the borrower access to a statutorily mandated benefit of the Perkins Loan Program.

Within 30 days of receiving the borrower's last on-time consecutive monthly payment, you must

- ◆ return the borrower to regular repayment status;
- ◆ treat the first of the nine consecutive payments as the first payment in a new 10-year repayment schedule; and
- ◆ instruct any credit bureau to which the default was reported to remove the default from the borrower's credit history.

After rehabilitating a defaulted loan and returning to regular repayment status, a borrower regains the benefits and privileges of the promissory note, including deferment and cancellation.

If a borrower chooses to rehabilitate a defaulted loan and then fails to make nine consecutive on-time payments, the rehabilitation is unsuccessful, but the borrower may still make further attempts to rehabilitate the defaulted loan. Also, if a borrower successfully rehabilitates a defaulted loan and maintains good standing on the loan, the borrower may continue to attempt to rehabilitate other defaulted Perkins Loans. **However, if the borrower successfully rehabilitates a defaulted loan, but the loan later returns to default, the borrower may not attempt to rehabilitate that loan again or any other defaulted Perkins Loan.**

### *Loans with judgments*

When a school has filed suit to collect a defaulted Perkins Loan and a judgment has been rendered on the loan, the borrower is obligated to repay only the amount of the judgment obtained on the loan. If the judgment is for less than the outstanding balance on the loan, the school may write off the portion of the loan not covered by the judgment. After a judgment is satisfied on the defaulted loan, the student is again eligible for aid from FSA programs if all other eligibility criteria are met. **However, if a borrower has previously satisfied a defaulted student loan involuntarily (for instance, through wage garnishment), you should consider this as evidence of unwillingness to repay and should not approve further loan assistance to the borrower.**



### Previously defaulted Perkins Loans discharged for school closure

A Perkins Loan made on or after January 1, 1986, may be discharged if the borrower is unable to complete his or her program of study due to the closure of the school that made the loan. A defaulted borrower whose loan is discharged under this closed school provision is eligible for additional federal student aid, provided that he or she meets all other eligibility criteria. (Schools that close must assign all Perkins Loans to the Department.)

#### Closed school discharge

34 CFR 674.33(g)

## PERKINS COHORT DEFAULT RATES (CDR)

Your school's cohort default rate is calculated for a particular year based on information you report in Part 3, Sections D and E, of the FISAP. For detailed information on how your school's cohort default rate is determined, see Part III of the FISAP Instructions available under "Publications" on the IFAP website.

For detailed information on how your school's cohort default rate is determined, see Part III of the Draft FISAP Instructions Booklet available under "Publications" on the IFAP website.

#### Perkins CDR

34 CFR 674.5

#### CDR Calculation

34 CFR 674.5(b)

#### Loans included in the cohort default rate

34 CFR 674.5(c)(1) & (2)

#### Loans not included in cohort default rate

34 CFR 674.5(c)(3)

### How the Perkins Loan default rate is calculated

For any award year in which *30 or more borrowers enter repayment*, the cohort default rate is the percentage of those current and former students who enter repayment *in that award year* on loans received for attendance at that school and *who default before the end of the following award year*.

For any award year in which *fewer than 30 current and former students at the school enter repayment* on a loan received at the school, the cohort default rate is the percentage of those current and former students who entered repayment on loans received for attendance at that school in any of the *three most recent award years* and who defaulted on those loans before the end of the award year immediately following the year in which they entered repayment.

For purposes of the cohort default rate, a loan enters repayment only once in its life. This repayment begins the day after the end of the initial grace period or the day that the borrower waives his or her initial grace period.

A borrower is included in determining the school's cohort default rate if the borrower's default has persisted for at least 240 consecutive days for a loan repayable monthly or 270 consecutive days for a loan repayable quarterly.

#### CDR for Multiple Locations or Change of Ownership

If a school has a branch or branches or has an additional location or locations, the school's cohort default rate applies to all branches and locations of the school as they exist on the first day of the award year for which the rate is calculated. The cohort default rate applies to all branches/locations of the school from the date the Department notifies the school of the rate until the Department notifies the school that the rate no longer applies.

For more information about the effect of changes of ownership and the treatment of multiple locations in the Perkins rate calculation, see 34 CFR 674.5(d).

### Perkins Cohort Default Rates Listing

The *Federal Perkins Loan Program Status of Default*, known as the Orange Book, lists the cohort default rates for each school that participates in the Perkins program. The Orange Book can be found in the “Publications” area on the IFAP website.

### *Perkins Loans that are not treated as defaults*

The following loans are not treated as defaults when reporting borrower status on Part III of the FISAP:

- ◆ Loans on which borrowers have made six on-time, consecutive voluntary, full monthly payments
- ◆ Loans on which borrowers have “voluntarily” made all payments currently due
- ◆ Loans that borrowers have repaid in full
- ◆ Loans for which borrowers have received deferments or forbearance based on conditions that began prior to loans becoming 240/270 days past due
- ◆ Loans that have been rehabilitated
- ◆ Loans repaid in full under a compromise repayment agreement in accordance with 674.33(e).
- ◆ Loans that have been discharged due to death or total and permanent disability, bankruptcy, or a school closing
- ◆ Loans that have been assigned to the ED because of the total and permanent disability of the borrower

### *Rules for calculating the number of days in default*

For purposes of reporting on Part III of the FISAP, a school should use the following rules to calculate the number of days a loan has been in default:

- ◆ The 240/270 consecutive days in default is determined by calculating the “age” of the account (that is, the number of consecutive days the oldest dollar is past due).
- ◆ A payment that a borrower makes on a past-due loan is applied to the oldest dollars first, effectively reducing the past-due status.
- ◆ A loan on which a borrower is past due and on which the borrower makes an occasional payment but never becomes current could be counted as a defaulted loan for the cohort default rate calculation despite the occasional payments. Because the delinquency is not being cured, the oldest past-due dollar could eventually become 240 days past due, making the loan count in the default rate calculation. However, if the borrower makes enough occasional payments to prevent the oldest past-due dollar from becoming 240 days old, the loan would not be counted as being in default.

### Adjusting Past-Due Status Example

Marty's oldest dollar is 240 days past due. He files a request for a deferment based on the fact that he is attending school and the enrollment period began on the date that the loan became 90 days past due. The past-due status of the loan is reduced to 90 days, and the loan is given a deferment status. This loan is treated as if the 240-day threshold had never been reached. Therefore, it would not be counted in the school's cohort default rate.

- ◆ An exception to the 240/270-day threshold will be granted in a case where a borrower (1) would have qualified for a deferment for a period beginning prior to the loan hitting the 240/270-day threshold and (2) failed to file a request for the deferment in a timely manner. For such a borrower, the loan's past-due status would be adjusted to reflect the deferment period beginning date. However, the borrower would need to pay any past-due amounts that were due prior to the beginning of the authorized deferment periods, if the deferment period beginning date does not eliminate the loan's entire delinquency.

### Penalties for high Perkins default rates

If the school's cohort default rate is

- ◆ 25% or higher, and Congress appropriates funds, the school's FCC will be reduced to zero.
- ◆ 50% or higher for the three most recent years, the school is ineligible to participate in the Federal Perkins Loan Program and must liquidate its loan portfolio.

A school may appeal a determination of ineligibility if the appeal is based on an inaccurate calculation of its cohort default rate or a low number of borrowers entering repayment. A school appeals a determination of ineligibility based on an inaccurate calculation by adjusting the cohort default rate data on the FISAP.

## BILLING AND COLLECTION COSTS

Your school must assess charges against the borrower, for the cost of actions taken with regard to past-due payments on the loan (not routine billing costs).

If your school cannot recover billing and collection costs from the borrower, you may charge the costs to the fund, provided the costs fall within the specifications described in the following paragraphs and then corresponding regulations. Schools are no longer able to claim the Administrative Cost Allowance (ACA) due to the expiration of the Perkins Loan Program. You must report the collection costs permitted in the regulations in the collections cost category on the FISAP. The only *billing* costs a school may charge the fund are the costs of telephone calls made to demand payment of overdue amounts not paid by the borrower. Even if the amount recovered from the borrower does not suffice to pay the amount of the past-due payments and the penalty or late charges, the school may charge the fund only for the unpaid portion of the actual cost of the calls.

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### Penalty for high CDR

34 CFR 674.5(a)

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### Billing and collection

Billing and collection firms  
34 CFR 674.48  
Assessing costs  
34 CFR 674.45(e)  
Charging costs to the fund  
34 CFR 674.47

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### Perkins Loans and ACA

34 CFR 674.37(a)

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### Reasonable collection costs

34 CFR 674.45(e)(3)

For loans referred to a collection agency on or after July 1, 2008, collection costs charged the borrower may not exceed

- first collection effort—30% of the principal, interest, and late charges collected;
- second and subsequent collection efforts—40% of the principal, interest, and late charges collected;
- for collection efforts resulting from litigation, 40% of principal, interest, and late charges collected, plus court costs.

**NEW**

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**Collection Costs**

34 CFR 674.47(b)  
34 CFR 30.60

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**Collection costs waiver**

34 CFR 674.47(d)

A school may waive a percentage of the collection costs past-due on a loan if a borrower agrees to a written repayment arrangement. The percentage of collection costs that may be waived is equal to the percentage of the past-due balance paid by the borrower within 30 days of the date on which the borrower and the school enter into the written repayment agreement. A school may waive 100% of the collection costs due on a loan in return for a lump-sum payment of the full amount of principal and interest outstanding.

The following *collection* costs may be charged to the Perkins Loan Fund if the costs are *waived* or *not paid by the borrower*:

***Collection costs waived.*** If your school waives collection costs as incentive for repayment, the amount waived may be charged to the Fund.

***Cost of a successful address search.*** You may charge to the Fund a reasonable amount for the cost of a successful address search if you used a commercial skip-tracing service or employed your school's personnel to locate the borrower using comparable methods. (Defining a reasonable amount is left to the school.)

***Cost of reporting defaulted loans to credit bureaus.*** You may charge to the Fund the cost of reporting a defaulted loan to a credit bureau, reporting any change in the status of a defaulted account to the bureau to which the school had previously reported the account, and responding to any inquiry from a credit bureau about the status of a loan.

***Costs of first and second collection efforts.*** You may charge to the Fund collection costs not paid by the borrower if they do not exceed—for first collection efforts—30% of the total principal, interest, and late charges collected and—for second collection efforts—40% of the principal, interest, and late charges collected. The school must reimburse the Fund for collection costs initially charged to the Fund but subsequently paid by the borrower.

***Collection costs resulting from rehabilitation.*** Collection costs charged to the borrower on a rehabilitated loan may not exceed 24% of the unpaid principal and accrued interest as of the date following application of the ninth payment. Collection costs are not restricted to 24% in the event that the borrower defaults on the rehabilitated loan.

**Costs of a firm performing both collection and litigation services.** If a collection firm agrees to perform or obtain the performance of both collection and litigation services on a loan, the amount for both functions that may be charged to the Fund may not exceed the sum of 40% of the amount of principal, interest, and late charges collected on the loan, plus court costs specified in 28 U.S.C. 1920.

**Collection costs resulting from litigation, including attorney's fees.** Collection costs resulting from litigation, including attorney's fees, may be charged to the Fund if not paid by the borrower but must not exceed the sum of

- court costs specified in 28 U.S.C. 1920;
- other costs incurred in bankruptcy proceedings in taking actions required or authorized under 34 CFR 674.49;
- costs of other actions in bankruptcy proceedings to the extent that those costs together with other costs incurred in bankruptcy proceedings do not exceed 40% of the total amount of judgment obtained on the loan; and
- 40% of the total amount recovered from the borrower in any other proceeding.

Due diligence activities involving fixed costs (telephone contacts, credit bureau reporting, and bankruptcy procedures) may be charged to the Fund whether or not the actions are successful. Other activities, such as address searches, collection, and litigation (other than bankruptcy), are typically performed on a *contingent-fee* basis. **If these activities are unsuccessful, there are no costs charged to the school and therefore no costs may be charged to the Fund.** If these activities are *successful*, you may charge the associated allowable costs to the Fund.

**TIP**

### **Assessing and documenting costs**

You may charge either actual costs incurred in collecting the borrower's loan or average costs incurred for similar actions taken to collect loans in similar stages of delinquency.

Your school must assess all reasonable collection costs against the borrower despite any provisions of state law that would conflict with the above provisions.

You must document the basis for the costs assessed. For audit purposes, a school must keep documentation supporting costs, including telephone bills and receipts from collection firms.

## ASSIGNING PERKINS LOANS

### Assignment form and procedures

34 CFR 674.50

Electronic Announcements January 8, 2016.

Federal Perkins Loans assigned to the Department are now being serviced by ECSI Federal Perkins Loan Servicer in Warrendale, PA (NSLDS Name—DEPT OF ED/ECSI Federal Perkins Servicer, ED Servicer Code 529).

If a school has a question about a loan that has been submitted for assignment, it should contact the Client Support Team at ECSI. Contact information for ECSI can be found on the Loan Servicing Centers for Schools Contact Information page at

<https://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?lsc=1>

### Federal interest on accelerated loans

34 CFR 674.17

### Reporting “Date(s) of First Disbursement” on Loan Manifest

You must report the date each assigned loan was disbursed (attached to the Institutional Certification page of the Perkins Assignment form). The dates listed must match the date of first disbursement initially reported by your school to NSLDS.

### Loans that May Be Assigned

A school may assign both Perkins Loans that are in default and Perkins Loans that are not in default at any time.

DCL GEN 17-10, October 6, 2017.

A school may assign Perkins Loans (in repayment, in-school, defaulted or non defaulted) to the Department at any time during the program year. When a school assigns a loan to the Department, it is transferring all rights and responsibilities for collection to the United States government. A school relinquishes its rights to any share of funds collected after a Perkins Loan is assigned to and accepted by the Department.

A school may assign defaulted Perkins Loans to the Department if

- ◆ it has not been able to collect despite having followed due diligence procedures (including at least a first level of collection);
- ◆ the total amount of the borrower’s account to be assigned, including outstanding principal, accrued interest, collection costs, and late charges, is at least \$25; and
- ◆ the loan has been accelerated.

You may *not* assign a loan to the Department under the voluntary assignment procedures if

- ◆ the borrower has received a discharge in bankruptcy—unless the bankruptcy court has determined that the student loan obligation is nondischargeable and has entered a judgment against the borrower or unless a court of competent jurisdiction has entered judgment against the borrower on the loan after the entry of the discharge order;
- ◆ your school has sued the borrower (unless the judgment has been entered and assigned to the United States); or
- ◆ the loan has been discharged because the borrower has died or become totally and permanently disabled, or because of a school closure.

A school may be required to assign a Perkins Loan if it has knowingly failed to maintain an acceptable collection record with regard to the loan or chooses to stop servicing and collecting its Perkins Loans.

### Nonliquidating schools

Schools are permitted to assign non defaulted loans to the Department at any time. The Department recognizes that schools may have exhausted all of their available collection options on some of their defaulted Perkins Loans. Because the Department has collection tools that are not available to schools, such as administrative wage garnishment, Treasury offset, and litigation by the Department of Justice, the Department encourages schools to assign those loans to the Department so additional steps can be taken to recover the loan funds.

**Clarification**

**TIP**

### *Liquidating schools*

When a school liquidates its Perkins portfolio, it must assign all loans with outstanding balances to the Department for collection whether defaulted or non defaulted.

### *Loans are assigned without recompense*

All loans a school assigns to the Department are assigned without recompense. The school is relieved of incurring additional expenses in attempting to collect on the loan. All rights, authorities and privileges associated with the loan are transferred to the Department, and the Department will not reimburse the school's Perkins Fund for any collections made on the assigned loans. Assignment of defaulted loans does not affect the calculation of the school's Perkins Loan cohort default rate.

### *Required documentation*

A school *may be required* to submit the following documents to the Department for any loan it proposes to assign

- ◆ an original copy of the assignment form;
- ◆ the original promissory note or a certified copy of the original note;
- ◆ copies of all disbursement records or evidence supporting each disbursement including date and amount of every disbursement;
- ◆ a copy of the repayment record and a copy of the payment history;
- ◆ copies of all approved requests for deferment and cancellation;
- ◆ a copy of the notice to the borrower of the effective date of acceleration and the total amount due on the loan;
- ◆ documentation that the school has withdrawn the loan from any firm that it employed for address search, billing, collection, or litigation services and has notified that firm to cease collection activity on the loans;
- ◆ copies of all pleadings filed or received by the school on behalf of a borrower who has filed a petition in bankruptcy and whose loan obligation is determined to be nondischargeable; and
- ◆ a certified copy of any judgment order entered on the loan. (Please see chart at the end of this chapter for specific information related to assignment loans that are under a judgment).

If you assign loans made under the Perkins MPN, you must include copies of the disbursement records that document the principal amount when assigning the loan. The school should retain the original disbursement records until the loan is paid off or otherwise satisfied. For more details on Perkins Loan Portfolio Liquidation and Assignment, see the Federal Perkins Loan Program Assignment and Liquidation Guide available at

**<https://ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf>**

### *Terms of assignment*

If the Department accepts the assignment of a loan, it will give the school written notice to that effect. *By accepting the assignment, the Department acquires all rights, title, and interest in the loan.* You must endorse and forward to the Department any subsequent payment(s) the borrower may make, as soon as possible.

If the Department later determines an assigned loan to be unenforceable because of an act or omission on the part of your school or its agent, your school may have to compensate the Perkins Loan Fund in the amount of the unenforceable portion of the outstanding balance. Once the fund is reimbursed, the Department transfers all rights to the loan back to the school.

A borrower whose loan has been assigned to the United States for collection continues to be in default on the loan and is ineligible for FSA funds until the borrower provides confirmation from the Department that he or she has made satisfactory arrangements to repay the loan.

Schools that do not utilize PLAS (use a paper process) will receive an official notification of acceptance document identified as “Perkins Loan Database Report” via email. This report provides borrower identification information, school identification information, and outstanding principal, interest and fees accepted for assignment by the Department. This is the official acceptance notice and should be retained in the school’s records.

## *Status of assignment*

### **Loans accepted**

Official Notification of Acceptance: When manual paper assignments are accepted, the institution will receive a document identified as “Perkins Loan Database Report” via email. This report provides borrower identification information, school identification information, and outstanding principal, interest and fees accepted for assignment by the Department. This is the official acceptance notice and should be retained in the school’s records.

Hard copies of the acceptance notices (Perkins Loan Database Reports) may be sent to the school’s address provided in the school’s program participation agreement. The institution should ensure that its mail distribution staff become familiar with these notices and the offices to which they should be distributed.

**Note:** Schools that use PLAS for electronic submission can access information about accepted and rejected assignments through PLAS. These reports can be viewed online or printed from PLAS.

### **Loans rejected**

For Perkins Loans rejected for assignment, the Department will provide the school with the reason(s) for rejection; if the school can resolve the issue(s) it may resubmit the loan for assignment. For most problems, this process may enable a school to correct the deficiencies and resubmit the rejected loans. The Department will work with the school to assist in resolving issues.

## ASSIGNMENT UNDER E-SIGNED OR PERKINS MPN

### Reconciling NSLDS and School Data

The amount of loans and number of borrowers in NSLDS must match what is reported by the school on its final FISAP.

For the purposes of Perkins liquidation and closeout, schools must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS.

The Department suggests schools request a reconciliation report from NSLDS to ensure its records are consistent with the NSLDS data, and to reconcile any discrepancies.

If you assign loans that were made under an electronically signed promissory note, you must cooperate with the Department in all activities necessary to enforce the loan.

You may be asked to provide an affidavit or certification regarding the creation and maintenance of electronic records of the loan. This affidavit or certification must establish that the records are created and maintained in a form appropriate to ensure admissibility of the loan records in a legal proceeding.

The affidavit or certification must

- ◆ describe the steps followed by the borrower to execute the promissory note;
- ◆ include copies of screen shots that would have appeared to the borrower when the borrower signed the note electronically;
- ◆ describe field edits and other security measures used to ensure data integrity;
- ◆ describe how the promissory note has been preserved to ensure it has not been altered;
- ◆ include documentation supporting the school’s authentication and electronic signature process; and
- ◆ provide any other documentary and technical evidence requested by the Department.

The affidavit or certification may be executed in a single record for multiple loans provided that this record is reliably associated with the specific loans to which it pertains.

An authorized official or employee of the school may have to testify to ensure admission of the electronic records of the loan or loans in the litigation or legal proceeding to enforce the loan or loans.

Your school’s most recent audit must assess how well your school’s e-sign authentication process meets the Department’s “Standards for Electronic Signatures in Electronic Student Loan Transactions” (as specified in DCL GEN-01-06).

## Liquidation and Assignment Information

Complete information about Federal Perkins Loan Portfolio liquidation and assignment is available in the *Federal Perkins Loan Program Assignment and Liquidation Guide* on the Campus-Based Processing Information Page on the Information for Financial Aid Professionals (IFAP) website.

From the IFAP website's home page, under *Information Pages* select *Campus-Based Programs*. Perkins Liquidation and Assignment information is highlighted in an orange box on the right side of the page, and you can find the *Federal Perkins Loan Program Assignment and Liquidation Guide* there.

The posted information includes the following:

- Perkins Loan Assignment and Liquidation Guide
- Returning Perkins Funds
- Perkins Assignment Form Instructions
- Perkins Assignment Form—Institutional Certification
- Perkins Assignment Form—Borrower and Loan Info
- Administrative Responsibilities and Reporting Requirements
- Perkins Loan Assignment System (PLAS)
- Total and Permanent Disability Loan Assignment Guide

Each time we make updates to the documents, we will inform the community through an electronic announcement on the IFAP website.

### Contact Information

**COD School Relations Center at 800-848-0978.** Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (ET). You may also email the center at **CODSupport@ed.gov**.

### TIP

## Remitting the Federal Share

Schools will be required to remit to the Department the federal share of all future collections on an annual basis.

A school may choose to

- service its own Perkins Loans portfolio
- use a third-party servicer to service its Perkins Loan portfolio
- assign all or a portion of its Perkins Loan portfolio to the Department

Once a school assigns loans to the Department the school loses all rights and titles to those loans including the nonfederal share of future collections. A school retains the rights to the nonfederal share of future collections on loans not assigned to the Department.

## SUPPORTING DOCUMENTATION FOR ASSIGNMENT OF PERKINS LOANS

In an effort to streamline the Federal Perkins Loan assignment process for institutions, Federal Student Aid has developed the charts on the following pages in which we provide information about the necessary documentation that must be included when institutions assign Federal Perkins Loans to the Department.

The chart is categorized by loan status with three columns of acceptable supporting documentation requirements: (1) required documentation, (2) alternatives to required documentation, and (3) extenuating circumstances documentation. Schools should refer to this chart when preparing loans for assignment to the Department.

As a reminder, institutions were informed in an Electronic Announcement, Perkins Loan Assignment System—System Availability and User Access Process dated September 21, 2015, that the automated PLAS was available for use.

Additional information on the procedures for assigning Perkins Loans to the Department is provided in the Federal Perkins Loan Program Assignment and Liquidation Guide available at

**[ifap.ed.gov/cbpmaterials/attachments/  
PerkinsAssignmentandLiquidationGuide.pdf](https://ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf)**

## Supporting Documentation for Assignment of Perkins Loans—March 2016

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In School or Grace	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
In Repayment—No Default	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
In Repayment—Default	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
School Has Not Initiated Legal Action Against the Borrower	<ul style="list-style-type: none"> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Repayment Records</li> </ul>	
<b>Notes</b>			
<p><i>Disbursement record</i> is the evidence supporting each disbursement and would include the date and amount of every disbursement.</p> <p><i>Repayment record</i> is an accounting record or listing of each payment received for the Perkins Loan and would include any deferrals or forbearance periods. If no payments have been received for the Perkins Loan this information would need to be included.</p>			

<b>Supporting Documentation for Assignment of Perkins Loans—March 2016 (continued)</b>			
<b>Status of the Loan</b>	<b>Required Documents</b>	<b>Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)</b>	<b>Extenuating Circumstances Documentation</b>
<p><b>In Repayment—Default Judgment Initiated—Decision Not Yet Rendered</b></p> <p><b>Assignment by a School Not Liquidating or Closing</b></p>	<p>Loan cannot be assigned until judgment is rendered.</p>		
<p><b>In Repayment—Default Judgment Initiated—Decision Not Yet Rendered</b></p> <p><b>Assignment by a School Liquidating or Closing</b></p>	<ul style="list-style-type: none"> <li>• At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor</li> <li>• All documents related to the school's filing the request for judgment</li> <li>• Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>• Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>• At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor</li> <li>• All documents related to the school's filing the request for judgment</li> <li>• Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>• Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>• At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor</li> <li>• All documents related to the school's filing the request for judgment</li> <li>• Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
<p><b>In Repayment—Default Judgment Rendered</b></p> <p><b>Assignment Form Amount and the Judgment Amount Match</b></p>	<ul style="list-style-type: none"> <li>Original or certified true copy of the judgment</li> <li>Original Promissory Note or Master Promissory Note</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>Original or certified true copy of the judgment</li> <li>Certified True Copy of Front and Back of Promissory Note</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>

**Supporting Documentation for Assignment of Perkins Loans —March 2016 (continued)**

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
<p><b>In Repayment—Default Judgment Rendered</b></p> <p><b>Assignment Form Amount and Judgment Amount Do Not Match</b></p>	<ul style="list-style-type: none"> <li>School must work with FSA to determine amount that will be assigned</li> <li>Original Promissory Note or Master Promissory Note</li> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>School must work with FSA to determine amount that will be assigned</li> <li>Certified True Copy of Front and Back of Promissory Note</li> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>School must work with FSA to determine amount that will be assigned</li> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
<p><b>Bankruptcy Initiated—Decision Not Yet Rendered</b></p> <p><b>Assignment by a School Not Liquidating or Closing</b></p> <p>(Applies to both non defaulted and defaulted loans)</p>	<p>Loan cannot be assigned until court rules on the bankruptcy petition.</p>		

**Supporting Documentation for Assignment of Perkins Loans— March 2016 (continued)**

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
<p><b>Bankruptcy Initiated—Decision Not Yet Rendered</b></p> <p><b>Assignment by a School Liquidating or Closing</b></p> <p>(Applies to both nondefaulted and defaulted loans)</p>	<ul style="list-style-type: none"> <li>Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor</li> <li>All documents received or sent related to the bankruptcy filing</li> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor</li> <li>All documents received or sent related to the bankruptcy filing</li> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor</li> <li>All documents received or sent related to the bankruptcy filing</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
<p><b>Bankruptcy Initiated—Final Ruling</b></p> <p><b>Loan is not Discharged</b></p> <p>(Applies to both nondefaulted and defaulted loans)</p>	<ul style="list-style-type: none"> <li>All documents received or sent related to the bankruptcy filing, including court's determination</li> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>All documents received or sent related to the bankruptcy filing, including court's determination</li> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>All documents received or sent related to the bankruptcy filing, including court's determination</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>

## Using Billing and Collection Firms

Your school may use a contractor for billing or collection, but it is still responsible for complying with due diligence regulations regarding those activities. For example, the school, not the billing or collection firm, is responsible for deciding whether to sue a borrower in default. The school is also responsible for decisions about cancelling or deferring repayment, granting forbearance, extending the repayment period, and safeguarding the funds collected.

If you use a billing service, you may not use a collection firm that owns or controls the billing service or is owned or controlled by the billing service. In addition, you may not use a collection firm if both the collection firm and billing service are owned or controlled by the same corporation, partnership, association, or individual.

### Account protection: minimum bond/insurance amounts

A school must ensure that its billing service and collection firm maintain a fidelity bond or comparable insurance to protect the accounts they service.

At least once a year, the school must review the amount of repayments it expects to receive from billing or collection firms to ensure adequate bond or insurance coverage.

A school using a law firm to collect must review the firm's bond or its insurance policy to determine whether the firm is protected against employee misappropriation. If the firm's malpractice insurance also covers misappropriation of funds, that policy is considered to provide coverage.

If you **don't** authorize your collection firm to deduct its fees from borrowers' payments, the firm must be bonded or insured for at least the amount that you expect to be repaid over a two-month period on the assigned accounts.

If you **do** authorize your collection firm to deduct its fees from borrowers' payments, you must ensure that

- if the amount you expect to be repaid over a two-month period is **less than \$100,000**—the collection firm is bonded or insured for the lesser of (a) 10 times the amount the school expects to be repaid over a two-month period on assigned accounts; or (b) the amount the firm expects to collect in a two-month period on **all** accounts it has in its portfolio (not just the school's account).
- if the amount you expect to be repaid in a two-month period is **\$100,000 or more**—the collection firm has a fidelity bond or comparable insurance **that names your school as the beneficiary** and is bonded or insured for an amount not less than the amount of funds the school can reasonably expect to be repaid during that two-month period.

## Sources of Information on the Perkins Loan Program Perkins Loan Assignment Process and Other Financial Aid

You can find detailed treatment of *Federal Perkins Loan Program Assignment Procedures* at

**[ifap.ed.gov/eannouncements/033016FedPerkinsLoanAssignLiquidGuideAvailOnIFAP.html](http://ifap.ed.gov/eannouncements/033016FedPerkinsLoanAssignLiquidGuideAvailOnIFAP.html)**

Questions regarding the assignment process as it pertains to the rest of the student financial aid award process or questions concerning the management of student loans not assigned to the Department should be directed either in writing or by phone to the School Participation Team serving your region.

### Federal Perkins Loan Assignment Procedures

Questions pertaining to the status of your assignment submissions, or the correction of pending submissions, may be directed to

#### Written inquiries

**ECSI Federal Perkins Loan Servicer  
100 Global View Drive, Suite 800  
Warrendale, PA 15086**

ECSI can also be contacted at

**Phone** (for assignment help) **844-301-2620**

**Fax: 412-490-7498**

**Email: [Clientsupport@efpls.com](mailto:Clientsupport@efpls.com)**

**Office Hours: 8 a.m.–8 p.m. (ET), Monday through Friday**

### Information about Assignments Previously submitted

For assignment verification of accounts submitted more than 60 days previously, please email **[productionprocessing@efpls.com](mailto:productionprocessing@efpls.com)**. In order to verify the submission, the email must include the student(s) name(s) and Social Security number(s) in an encrypted file. The file must be password protected, and the password must be provided in a separate email.

**All inquiries must include the school's Name and OPEID.**

## Sources of Information on the Perkins Loan Program Perkins Loan Assignment Process and Other Financial Aid (continued)

### Payments from Borrowers Received after Assignment

Payments from a borrower received by a school or its servicer after the borrower's account has been submitted to the Department for assignment and accepted by the Department should be forwarded, as soon as possible, to

**U.S. Department of Education  
ECSI Federal Perkins Loan Servicer  
P.O. Box 105765  
Atlanta, GA 30348-5765**

Each payment submission must clearly identify the borrower's full name, Social Security number, and the type of loan to which the payment is to be applied.

### School Participation Teams

You can find contact information for the regional offices of the School Participation Division at

[ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division](http://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division)

### Closed School Procedures

Questions concerning closed school procedures should be directed to the appropriate School Participation Team.

### Discrepancies Between School Data and Department Data

Schools should contact ECSI, the Federal Perkins Loan Servicer, to resolve any discrepancies between institutional records and those of the Department pertaining to accounts that have already been assigned to the Department and accepted. This includes corrections to acceptance notices, bankruptcy notices, and any other general information on accepted accounts that an institution wishes to forward.

**Sources of Information on the Perkins Loan Program**  
**Perkins Loan Assignment Process and Other Financial Aid (continued)**  
**Issues with Specific Assignments**

**FISAP**

For questions about the FISAP form, contact the **COD School Relations Center** at **800-848-0978**, or by email **CODSupport@ed.gov**.

**Perkins Loan Program Liquidation**

For questions about Perkins Loan Program Liquidation, contact the **COD School Relations Center** at **800-848-0978**.

**Perkins Loan Servicer Contact Information for Borrowers**

Borrower Payments should be mailed to

**Department of Education**  
**ECSI Federal Perkins Loan Servicer**  
**P.O. Box 105765**  
**Atlanta, GA 30348-5765**

The Borrower Customer Service telephone number is **866-313-3797**.

## **Sources of Information on the Perkins Loan Program Perkins Loan Assignment Process and Other Financial Aid (continued)**

Borrower Correspondence should be mailed to

**U.S. Department of Education  
ECSE Federal Perkins Loan Servicer  
P.O. Box 1079  
Wexford, PA 15090**

### **Total and Permanent Disability Assignments**

For detailed information about Total and Permanent Disability assignments for Perkins Loans, schools should refer to Perkins Total and Permanent Disability Discharge Assignment Procedures at

**[ifap.ed.gov/cbpmaterials/attachments/TPDPerkinsAssignments.pdf](http://ifap.ed.gov/cbpmaterials/attachments/TPDPerkinsAssignments.pdf)**

All Total and Permanent Disability assignments should be sent to

**Nelnet Total and Permanent Disability Servicer  
U.S. Department of Education  
121 South 13th Street, Suite 201  
Lincoln, NE 68508**

The phone number for the Department's TPD Servicer is **888-303-7818**.

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# Introduction to the Federal Student Aid Handbook Appendices

*The FSA Handbook appendices contain information of general interest that isn't appropriate for inclusion in just one volume or is so unique that it requires separate treatment. Some of the appendices were previously found in The Blue Book, which was a reference for business officers, auditors, and accounting professionals and was incorporated into the Handbook.*

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- ▶ Appendix A is the glossary of federal student aid terms and a list of federal student aid acronyms. Experienced financial aid professionals will be familiar with most of the terms included. However, because the Handbook serves as a reference for business officers, fiscal officers, state audit agencies, and independent accounting professionals performing non-federal audits, many accounting and financial terms have been included.
- ▶ Appendix B is a directory of resources for technical information and specialized assistance with managing the federal student aid programs.
- ▶ Appendix C provides in one place information found in other parts of the Handbook and in previous sub-regulatory communications on how a school should proceed when a currently enrolled recipient of federal student aid dies before completing the period for which the student received aid.
- ▶ Appendix D is a description of the FSA Assessments annotated to identify those that might be of interest to fiscal officers.
- ▶ Appendix E summarizes Internal Revenue Service (IRS) forms that might be of special interest to a fiscal/business office.
- ▶ Appendix F is a summary of the reporting and disclosure requirements for schools' eligibility to participate in the Title IV, Higher Education Act (HEA) student assistance programs.
- ▶ Appendix G is a table of contents for the HEA and a crosswalk between the HEA and the U.S. Code.



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# Federal Student Aid Glossary and Acronyms



*This document contains the acronyms and terms most commonly found in the Federal Student Aid Handbook and other student aid literature.*

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**25% Threshold** The point at which a change in ownership interests must be reported to the Department. That is, when an owner acquires a total interest of 25% or more, or when an owner of 25% or more increases or reduces that interest.

**90/10 Rule** The requirement that a proprietary school must derive at least 10% of its revenues for each fiscal year from sources other than the FSA programs or be subject to sanctions.

**150% Limit (on Direct Subsidized Loans)** New borrowers on or after July 1, 2013, cannot receive Direct Subsidized Loans for a period of time (measured in academic years) that exceeds 150 percent of the published length of their program of study.

## A

**A-133** Office of Management and Budget Circular designated A-133

**A-number (ARN)** An identifying number assigned by DHS to identify and keep track of individuals who have been or are in contact with the immigration process. Used by ED to verify the immigration status of noncitizens applying for federal student aid.

**AACRAO** American Association of Collegiate Registrars and Admissions Officers

**AAI** Adjusted Available Income

**ACA** Administrative Cost Allowance

**Academic Attendance and Attendance at an Academically-Related Activity** The criteria schools must use to determine whether a student has ceased attendance.

A school must perform a Return of Title IV Aid (R2T4) calculation for students who have withdrawn (or otherwise ceased attendance). Criteria include but are not limited to

- ♦ physically attending a class where there is an opportunity for direct interaction between the instructor and students;
- ♦ submitting an academic assignment;
- ♦ taking an exam, an interactive tutorial, or computer-assisted instruction;
- ♦ attending a study group that is assigned by the institution;
- ♦ participating in an online discussion about academic matters; and
- ♦ initiating contact with a faculty member to ask a question about the academic subject studied in the course.

Academic attendance and attendance at an academically-related activity do not include activities where a student may be present, but not academically engaged.

**Academic Calendar** The way in which a school structures its academic programs and measures progress over the program's length. For purposes of the FSA programs, there are three basic types of academic calendars: standard term, nonstandard term, and nonterm.

*Academic Competitiveness Grant (ACG) Program*

A previously offered grant program authorized by the Higher Education Act (HEA) under which grants were awarded during the first and second academic years of study to eligible financially needy undergraduate students who successfully completed rigorous secondary school programs of study.

*Academic Year* For a program that measures program length in credit hours,

- ♦ a minimum of 30 weeks of instructional time; and
- ♦ 24 semester or trimester hours or 36 quarter credit hours.

For a program that measures program length in clock hours,

- ♦ a minimum of 26 weeks of instructional time; and
- ♦ 900 clock hours.

For purposes of defining an academic year,

- ♦ a week is a consecutive seven-day period;
- ♦ a week of instructional time is any week in which at least one day of regularly scheduled instruction or examinations occurs or, after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations occurs; and
- ♦ instructional time does not include any vacation periods, homework, or periods of orientation or counseling.

*Acceleration* Demand for immediate repayment of the entire outstanding balance of a loan.

*Accepted Master Promissory Note (MPN)* Once a borrower completes an MPN, it is examined in the Common Originations and Disbursement (COD) System for completeness. If, during processing, COD finds that all of the required fields on an MPN have been completed correctly, COD will accept the MPN. An accepted MPN is one of the criteria required for a loan to be booked.

*Access Device* A card, code, or other means of access to a financial account, or any combination

thereof, that may be used by a student or parent to initiate electronic fund transfers.

*Account* A record in the general ledger that is used to collect and store similar information. For example, a school will have a cash account in which every transaction involving cash is recorded.

*Accounting Data* Journals, ledgers, and other records, such as spreadsheets, that support financial statements. It may be in computer-readable form or on paper.

*Accounting Records* Records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; general and subsidiary ledgers; journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records, such as work sheets and spreadsheets, supporting cost allocations, computations, reconciliations, and disclosures.

*Accounting Standards Codification (ASC)* The Codification, prepared by the *Financial Accounting Standards Board* (FASB), reorganizes the thousands of U.S. *Generally Accepted Accounting Principles* (GAAP) pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. It also includes relevant U.S. Securities and Exchange Commission (SEC) guidance that follows the same topical structure in separate sections in the Codification.

*Accounts Receivable* Debts due from customers from sales of products and services reported as a current asset.

*Accredited* The status of public recognition that a national accrediting agency recognized by the Department grants to an institution or educational program that meets the agency's established requirements.

*Accrual Basis of Accounting* The accounting method under which revenues are recognized on the income statement when they are earned (rather than when the cash is received).

*ACH* Automated Clearinghouse

**ACN** Audit Control Number

**Acquisition cost** The cost of the asset including the cost to ready the asset for its intended use.

**Act** The Higher Education Act (HEA) of 1965, as amended, 20 U.S.C. 1071 et seq.

**Actual Disbursement Record** A disbursement record submitted to the Common Origination and Disbursement (COD) system indicating that the school has disbursed funds to the student or plans to within the next seven days.

**Actual Interest Rate** The annual interest rate charged on a loan, which may be equal to or less than the applicable interest rate on that loan.

**ADA** Americans with Disabilities Act

**ADB** Average Daily Balance

**Adjusted Gross Income (AGI)** An individual's adjusted gross income as reported to the Internal Revenue Service (IRS). The rules for calculating AGI are set by the IRS, not the Department.

**Adjusting Entries** Journal entries usually dated the last day of the accounting period to bring the balance sheet and income statement up to date on an accrual basis (as required by the matching principle and the revenue recognition principle).

**ADL** Anticipated Disbursement Listing

**Administrative Capability** The ability a school must demonstrate in providing the education it promises and properly managing the FSA programs. The standards of administrative capability are set forth in 34 CFR 668.16.

**Administrative Cost Allowance (ACA)** Funds an institution participating in the Federal Pell Grant, Federal Perkins Loan, Federal Work-Study (FWS), or Federal Supplemental Educational Opportunity Grant (FSEOG) programs is entitled to receive for an award year if it advances funds under the Federal Perkins Loan Program, provides FWS employment, awards grants under the FSEOG Program, or disburses Federal Pell Grants to students in that year.

**Administrative Forbearance** In certain circumstances, the Department grants forbearance

without requiring documentation from the borrower. For more detail of the conditions under which a borrower must be granted administrative forbearance see 34 CFR 685.205(b).

**Administrative Offset** Funds withheld from a participating school to collect program review, audit, and formal fine debts. The Department withholds a portion of a school's G5 (Grant Payment System) authorized payments and applies them toward the school's debt.

**Administrative (Non Judicial) Wage Garnishment Process** by which a guarantor or the Department, under Section 488A of the HEA, may intercept a portion of the wages of a FSA borrower who is not making required repayments or, in the case of an FFEL loan, a loan for which a guarantee agency has been reimbursed by the Department.

**Administrative Relief** See *Extended Processing*.

**ADR** Actual Disbursement Roster

**Advance payment** A payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-Federal entity disburses the funds for program purposes.

**Advance Payment Method** A school operating under this payment method is permitted to request funds in the school's *available balance*. The school needs to make disbursements within three days of receipt of the funds.

**Adverse Credit History** For federal student aid purposes, a financial history that negatively impacts eligibility for a federal education loan. A parent, graduate student, or professional student who has an adverse credit history (as defined in the Direct Loan Program regulations) is not eligible to receive a Direct PLUS Loan unless he or she (1) documents to the satisfaction of the Department that there are extenuating circumstances, or (2) obtains an endorser for the loan who does not have an adverse credit history. PLUS loan borrowers with an adverse credit history are required to complete entrance counseling.

*Adverse Opinion* Auditor’s opinion that financial statements do not fairly present the financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

*Affirmative Confirmation* A process under which a school obtains written confirmation of the types and amounts of Direct Loan funds that a student accepts for an award year before the school credits the student’s account with those loan funds.

*Agent* An officer or employee of a covered institution or an institution-affiliated organization.

*Aggregate Basis* One of the ways a school can match its federal allocation in the FSEOG Program. In this approach a school ensures that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75% federal dollars and 25% qualified nonfederal funds. Note that each of a school’s FSEOG recipients must receive some FSEOG federal funds.

*Aggregate Loan Limit* The statutory maximum amount of principal an individual may borrow for all loans of a specific type, for all years of postsecondary study.

*AGI* Adjusted Gross Income

*Aging of Drawdown* The process of tracking the time elapsed from the date funds were drawn down to the date a school fully substantiates the drawdown by submitting actual disbursement records.

*Agreement to Serve* An agreement under which the individual receiving a TEACH Grant commits to meeting his or her service obligation, and to complying with notification and other provisions of his or her agreement.

*AI* Available Income

*AICPA* American Institute of Certified Public Accountants

*Allocation* Funds awarded to a school for use during a specific period of time. Campus-based funds (Federal Supplemental Educational Opportunity Grant [FSEOG], Federal Work-Study

[FWS], and Federal Perkins Loan) are allocated to a school on an award-year basis. Sometimes referred to as obligation, award, or authorization.

*Allowable Costs* See *Cost of Attendance*.

*Allowance for Doubtful Accounts* A contra asset account with a credit balance used to reduce the carrying amount of accounts receivable to net realizable value. The allowance balance is the estimated total of uncollectable accounts included in accounts receivable.

*American Institute of Certified Public Accountants (AICPA)* The national organization of certified public accountants.

*Amount of Title IV Aid Earned by a Student* For Return of Title IV Funds purposes, the percentage of the payment period or period of enrollment, as applicable, completed by the student multiplied by the total Title IV aid disbursed plus the total Title IV Aid that could have been disbursed to the student.

*ANN* Dear Colleague Letter designation for training announcements

*Annual Award* (in the Federal Pell Grant Program) The amount a student would receive under the applicable Payment Disbursement Schedule for a given level of enrollment (full time, half time etc.), Estimated Family Contribution (EFC), and Cost of Attendance (COA).

*Annual Award* (in the TEACH Grant Program) The maximum TEACH Grant amount a student would receive for enrolling as a full-time, three-quarter-time, half-time, or less-than-half-time student and remaining in that enrollment status for a year.

*Annual FSA Compliance Audit* The audit that a third-party servicer must submit each year. If the servicer contracts with several schools, a single audit can be submitted that covers its administrative services for all those schools.

*Annual Loan Limit* The statutory maximum a student may borrow at his grade level for one academic year. It varies by grade level, dependency status of borrower, etc.

*Annual Percentage Rate (APR)* The yearly cost of borrowing money reflected as a percentage rate.

*Annual Security Report* A report a participating school is required to compile and file annually with the Department that summarizes the school's compliance with the requirements of 34 CFR 668.46.

*Anticipated Disbursement Record* A disbursement record submitted to the COD system indicating the amount and dates of funds the school plans to disburse.

*APA* Asset Protection Allowance

*Applicable Interest Rate* The maximum annual interest rate that a lender may charge under the Act on a loan.

*Application Receipt Date* Field on a SAR/ISIR showing the date a paper application was received by the FAFSA processor or the date an electronic FAFSA transmission was received by the CPS.

*Apportionment* A distribution of amounts available for obligation into amounts available for specified time periods, programs, activities, projects, objects, or combinations thereof. The apportioned amount limits the obligations that may be incurred.

*Appropriation* A form of budget authority provided by law that permits federal agencies to make payments out of the Treasury for specified purposes.

*Approved Leave of Absence (LOA)* For Return of Title IV Funds purposes, a temporary interruption in a student's program of study. LOA refers to the specific time period during a program when a student is not in attendance.

*APR* Annual Percentage Rate

*ARN* Alien Registration Number (also known as A-number)

*ASB* Auditing Standards Board

*Assets* Tangible or intangible items which have probable economic benefits that can be obtained or controlled.

*Assets* (on the Free Application for Federal Student Aid [FAFSA]) Cash on hand, including the amount in checking and savings accounts, time deposits, money market funds, trusts, stocks, bonds, other securities, mutual funds, tax shelters, qualified education benefits, and the net value of real estate, income producing property, and business and farm assets. For a detailed explanation see the Higher Education Act, as amended, Part F, Section 480(f).

*Assignment* The transfer of all rights, authorities, and privileges associated with a Perkins Loan from a school to the Department of Education.

*Associate Degree School of Nursing* A school that provides primarily or exclusively a two-year program of postsecondary education in professional nursing leading to a degree equivalent to an associate degree in the United States.

*ATB* Ability to Benefit

*Athletically Related Student Aid* Any scholarship, grant, or other form of financial assistance, the terms of which require the recipient to participate in a program of intercollegiate athletics at the institution. Other student aid, of which a student-athlete simply happens to be the recipient, is not athletically related student aid.

*ATS* Agreement to Serve

*Attribution* The process of assigning benefits or costs to time periods, programs, activities, projects, objects, or combinations thereof.

*Audit Accountability and Resolution Tracking System* The Department's tool used to track, monitor and report day-to-day on the post-audit status of single audits, GAO audits, OIG-issued internal audits, external audits and alternative products (reports or memoranda issued by OIG that are not audit reports but raise issues that may need to be addressed by management).

*Audit Finding* Deficiencies which the auditor is required by §200.516 Audit findings, paragraph (a) to report in the schedule of findings and questioned costs.

*Audit Guide of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers* Published by the Department’s Office of the Inspector General (OIG), it assists independent auditors (IPAs) in performing audits of Federal Student Aid.

*Audit Plan* A description and schedule of audits to be performed in a certain period of time (ordinarily a year). It includes the areas to be audited, the type of work planned, the high-level objectives and scope of the work, and includes other items such as budget, resource allocation, schedule dates, and type of report issued.

*Audit Trail or Transaction Trail* Chains of evidence provided through coding, cross references, and documentation connecting accounting balances and other summary results with original transactions and calculations.

*Auditing Standards Board (ASB)* Board authorized by the AICPA to promulgate auditing and attest standards, quality control standards procedures, and implementation guidance for AICPA members performing such services.

*Auditor* A public accountant or a Federal, state, local government, or Indian tribe audit organization, that meets the general standards specified for external auditors in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.

*Auditor Independence Statement* A statement regarding the requirement that an auditor be independent of the entity examined. Intended to remind financial statement users about the auditor’s obligations related to independence and to serve as a reminder to auditors of these obligations.

*Authorization* Amount of FSA funds a school is currently eligible for in the year and program in question. The authorization is also called the Current Funding Level (CFL). Please note that in Direct Loan and TEACH Grant programs, you might also hear the authorization referred to as the Cash Control Amount (CCA).

*Automated Clearing House (ACH)* An electronic clearing system in which a data processing center handles payment orders that are exchanged among financial institutions, primarily through telecommunications networks. ACH systems process large volumes of individual payments electronically.

*Automatic Zero EFC* The result when an independent student or a dependent student’s parents have income below a specific threshold and meet one of a group of other criteria, such as not needing to file a Form 1040 U.S. tax return. The flag indicates that the student met the statutory criteria for the automatic zero EFC calculation. See Simplified EFC Formulas.

*Available Balance* Amount of cash available for a school to draw down through G5. The available balance is the difference between the authorized amount and the school’s net drawdowns to date.

*Available Income (Parents’)* In general, parents’ available income is determined by deducting from total income (as defined in HEA, section 480)

- ◆ federal income taxes;
- ◆ an allowance for state and other taxes;
- ◆ an allowance for Social Security taxes;
- ◆ an income protection allowance;
- ◆ an employment expense allowance; and
- ◆ the amount of any tax credit taken by the parents under section 25A of the Internal Revenue.

AVG Application and Verification Guide

AVR Automated Voice Response

*Award Periods* The length of time in G5 during which schools can perform certain cash management functions. There are four award periods:

1. performance period
2. liquidation period
3. suspension period and
4. closeout period

*Award Year* The period beginning July 1 and ending June 30 of the following year.

*AY* Academic Year (may refer to Award Year in some contexts)

## B

*Base Year* The calendar year used for determining income, taxes, and other financial data when completing the FAFSA. Beginning with the 2017–2018 award year, the base year is the “prior-prior year” or two years before the first calendar year of the award year. For example, 2015 is the base year for 2017–2018.

*Batch* A group of records submitted together. Batches can consist of one or more records. Users can submit data for students in a file called a batch. The batch contains a network header record, the Common Record with one or more students / awards / disbursements and the network trailer record. Periodic sweeps of a school’s Student Aid Internet Gateway (SAIG) mailbox are performed to pick up these batches and send them to the COD System for processing.

*BBAY* Borrower-Based Academic Year

*Begin or End Date* The month and year on which a grant award begins and ends. It is the funding period for the award, and includes any applicable amendments. Normally, the funding period is 12 months.

*Best Practice* Superior method or innovative practice that contributes to the improved performance of an organization.

*BIA* Bureau of Indian Affairs

*Bilingual Education* An educational program in which two languages are used to provide content matter instruction.

*BLS* Bureau of Labor Statistics

*Book Voucher* A document that reflects funds available on a student’s account that can be used to purchase books and other educationally related materials from either a school or unaffiliated bookstore.

*Booked Direct Loan* A loan that is a legal binding obligation between the borrower and the U.S. Department of Education. A loan is considered booked when the COD System has accepted the loan origination record (the award record has been linked to the MPN), the MPN, and the first actual disbursement record for that loan ID. Direct PLUS Loans also require an accepted credit decision on file in the COD System to be booked.

*Booked TEACH Grant* A TEACH Grant becomes booked when COD has accepted the TEACH Grant origination record, an ATS has linked to the grant, and an actual disbursement record has been accepted.

*Borrower* An individual to whom a Title IV education loan is made.

*Borrower Based Academic Year (BBAY)* An academic year standard that may be used to measure annual loan limit progression (i.e., when a borrower becomes eligible for their next annual loan limit). Unlike a Scheduled Academic Year (SAY), a BBAY follows an individual student’s academic progress and does not begin and end at the same time each year.

*Borrower Defense Claim* A claim that is or could be asserted as a borrower defense when requesting discharge of a Direct Loan obligation.

*Borrower’s Rights and Responsibilities (BRR) Statement* Required under the HEA, the BRR Statement provides additional information about the terms and conditions of the loans a borrower receives under the MPN for Federal Direct Loans.

**Branch Campus** A location of an institution that is geographically apart from and independent of the main campus of the institution. The Department considers a location of an institution to be independent of the main campus if the location

- ◆ is permanent in nature;
- ◆ offers courses in educational programs leading to a degree, certificate, or other recognized educational credential;
- ◆ has its own faculty and administrative or supervisory organization; and
- ◆ has its own budgetary and hiring authority.

**BRR** Borrower’s Rights and Responsibilities

**Business Assets** Property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery, and other equipment, patents, franchise rights, and copyrights.

## C

**Campus** Any building or property owned or controlled by an institution within the same reasonably contiguous geographic area and used by the institution in direct support of, or in a manner related to, the institution’s educational purposes, including residence halls; and any building or property that is within or reasonably contiguous to the school’s campus that is owned by the institution but controlled by another person, is frequently used by students, and supports institutional purposes (such as a food or other retail vendor).

**Campus-Based Programs** Federal student aid programs under which funds are provided to participating institutions for awards to eligible students. The Campus-Based Programs include: the Federal Perkins Loan Program, the Federal Work-Study (FWS) Program, and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

**Campus Security Records** The records created and maintained by a school’s law enforcement unit or whatever office or school official is designated to be responsible for referring potential violations of law to local police authorities. Such records are

exempt from the privacy restrictions of FERPA. A school may disclose information from these “law enforcement unit records” to anyone—including parents or federal, state, or local law enforcement authorities—without the consent of the eligible student.

**Cancellation** In the Perkins Loan Program, the forgiveness of a portion of a loan debt for a borrower who meets certain regulatory criteria (usually service). In the Direct Loan Program, loan “cancellation” refers to the borrower’s request to have all or a portion of a loan cancelled (i.e., when the borrower decides that he or she no longer wants or needs all or a portion of the loan). In the Direct Loan Program, cancellation of a loan debt in exchange for the borrower performing certain types of service is called “forgiveness,” and cancellation of a loan due to death, total and permanent disability (TPD), school closure, etc. is called “discharge.”

**CAP** Corrective Action Plan

**Capital Assets** Tangible or intangible assets used in operations having a useful life of more than one year that are capitalized in accordance with GAAP.

**Capital Expenditures** Expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

**Capitalized Interest (Capitalization)** Unpaid interest that has been added to the principal balance of a loan.

**Carry Forward/Carry Back** A school may spend up to 10% of its current year’s FWS or FSEOG allocation (initial and supplemental) in the following award year (carry forward). A school is also permitted to spend up to 10% of its current year’s FWS or FSEOG allocation (initial and supplemental) for expenses incurred in the previous award year (carry back).

**CAS** Cost Accounting Standards

**Cash Account** The general ledger account that reports currency, coins, undeposited checks, and the checking accounts of a company.

*Cash Basis for Accounting* A system of accounting in which revenues are recorded when received in cash and expenses or expenditures are recorded when cash is disbursed.

*Cash Management* The rules and procedures a school must follow to request, maintain, disburse, and otherwise manage FSA funds. A school's responsibilities are described in Subpart K of 34 CFR 668.

*Cash Management Regulations* Those sections of 34 CFR (34 CFR Subpart K) that address the rules and procedures under which participating institutions request, maintain, disburse, and otherwise manage federal student aid program funds.

*Cash On Hand (COH)* The amount available in the federal funds account at the payee's financial institution. Cash on hand is calculated as the total funds received less the Federal share of disbursements made, plus refunds received. The balance does not include accruals, accounts payable, or funds belonging to the Department of Education (e.g., interest earned). See also excess cash.

*CB* Campus-Based

*CBO* Congressional Budget Office

*CBT* Computer-Based Training

*CCA* Cash Control Account

*CCR* Central Contractor Registration

*CDR* Cohort Default Rate

*CDRG* Cohort Default Rate Guide

*Census Date* The date on which a school takes a "snapshot" of its enrollment for reporting or record-keeping purposes.

*Central Processing System/Student Aid Internet Gateway (CPS/SAIG)* Vendor and system designed by the U.S. Department of Education for viewing or correcting SAR information, requesting or analyzing ISIR data, and calculating and managing the return of federal student aid program funds.

*CEO* Chief Executive Officer

*Certified Public Accountant (CPA)* A credential conferred by a state or similar governmental jurisdiction that authorized the holder to practice as a certified public accountant in that jurisdiction.

*CFDA* Catalog of Federal Domestic Assistance

*CDFA Number* The number assigned to a Federal program in the Catalog of Federal Domestic Assistance.

*CFDA Program Title* The title of the program under which the Federal award was funded in the CFDA.

*CFL* Current Funding Level

*CFO* Chief Fiscal/Financial Officer

*CFPB* Consumer Financial Protection Bureau

*CFR* Code of Federal Regulations

*Chart of Accounts* A listing of the accounts available in the accounting system in which to record entries. The chart of accounts consists of balance sheet accounts (assets, liabilities, equity) and income statement accounts (revenues, expenses, gains, losses).

*Child with a Disability* A child or youth from ages 3 through 21, inclusive, who requires special education and related services because he or she has one or more disabilities as defined in section 602(3) of the Individuals with Disabilities Education Act.

*Children of Iraq and Afghanistan Soldiers* For purposes of awarding Title IV aid, children of Iraq and Afghanistan soldiers include the children of all who died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001. Students who fall in this category receive special consideration for Title IV aid.

*Children's Health Insurance Program* A subsidized government health benefit program affiliated with Medicaid and also a potential qualifier for the simplified needs test or automatic zero EFC.

*Children's Online Privacy Protection Act (COPPA)* Legislation from 1998 that prohibits any entity, including a government agency, from electronically conducting business or communicating with a person under age 13. Because of COPPA, applicants who are 12 or younger cannot complete FAFSA on the Web and must instead mail a paper FAFSA™ to a special address.

*CIO* Chief Information Officer

*CIP* Classification of Instructional Programs

*Circular A-133* A release of the Office of Management and Budget. Its full name is Audits of States, Local Governments, and Non-profit Organizations. The circular sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. Available at [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars).

*Citizenship Match* Procedure that compares an applicant's name, date of birth, and SSN in CPS to that in the records of the Social Security Administration (SSA) and in special cases the Department of Homeland Security (DHS). The CPS will reject applications for insufficient or contradictory information. The result of the match with SSA or DHS is reported on the SAR and ISIR and includes a comment (text and code).

*Class Action* A lawsuit in which one or more parties seek class treatment under federal law (Federal Rule of Civil Procedure 23) or any State process analogous to Federal Rule of Civil Procedure 23.

*Clery/Campus Security Act* The law that requires institutions to compile statistics for certain crimes that are reported to campus security authorities or local police agencies, including incidents of sexual assault, domestic violence, dating violence, and stalking. The full title is the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

*Clinical Training* The portion of a graduate medical education program that counts as a clinical clerkship for purposes of medical licensure comprising core, required clinical rotation, and not required clinical rotation.

*Clock Hour* A period of time consisting of

- ◆ a 50- to 60-minute class, lecture, or recitation in a 60-minute period;
- ◆ a 50- to 60-minute faculty-supervised laboratory, shop training, or internship in a 60-minute period; or
- ◆ 60 minutes of preparation in a correspondence course.

*Clock/Credit-Hour Conversion* The calculation performed to establish whether certain programs offered in credit hours meet the standard for the minimum number of credit hours and can be considered eligible.

*Closeout* The process by which a Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and required actions taken.

*Closeout Period* One of the award periods in G5. The closeout period immediately follows the suspension period. During closeout, the grant award is closed and any remaining cash is deobligated.

*Closeout Procedures* The steps a school must take when its participation in the Title IV programs ends, either voluntarily or involuntarily.

*Closeout Process (in G5)* The process of closing a suspended award. The closeout process includes the following periods: liquidation, suspension, and closeout.

*Closing* The process of preparing, entering, and posting closing entries.

*Closing Entry* A journal entry that balances revenue accounts and expense accounts. Closing entries will mean that the temporary accounts (income statement accounts and drawing account) will start the new accounting year with zero balances.

*CM* Configuration Management

*CO* Contracting Officer

*COA* Cost of Attendance

*COD* Common Origination and Disbursement

*Code of Federal Regulations (CFR)* The codification of the rules published in the Federal Register by agencies of the federal government. Each volume of the CFR is updated once each calendar year and issued quarterly. The volume for Education, Title 34, is updated on July 1 of each year. Cited as “34 CFR.”

*COG* Councils of Governments

*COH* Cash on Hand

*Cohort (Loan)* All of a school’s current and former students who during a fiscal year enter repayment on any Direct Subsidized Loan, Direct Unsubsidized Loan, or Federal Stafford Loan they received to attend the school.

*Cohort Default Rate (CDR)* The number of students in a cohort who default on their loans during a fiscal year divided by the total number of students in the cohort, expressed as a percentage.

*Cohort Default Rate Guide (CDRG)* U.S. Department of Education publication designed to assist schools with their William D. Ford Federal Direct Loan (Direct Loan) Program and Federal Family Education Loan (FFEL) Program cohort default rate data. The guide is a reference tool in understanding cohort default rates and processes.

*Collateral* Real or personal property pledged as part or full security on a debt.

*Collateralize* To pledge property as security (collateral) for a debt.

*Collection* The activities and/or actions by lenders, guarantors, servicers, and collection agencies to obtain payment on unpaid loan principal and interest from a borrower after that borrower defaults on the loan.

*Collection Agency* A business organization that receives delinquent or defaulted loan accounts from lenders and attempts to collect on those accounts. A fee is charged for the service.

*Collection Charges* Costs incurred by a lender or its agents in collecting overdue payments. These charges may include, but are not limited to, attorney’s fees, court costs, and telegrams. They may not include routine costs associated with preparing letters or notices or making telephone calls to the borrower.

*Collegiate School of Nursing* A school that provides primarily or exclusively a minimum of a two-year program of postsecondary education in professional nursing leading to a degree equivalent to a bachelor of arts, bachelor of science, or bachelor of nursing in the United States, or to a degree equivalent to a graduate degree in nursing in the United States, and including advanced training related to the program of education provided by the school.

*Co-maker* One of two individuals who jointly borrow a consolidation loan, each of whom are eligible and who are jointly and severally liable for repayment of the loan. The term co-maker also includes one of two parents who are joint borrowers as previously authorized in the Federal Direct PLUS Loan Program (PLUS Loan Program).

*Comment Codes* Codes on a SAR/ISIR drawing attention to specific issues on a student’s application. Each code corresponds to specific comment text for the award year. The last line in the “FAA Information” section on a SAR/ISIR shows all the codes generated on the record. FAAs must review the comment codes without reading every comment to find those that may require action.

*Common Origination and Disbursement (COD) System* The system used to process records for the Pell Grant, TEACH Grant and Direct Loan programs.

*Common Origination and Disbursement Technical Reference* A document used as a guide by software vendors and schools to program their systems and process records through COD. It provides a COD system overview, a list of changes, processing information (e.g., business rules and edits), print specifications, and technical specifications. The appendices also contain additional reference information, such as conversion tables, report layouts, and Extensible Markup Language (XML) examples. Located at [fsadownload.ed.gov/index.htm](http://fsadownload.ed.gov/index.htm).

*Common Record* A file layout used by schools and the COD system to exchange Pell Grant, TEACH Grant, and Direct Loan data. The Common Record is a document formatted in XML.

*Community Defender Organizations* A defender organization established in accordance with section 3006A(g)(2)(B) of title 18, United States Code.

*Community Service Work-Study Jobs* Services that are identified by an institution of higher education through formal or informal consultation with local nonprofit, government, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs. In order to be considered community service, the job has to be in an area that is open, accessible, and used by the community at large. For a more detailed list of community services see 34 CFR 675.2.

*Compensating Balance* An offsetting balance. A requirement by some banks that a borrower maintain a minimum balance in a checking or savings account as a condition of a loan.

*Competency-based education* An innovative approach in higher education that organizes academic content according to competencies—what a student knows and can do—rather than follow a more traditional scheme, such as by course.

*Compliance* Conformity in fulfilling requirements under various statutes and regulations.

*Compliance Supplement* Appendix XI to Part 200—Compliance Supplement (previously known as the Circular A-133 Compliance Supplement).

*Compliance Testing* Process of testing to determine the compliance of the component or system.

*Composite Score* The composite score standard combines different measures of the elements of financial health to yield a single measure of a school's overall financial health. This method allows financial strength in one area to make up for financial weakness in another area, and provides an equitable measure of the financial health of schools of different sizes. Included in the calculation are the following ratios: Primary Reserve, Equity, and Net Income.

*Comprehensive Student Work-Learning-Service Program* A student work-learning-service program that

- ♦ is an integral and stated part of the institution's educational philosophy and program;
- ♦ requires participation of all resident students for enrollment and graduation;
- ♦ includes learning objectives, evaluation, and a record of work performance as part of the student's college record;
- ♦ provides programmatic leadership by college personnel at levels comparable to traditional academic programs;
- ♦ recognizes the educational role of work-learning-service supervisors; and
- ♦ includes consequences for nonperformance or failure in the work-learning-service program similar to the consequences for failure in the regular academic program.

*Comprehensive Transition and Postsecondary Program* A degree, certificate, nondegree, or noncertificate program that

- ◆ is offered by a participating institution;
- ◆ is delivered to students physically attending the institution;
- ◆ is designed to support students with intellectual disabilities who are seeking to continue academic, career and technical, and independent living instruction at an institution of higher education in order to prepare for gainful employment;
- ◆ includes an advising and curriculum structure;
- ◆ requires students with intellectual disabilities to have at least one-half of their participation in the program, as determined by the institution, focus on academic components through courses or activities taken jointly with students without disabilities; and
- ◆ provides students with intellectual disabilities opportunities to participate in coursework and other activities with students without disabilities.

*Computer Controls* Internal controls performed by computer software as opposed to manual controls. Also means general and application controls over the computer processing of data.

*Concurrent Deferment* In the Perkins Loan Program, automatic deferments schools must grant during periods of service for which schools also grant loan cancellation. Borrowers do not need to apply for these automatic deferments.

*Conditional Acceptance* Condition whereby a student is admitted to an academic program provisionally until the student can demonstrate ability to succeed in the program by either furnishing documentation (such as transcripts or test scores) or receiving acceptable grades in program coursework. Students admitted in this manner are regular students only if the school accepts them into an eligible degree or certificate program.

*Conflicting Information* A discrepancy in the information that a school has regarding a student that affects his or her eligibility for federal student aid. A school must resolve conflicting information about a student before that student can receive federal student aid.

*Consolidated Financial Statements* Financial statements that reflect the total economic entity (all entities with same management are presented together and all related party transactions are eliminated from the statements). For example, on a consolidated income statement a corporation that owns several individual schools would report the total of all of its schools' activities. A consolidated balance sheet would report the combined assets except for claims against schools within its group.

*Consolidation* The process of combining one or more loans into a single new loan.

*Consortium* A group of two or more eligible schools that interacts with the Department in the same manner as other schools, except that the business between the Department and the schools is channeled through a single point.

*Consortium Agreement* A written agreement between two or more eligible schools.

*Consumer Financial Protection Bureau* U.S. government agency that makes sure banks, lenders, and other financial companies treat citizens fairly.

*Consumer Information* The information that a school must provide about financial aid and its campus, facilities, student athletes, and gainful employment programs as well as information to promote campus security and fire safety and prevent drug and alcohol abuse, as required under HEA Sec. 485(f) and 34 CFR 668.41–49.

*Continuing Education* Coursework usually intended for adult and non-traditional students in which a student receives instruction that supplements his or her previous education. Student can only receive Title IV aid for continuing education classes and credits only when those courses and credits are applicable to a degree or certificate program.

**Contra Account** One of two or more accounts which partially or wholly offset another or other accounts; on financial statements, they may be either merged or appear together.

**Contract** A legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award.

**Contractual Agreement** A written agreement between an eligible school and an ineligible school.

**Control** Documented activities, policies, and procedures that help an organization meet its objectives, attain its goals, and accomplish its mission.

**Control Account** A general ledger account containing the correct total amount without containing the details. For example, Accounts Receivable could be a control account in the general ledger. Each day the total of the day's credit and collections are posted to this account. However, the details involving students' accounts will be found in a subsidiary ledger.

**Control Activities** Control activities are actions supported by policies and procedures that help ensure management directives are carried out properly and in a timely manner. Control activities can be classified either as preventive or detective. Preventive controls (e.g., approvals) attempt to deter or prevent undesirable events. Detective controls (e.g., reconciliations) attempt to detect undesirable events.

**Control Environment or Internal Control Environment** The overall attitude, awareness, and actions of directors and management (i.e., "those charged with governance") regarding the internal control system and its importance to the entity. A positive control environment is the foundation for all internal control standards. It provides discipline and structure as well as the climate of the workplace, which influences the quality of internal control.

**Control Objectives** Goals or standards for reducing or eliminating potential risks to an organization's mission.

**Control Systems** The organizational structure, operational procedures, and administrative practices adopted by all levels of management to provide reasonable assurance that programs and administrative activities are effectively carried out.

**COO** Chief Operating Officer

**Cooperative (aka Co-op) Education Program** A program that integrates classroom learning and structured work experiences directly related to the goals and objectives of the student's larger educational program. Students earn credit for successfully completed paid or unpaid Cooperative Work Experiences (CWE).

A school must have a written policy that describes the formula (may be specified by the school's state or accreditation agency) for converting the work portion of a Cooperative Education Program to credits. If the result equals or exceeds a full-time academic load, the co-op student is considered full time regardless of how many credits are earned for the co-op work.

**Coordinating Official** A capable individual responsible for administering all the Title IV, HEA programs in which a school participates and for coordinating those programs with the institution's other federal and nonfederal programs of student financial assistance. An individual is "capable" if certified by the state in which the school is located and the state requires certification of financial aid administrators. Other factors in determining capability include, but are not limited to, the individual's successful completion of Title IV program training provided or approved by the Secretary and previous experience and documented success in administering the Title IV programs properly.

**COPPA** Children's Online Privacy Protection Act

**Correcting Entry** A journal entry to correct an erroneous amount previously entered in the general ledger.

**Correction Edit Codes** (Pell Grant program only) If schools select to have their Pell Grant data corrected rather than rejected, the COD system automatically corrects the data and sends a response to the school that submitted the record indicating that a correction took place, the element corrected, the original value, and the corrected value. Edits that can be corrected, rather than rejected, are indicated with a C/R in the Volume II, Section 4—Edit codes in the COD Technical Reference.

**Corrective Action** Action taken by an auditee that (a) Corrects identified deficiencies; (b) Produces recommended improvements; or (c) Demonstrates that audit findings are either invalid or do not warrant auditee action.

**Corrective Action Plan (CAP)** Statement of the corrective actions related to noncompliance, to include a responsible official, milestones toward completion of the action, metrics which measure progress and remediation, and dates when these milestones will be addressed. CAPs are to be maintained by the organization, and the status is to be reported as directed.

**Correspondence Course** A course provided by an institution under which the institution provides instructional materials, by mail or electronic transmission, including examinations on the materials, to students who are separated from the instructor. Interaction between the instructor and student is limited, is not regular and substantive, and is primarily initiated by the student. Correspondence courses are typically self-paced. If a course is part correspondence and part residential training, the Department considers the course to be a correspondence course. Note: A correspondence course is not distance education.

**Correspondence Student Limitation** The requirement that less than 50% of a school's regular students be enrolled in correspondence courses for the school to be eligible to participate in the Title IV programs. This limitation may be waived for a school that offers a 2-year associate degree or 4-year baccalaureate degree program if it demonstrates to the Department that in that award year the students enrolled in correspondence courses receive no more than 5% of the total FSA program funds received by all of the school's students.

**Cost** The monetary value of resources used or sacrificed, or liabilities incurred to achieve an objective, such as to acquire or produce a product, or to perform an activity or service. Depending on the nature of the transaction, cost may be charged to operations immediately, i.e., recognized as an expense of the period, or to an asset account for recognition as an expense of subsequent periods.

**Cost of Attendance (COA)** The cost in dollars, of a period of enrollment (such as an academic year). The COA for a student is an estimate of that student's educational expenses for the period of enrollment. Defining a student's COA is the first step in establishing a student's financial need. It sets the limit on the total need-based federal student aid a student may receive and is one of the components of the Pell Grant calculation. For a detailed explanation of the components included in Cost of Attendance see the Higher Education Act, as amended, Part F, Section 472.

**Cost Sharing or Matching** The portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute).

**COTR** Contracting Officer Technical Representative

**COTW** Corrections on the Web

**Coverdell Education Savings Account** A type of tax-advantaged savings vehicle for college education.

**Covered Institution** Any institution of higher education, proprietary institution of higher education, postsecondary vocational institution, or institution outside the United States, that receives any federal funding or assistance.

**CPA** Certified Public Accountant

**CPS** Central Processing System

**CPS/SAIG** Central Processing System / Student Aid Internet Gateway

*CPS/SAIG Technical Support* Call center that responds to questions about the Central Processing System (CPS), the Student Aid Internet Gateway (SAIG), Web products such as FAA Access to CPS Online, and assistance with software products such as EDconnect and EDEExpress. Phone: 800-330-5947, 8:00 a.m. to 8:00 p.m. (ET), Monday through Friday.

**CR** Credit

*Credit Balance* See Title IV Credit Balance.

*Credit Bureau* An agency that gathers and stores credit information on individuals, and provides reports of that information to organizations from whom the individuals are seeking to obtain credit. Borrowers whose federal education loans are in default are reported to credit bureaus.

*Credit Check* A check of a Direct PLUS Loan applicant's credit record performed by COD to determine whether the individual has an adverse credit history. A credit check is generated when: (1) the COD system receives a Direct PLUS Loan Award; (2) the Direct PLUS Loan applicant completes a Direct PLUS Loan request via StudentLoans.gov; or (3) the school (after obtaining the applicant's authorization) initiates a credit check on the web through COD.

*Credit Hour* Except as provided in 34 CFR 668.8(k) and (l), a credit hour is an amount of work represented in intended learning outcomes and verified by evidence of student achievement that is an institutionally established equivalency that reasonably approximates not less than

- ♦ one hour of classroom or direct faculty instruction and a minimum of two hours of out of class student work each week for approximately 15 weeks for one semester or trimester hour of credit, or 10 to 12 weeks for one quarter hour of credit, or the equivalent amount of work over a different amount of time; or

- ♦ at least an equivalent amount of work as required in paragraph (1) of this definition for other academic activities as established by the institution including laboratory work, internships, practica, studio work, and other academic work leading to the award of credit hours.

*Critical Audit Matters* Those matters addressed during the audit that (1) involved the most difficult, subjective, or complex auditor judgments; (2) posed the most difficulty to the auditor in obtaining sufficient appropriate evidence; or (3) posed the most difficulty to the auditor in forming the opinion on the financial statements. Critical audit matters ordinarily are matters of such importance that they are included in the matters required to be (1) documented in the engagement completion document that summarizes the significant issues and findings from the audit; (2) reviewed by the engagement quality reviewer; (3) communicated to the audit committee; and (4) any combination of the three.

*Critical Matter Standard in the Auditor Report* Requires an auditor to communicate in the auditor's report (when the auditor expresses an unqualified opinion) critical audit matters that were addressed during the audit of the current period's financial statements. If the auditor determines that there are no critical audit matters, the auditor would state in the auditor's report that the auditor determined that there are no such matters to communicate.

*Crossover Payment Period* A payment period that spans two award years.

*CS/JLD* Job Location and Development within the Community Service Work-Study Program.

*CSB* Common Services for Borrowers

*CSC* Customer Service Center

*CSID* Common School Identifier

*CSL* Community Service Learning (Program)

**CSR** Customer Service Representative

**Current Funding Level (CFL)** Total amount of cash available for a school to draw down at any point in time, and is a subset of the school ceiling amount (SCA). A school's current funding level may be adjusted based on the amount of substantiated cash. A change in CFL will directly impact the SCA. In G5, the CFL is called the *Authorization*.

**Current Liabilities** Amounts owed by an entity for which the financial statements are prepared, and which need to be paid within the fiscal year following the reporting date.

**CY** Current Year

## D

**D&B** Dun and Bradstreet

**Data Match** The check that the CPS makes against other databases such as NSLDS and those maintained by other federal agencies: the Department of Defense, the Department of Justice, the Social Security Administration, the Department of Veterans Affairs, the Department of Homeland Security, and the Selective Service System. Data matches help to determine students' eligibility for federal student aid.

**Data Release Number (DRN)** A four-digit unique student identifier that schools may use in combination with an applicant's identifying information to access the student's record if the school was not listed on the Free Application for Federal Student Aid (FAFSA).

**Data Universal Numbering System (D-U-N-S) Number** Identification code assigned to a school by Dun & Bradstreet. The D-U-N-S number represents a school as a unique financial entity.

**Dating violence** Violence committed by a person who is or has been in a social relationship of a romantic or intimate nature with the victim; and where the existence of such a relationship shall be determined based on a consideration of the following

factors: the length of the relationship, the type of relationship, and the frequency of interaction between the persons involved in the relationship.

**Day** A calendar day, unless otherwise specified.

**DB** Debit

**DCIA** Debt Collection and The Debt Collection Improvement Act of 1996

**DCL** Dear Colleague Letter

**DCS** Debt Collection Service (in ED) now Borrower Services and Collections

**DD214** The Department of Defense Form DD 214 is the form, received at separation, that certifies a veteran's service.

**Dear Colleague Letter (DCL)** An ad hoc publication by the Department of Education addressing significant policy, system, and training issues and intended for college financial aid administrators and other customers.

**Death Master File** A list of SSNs associated with people who have died, maintained by the Central Processing System (CPS).

**Debarment of School Owners or Staff** Suspension of one of the principals or employee of a school by a federal agency. Debarment prohibits that person from participating in any FSA program as long as the agency's procedures include due process protections that are equivalent to those provided by ED.

**Debt Resolution Services** Office (within Federal Student Aid's Default Division) to which schools refer students who have received an overpayment of Title IV funds for collection.

**Debt-to-Earnings Ratio** A measure that compares student indebtedness to earnings and is used to determine whether Title IV program funds can be used to pay for enrollment in gainful employment programs.

*Default* The failure to meet any obligation or term of a credit agreement, grant, or contract.

*Default (Loan)* A status that a loan is placed in if the borrower has failed to make a payment when due for the number of days allowed by the applicable regulations, or if the borrower violates other terms and conditions of the promissory note. Borrowers who default on federal education loans lose eligibility for further federal student aid, will have their default reported to national credit bureaus, and may have their wages garnished or tax refunds offset by the government

*Default Division* Office within Federal Student Aid responsible for the management collecting defaulted loans and student overpayments.

*Default Prevention and Management Plan* A plan that new schools, those with a change of ownership control, and those whose status as a main or branch campus changes must implement. New schools are exempt in certain circumstances. Schools with a cohort default rate  $\geq 30\%$  must establish a default prevention task force that prepares a plan that

- ♦ identifies the factors causing the default rate to exceed the threshold;
- ♦ establishes measurable objectives and steps the school will take to improve the default rate; and
- ♦ specifies the actions the school will take to improve student loan repayment, including counseling students on repayment options.

*Defense Of Infancy* A legal defense whereby a borrower asserts that they were too young to enter into an agreement. A borrower may not use a defense of infancy as part of any attempt to refuse to repay Title IV loans. HEA Section 484A(b)(2).

*Deferment (Loan)* A period during which a borrower is entitled to have payments of principal and interest on federal education loans postponed if he or she meets the eligibility criteria for the deferment. Examples of reasons that entitle a borrower to deferment include enrollment in postsecondary education on at least a half time basis, unemployment, economic hardship, or qualifying active duty military service.

*Degree or Certificate Seeking Student* A student enrolled in a course of credit who is recognized by the institution as seeking a degree or certificate.

*Dependency Override* Action a financial aid administrator may take to change a student's status for federal student aid from dependent to independent (the reverse is not permitted). There must be unusual circumstances to warrant an override, and the FAA must document those circumstances in the student's file.

*Dependent of the Student* The student's dependent children and other persons (except the student's spouse) who live with and receive more than one-half of their support from the student and will continue to receive more than half of their support from the student during the award year.

*Dependent Student* Any student who does not qualify as an independent student (see *Independent Student*). A FAFSA for a dependent student must include parent information.

*Dependents (of a student's parents)* The student, other dependent children of the student's parents (whether or not they reside with the parents), including those children who are deemed to be dependent students when applying for aid under this title, and other persons who live with and receive more than one-half of their support from the parent and will continue to receive more than half of their support from the parent during the award year.

*Depository Account* An account at a depository institution described in 12 U.S.C. 461(b)(1)(A), or an account maintained by a foreign institution at a comparable depository institution that meets the requirements of § 668.163(a)(1).

*Designated Department Official* An official of the Department of Education to whom the Department has delegated responsibilities indicated in this part.

**Destination Point** In the Electronic Data Exchange, the transmitter of FSA data (applications and/or corrections) through the FAA Access to CPS Online interface with EDExpress or through Third-Party software. The results of processing (ISIRs) as well as COD data and reports are transmitted to the destination point through the Student Aid Internet Gateway. This may be a postsecondary school servicing one or more schools or a service agent servicing multiple schools.

**Destination Point Administrator (DPA)** The school employee responsible for ensuring secure access to the SAIG (a communication system between the school and ED systems). The DPA is responsible for assigning and providing access via SAIG for other employees of the school.

**Deviation** Departure from prescribed internal control procedures. Often expressed as a rate at which the departure occurs.

**DHS** Department of Homeland Security

**DHS Match Flag** Code on a SAR/ISIR indicating the results of a match with the Department of Homeland Security (DHS). An applicant's FAFSA is sent to DHS if the applicant indicates on the FAFSA that he or she is an eligible noncitizen.

**DHS Secondary Confirmation Match Flag** Code on a SAR/ISIR indicating the results from a secondary match with DHS for an applicant who failed primary confirmation of immigration status.

**Diploma Mill** An entity that

- ♦ charges someone a fee and requires him to complete little or no education or coursework to obtain a degree, diploma, or certificate that may be used to represent to the general public that he has completed a program of education or training; and
- ♦ lacks accreditation by an agency or association that is recognized as an accrediting body for institutions of higher education by the Secretary (pursuant to Part H, Subpart 2 of

Title IV) or a federal agency, state government, or other organization that recognizes accrediting agencies or associations. Note that merely lacking accreditation does not make a school a diploma mill.

**Diploma School of Nursing** A school affiliated with a hospital or university, or an independent school, which provides primarily or exclusively a two-year program of postsecondary education in professional nursing, leading to the equivalent of a diploma in the United States or to equivalent indicia that the program has been satisfactorily completed.

**Direct Assessment Program** An instructional program that, in lieu of credit hours or clock hours as a measure of student learning, utilizes direct assessment of student learning, or recognizes the direct assessment of student learning by others. The assessment must be consistent with the accreditation of the institution or program utilizing the results of the assessment.

**Direct Consolidation Loan** A Direct Loan created from the outstanding balances of other pre-existing federal education loans.

**Direct Cost** The cost of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities.

**Direct Disbursement (to a student or parent)** Paying FSA funds directly to a student or parent by

- ♦ issuing a check or other instrument payable to and requiring the endorsement or certification of the student or parent (a check is issued if the school releases or mails the check to a student or parent, or notifies the student or parent that the check is available for immediate pickup); or
- ♦ initiating an EFT to a bank account designated by the student or parent, including transferring funds to stored-value cards and debit cards; or
- ♦ providing cash to the student or parent, provided that the school obtains a signed receipt from the student or parent.

*Direct Loan 30-Day Warning Report* A listing of unbooked loans for which COD has not received the elements required for booking. The report also lists MPNs received by COD that do not have an accepted origination record. The report is sent to the school's SAIG mailbox on a monthly basis (if data for the given month exists for the report). The report is also available via the COD website ([cod.ed.gov](http://cod.ed.gov)).

*Direct Loan Counseling Report* Lists students who have completed entrance counseling, financial awareness counseling, and exit counseling on the StudentLoans.gov website. This report is available at [cod.ed.gov](http://cod.ed.gov).

*Direct Loan Delinquent Borrower Report* Lists borrowers who are at least 31 days delinquent in their Direct Loan payments. The report gives the most recent contact information for the borrower and can be used in default reduction efforts by helping schools identify and contact borrowers. The Delinquent Borrower Report is available by subscription or on request from the Direct Loan Servicing Center. A report of borrowers delinquent in payment to loan servicers is available through the National Student Loan Data System (NSLDS).

*Direct Loan Duplicate Student Borrower Report* Lists student borrowers for which the COD system has multiple subsidized/unsubsidized awards with overlapping academic years within the same award year. Schools should monitor this report and contact other schools involved to verify that the student's academic and award years are correct in both COD and the schools' systems. Failure to monitor this report may cause records to reject in COD for going over the annual Stafford limits. This report is available at [cod.ed.gov](http://cod.ed.gov).

*Direct Loan Exit Counseling Completion Report* Lists students who have completed exit counseling on the StudentLoans.gov website, or students who completed counseling by another means whose information was uploaded by the school to NSLDS. Schools should monitor this report to assist with their default reduction efforts and insure compliance with exit counseling requirements.

This report is available from the NSLDS Professional Access website, in detail and summary versions and online, both as a scheduled report or on demand. Note that although students complete entrance and exit counseling on Studentloans.gov, it is NSLDS that exit counseling reports to schools.

*Direct Loan Expired MPN Report* Lists MPNs that have expired (become inactive) within the last 30 days. This report is available at [cod.ed.gov](http://cod.ed.gov) and the school's SAIG mailbox.

*Direct Loan Inactive Loans Report* Lists all the loans a school has reduced to zero (\$0) for the reporting period. This report is available at [cod.ed.gov](http://cod.ed.gov) and via the school's SAIG mailbox.

*Direct Loan MPN Discharge Report* Lists MPNs that have become inactive within the last 30 days due to discharges for death, unauthorized signature, or identity theft. This report is available at [cod.ed.gov](http://cod.ed.gov).

*Direct Loan MPNs Due to Expire Report* Lists MPNs that will expire (become inactive) within the next 60 days. This report is available at [cod.ed.gov](http://cod.ed.gov).

*Direct Loan Pending Disbursement Listing Report* Informs schools of loans with anticipated disbursement dates (Disbursement Release Indicator [DRI] set to false) on file at COD and the dates of those anticipated/pending disbursements. This report is available at [cod.ed.gov](http://cod.ed.gov).

*Direct Loan Program Loan* A loan made under the William D. Ford Federal Direct Loan Program.

*Direct Loan Rebuild File* A file that can be used to rebuild a lost or corrupted Direct Loan Database, or recreate specific student records. Schools may request this file at [cod.ed.gov](http://cod.ed.gov).

*Direct Loan Repayment Plan* Any of the repayment plans under which Direct Loan borrowers can repay their loans. Available repayment plans are: Standard Repayment Plan, Graduated Repayment Plan, Extended Repayment Plan, Income-Based Repayment (IBR) Plan, Pay As You Earn Plan, and Income-Contingent Repayment (ICR) Plan. Parent Direct PLUS Loan borrowers may only choose from the Standard, Graduated, and Extended plans.

*Direct Loan School Account Statement (SAS)*

A COD-generated statement, created monthly (comparable to a bank statement), that summarizes a school's processing activity for the month. The SAS provides the Department's official ending cash balance from records submitted by the school. A school will receive this report on a monthly basis until the Department has officially closed the school's activity for a program year. This report is available via the school's SAIG mailbox.

*Direct Loan Tools* A multi-year Windows-based application available at [fsadownload.ed.gov](http://fsadownload.ed.gov) that schools can use to

- ◆ compare the SAS to loans and actual disbursements recorded in the school's database or the DL Tools cash database;
- ◆ print the SAS in a readable format;
- ◆ track cash receipts and refunds of cash; and
- ◆ rebuild DL origination and disbursement records in EDEXpress.

*Direct PLUS Consolidation Loan* The portion of a Direct Consolidation Loan attributable to Direct PLUS Loans, Direct PLUS Consolidation Loans, Federal PLUS Loans, and Parent Loans for Undergraduate Students that were repaid by a consolidation loan. The borrower is responsible for the interest that accrues during any period.

*Direct PLUS Loan* A loan made under the Federal Direct PLUS Program.

*Direct Subsidized Consolidation Loan* The portion of a Direct Consolidation Loan attributable to certain subsidized Title IV education loans that were repaid by a consolidation loan. Interest is not charged to the borrower during deferment periods or for a borrower whose consolidation application was received before July 1, 2006, during in-school and grace periods.

*Direct Subsidized Loan* A loan made under the Federal Direct Stafford/Ford Loan Program.

*Direct Unsubsidized Consolidation Loan* The portion of a Direct Consolidation Loan attributable to unsubsidized Title IV education loans, certain subsidized Title IV education loans, and certain other federal education loans that were repaid by a consolidation loan. The borrower is responsible for the interest that accrues during any period.

*Direct Unsubsidized Loan* A loan made under the Federal Direct Unsubsidized Stafford/Ford Loan Program.

*Disallowed Costs* Charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.

*Disaster-Affected Student* In FWS, A student enrolled at an institution who (1) received an FWS award for the award period during which a major disaster occurred; (2) earned FWS wages from an institution for that award period; (3) was prevented from fulfilling his or her FWS obligation for all or part of the FWS award period because of the major disaster; and (4) was unable to be reassigned to another FWS job.

*Disbursement* The crediting of a student's account or paying a student or parent directly with

- ◆ FSA funds received from the Department; or
- ◆ school funds labeled as FSA funds in advance of receiving actual FSA funds.

*Disbursement Record* An electronic record sent from a school to COD notifying the Department when a Pell, TEACH Grant, or Direct Loan disbursement will be or has been made to a student.

*Disbursement Release Indicator (DRI)* A "tag" on the Common Record that designates a record as an Actual Disbursement Record. It signals the COD System to post the amount of disbursement to an award (loan/grant).

*Discharge (Loan)* Cancellation of the balance due on a federal education loan. Reasons for discharge of a loan include the borrower’s death (or the death of the student on whose behalf a parent obtained a Direct PLUS Loan), the borrower’s total and permanent disability (as defined in the Department’s regulations), school closure, and certain other conditions as specified in the Department’s regulations.

*Disclosure Statement* See Loan Disclosure Statement.

*Disclosures* Information that postsecondary institutions must make available to students and the public generally, such as information about their academic programs, costs, withdrawal procedures, refunds, accreditation, athletic programs, crime and safety, etc.

*Discount* The difference between the estimated worth of a future benefit and its present value; a compensation for waiting or an allowance for returns from using the present value of these returns in other ways.

*Discretionary Program* Program for which outlays are controlled by annual appropriation acts. Annual appropriation acts are required to fund the continuing operation of all federal programs that are not “mandatory” (compare to *Entitlement Programs*).

*Disposable Income* That part of an individual’s compensation from an employer and other income from any source, including spousal income, that remains after the deduction of any amounts required by law to be withheld, or any child support or alimony payments that are made under a court order or legally enforceable written agreement. Amounts required by law to be withheld include, but are not limited to, federal, state, and local taxes, Social Security contributions, and wage garnishment payments.

*Dispositive motion* A motion asking for a court order that entirely disposes of one or more claims in favor of the party who files the dispositive motion without the need for further court proceedings.

*Distance Education* Training that uses one or more of the technologies below to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between the students and the instructor, either synchronously or asynchronously. The technologies may include

- ◆ the Internet;
- ◆ one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices;
- ◆ audio conferencing; or
- ◆ video cassettes, DVDs, and CD-ROMS, if the cassettes, DVDS, or CD-ROMS are used in a course in conjunction with any of several other technologies.

*DL* Direct Loan

*DLC* Direct Loan Consolidation

*DMRS* Deposit Message Retrieval System (Treasury Department)

*DOB* Date of Birth

*Documentation* A written explanation that describes a topic so that an independent third party can understand it. Documentation includes explanations of program mission and functions, component control techniques, summary of the steps taken in conducting an internal control review, and the operation of a financial system.

*DOD* Department of Defense

*DoD Match* The result on a SAR/ISIR from the match with the Department of Defense (DoD) to determine if the applicant’s parent was a member of the armed forces who died as a result of service in Iraq or Afghanistan after September 11, 2001.

*DOJ* Department of Justice

*Domestic violence* A felony or misdemeanor crime of violence committed by

- ◆ a current or former spouse or intimate partner of the victim,
- ◆ a person with whom the victim shares a child in common,
- ◆ a person who is cohabitating with or has cohabited with the victim as a spouse or intimate partner,
- ◆ a person similarly situated to a spouse of the victim under the domestic or family violence laws of the jurisdiction receiving grant monies [under VAWA], or
- ◆ any other person against an adult or youth victim who is protected from that person's acts under the domestic or family violence laws of the jurisdiction.

*DPA* Destination Point Administrator

*Draft Cohort Default Rate* The rate the Department issues for review before issuing an official cohort default rate. A draft cohort default rate is used only for the purposes described in 34 CFR 668.185.

*DRAP* Default Reduction Assistance Program

*Drawdown (also Cash Receipt)* A school's request for and subsequent transmission of funds to the school via G5. A drawdown occurs when a school (or COD) initiates a request for funds through G5, and the funds are transmitted from the U.S. Department of the Treasury to the school's bank account.

*Drawdown Adjustment* An adjustment made in G5, where a drawdown is moved from one award year to another award year. This usually is done to correct an error (mistakenly requesting funds from the wrong award year, or to change the amount of the request before the funds are received by the school).

*DRI* Disbursement Release Indicator

*DRN* Data Release Number

*DRP* Disaster Recovery Plan

*DRT* Data Retrieval Tool

*Drug Abuse Hold* A legal judgment that bars an applicant from receiving certain federal benefits, including Title IV aid, due to a federal or state conviction for drug possession or trafficking. The Central Processing System (CPS) maintains a file of individuals who have received a drug abuse hold, and all applicants are checked against this list.

*DTIC* Defense Technical Information Center

*Due Diligence* (in the loan programs) The use of extensive persistent procedures for servicing and collecting student loans. Also the full and timely disclosure to student borrowers of their rights and obligations.

*D-U-N-S* Data Universal Numbering System (by Dun & Bradstreet)

*Duplicate SSN Flag* This flag on a SAR/ISIR is set to "Yes" if another record was found in the CPS database with the same SSN but a different last name.

## E

*EA* Enterprise Architecture

*EA* Electronic Announcement

*e-App* Electronic Application to Participate (in the Federal Student Aid Programs)

*Early Disbursement* A disbursement of federal student aid made to a student up to 10 days before the first day of classes for a payment period or period of enrollment, as applicable.

*Early Intervention Services* Those services defined in section 632(4) of the Individuals with Disabilities Education Act that are provided to infants and toddlers with disabilities.

*Earned* In cash accounting, an item is "earned" and reported as revenue when cash is received. Under accrual accounting an item has been "earned" and is reported as revenue when a service has been performed or product delivered, not when cash is received.

*ECAR* Eligibility and Certification Approval Report

*eCB* Electronic Campus-Based System

*eCDR* Electronic Cohort Default Rate

*eCFR* Electronic Code of Federal Regulations

*ED* United States Department of Education

*EDCAPS* Education Central Automated Processing System

*EDE* Electronic Data Exchange

*EDExpress* A PC application that processes, packages, and manages FSA records. FSA provides EDExpress free of charge to postsecondary schools that participate in its Electronic Data Exchange (EDE) process.

*EDGAR* Education Department General Administrative Regulations

*Edit Codes* These codes communicate unique messages from the COD System when a school's reported student data is found to be in error or inconsistent with related data.

*Edit Only Record* In the COD process, a record sent with anticipated disbursement information for editing purposes only. Edit Only Records may originate an award, but are not intended to request or report funds. Schools using the Common Record submit a record with the Disbursement Release Indicator set to False.

*EDP* Electronic Data Processing

*EDUCATE* Department of Education Federal Student Aid Network

*Education Central Automated Processing System (EDCAPS)* Department of Education system that integrates the Department's financial processes, including financial management, contracts and purchasing, grants administration, and payment

management. EDCAPS integrates four formerly separate system modules into a single system consisting of

- ◆ Financial Management Systems Software;
- ◆ Travel Management;
- ◆ Contracts and Purchasing Support System; and
- ◆ Grant Management System (G5).

*Education Loan* Any of the following:

- ◆ any loan made, insured, or guaranteed under the Federal Family Education Loan (FFEL) Program;
- ◆ any loan made under the William D. Ford Federal Direct Loan Program; or
- ◆ a private education loan.

*Educational Program* A legally authorized postsecondary program of organized instruction or study that leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential, or is a comprehensive transition and postsecondary program.

*Educational Service Agency* A regional public multi-service agency authorized by state law to develop, manage, and provide services or programs to local educational agencies as defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended.

*EEBC* Employee Enterprise Business Collaboration

*EFA* Estimated Financial Assistance

*EFC* Expected Family Contribution

*Effective Internal Control* Reasonable assurance that operational objectives are achieved, that published financial statements are reliably prepared, and that the entity complies with applicable laws and regulations.

*EFT* Electronic Funds Transfer (see also ACH/EFT)

*EIC* Earned Income Credit

*EIN* Employer Identification Number

*Electronic Data Exchange (EDE)* An electronic exchange system between the central processor and an institution under which

- ◆ a student is able to transmit his or her application information to the central processor through his or her institution and an ISIR is transmitted back to the institution;
- ◆ a student through his or her institution is able to transmit any changes in application information to the central processor; and
- ◆ an institution is able to receive an ISIR from the central processor for a student.

*Electronic Data Request (in COD)* A file sent by a school to the Common Origination and Disbursement (COD) system containing a request for information. A school can receive reconciliation files, multiple reporting records, year-to-date (YTD) data, electronic statements of account (ESOA) data, Potential Overaward Process (POP) reports, and/ or verification status reports.

*Electronic Funds Transfer (EFT) (in general use)* Generic term describing any transfer of funds between parties or depository institutions through electronic data systems

*Electronic Funds Transfer (EFT) (in cash management)* A transaction initiated electronically instructing the crediting or debiting of a financial account, or an institution's depository account. For purposes of transactions initiated by the Department, the term "EFT" includes all transactions covered by 31 CFR 208.2(f). For purposes of transactions initiated by or on behalf of an institution, the term "EFT" includes, from among the transactions covered by 31 CFR 208.2(f), only Automated Clearinghouse transactions.

*Electronic Processes* The connections that schools are required to make to various Department websites (e.g., the COD website) to be in compliance with administrative capability requirements.

*Electronic Signatures in Global and National Commerce Act (E-Sign Act)* Enacted on June 30, 2000, the E-Sign Act provides, in part, that a signature, contract or other record relating to a transaction may not be denied legal effect, validity or enforceability solely because it is in electronic form, or because an electronic signature or electronic record was used in its formation. Voluntary consent to participate in electronic transactions is required for all financial information provided or made available to student loan borrowers, and for all notices and authorizations to FSA recipients required under 34 CFR 668.165.

*Electronic Statement of Account (ESOA)* An official statement from ED that sets a school's authorization level for the upcoming award year and projects adjustments to the school's FSA program funding needs. It summarizes the status of a school's Current Funding Level (CFL) as it compares to the net drawdowns for the award year. An ESOA also details the amount expended to date. ESOAs are produced for the Federal Pell Grant Program. ED produces an ESOA whenever there is an adjustment to a school's current FSA program authorization.

*Elementary School* A nonprofit institutional day or residential school, including a public elementary charter school, that provides elementary education, as determined under State law.

*Eligible Applicant* A student in an approved course of study who has submitted a Free Application for Federal Student Aid (FAFSA) and meets the eligibility requirements for Title IV

financial aid. The student must be currently enrolled or be a prospective student at a postsecondary school which is eligible to participate in the Title IV programs.

*Eligible Career Pathway Program* A program that

1. concurrently enrolls participants in connected adult education and eligible postsecondary programs;
2. provides counseling and supportive services to identify and attain academic and career goals;
3. provides structured course sequences that
  - are articulated and contextualized; and
  - allow students to advance to higher levels of education and employment;
4. provides opportunities for acceleration to attain recognized postsecondary credentials, including degrees, industry relevant certifications, and certificates of completion of apprenticeship programs;
5. is organized to meet the needs of adults;
6. is aligned with the education and skill needs of the regional economy; and
7. has been developed and implemented in collaboration with partners in business, workforce development, and economic development.

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*Eligible Institution* An institution that qualifies as

- ♦ an institution of higher education, as defined in 34 CFR 600.4;
- ♦ a proprietary institution of higher education, as defined in § 600.5; or
- ♦ a postsecondary vocational institution, as defined in § 600.6; and
- ♦ meets all the other applicable provisions of § 600.

*Eligible Noncitizen* An immigration status that

meets the requirements of 34 CFR 668.33(a)(2). That is, a student who is not a U.S. citizen, but is still potentially eligible to receive at least one type of Title IV aid. Types of eligible noncitizens include: lawful permanent residents, conditional resident aliens, refugees, persons granted asylum, persons paroled into the U.S. for at least one year, Cuban-Haitian entrants, conditional entrants, victims of human trafficking, battered immigrants-qualified aliens, students of the Freely Associated States, and Jay treaty students. Not all types of eligible noncitizen are eligible to receive all types of Title IV aid.

*Eligible Nonparticipating School* A school that chooses to establish eligibility for the FSA programs but not to participate in them. Designation as an eligible institution qualifies a school or its students to take advantage of non-FSA programs or benefits, such as the American Opportunity and Lifetime Learning tax credits and qualifies its students for deferments of federal student loans.

*Eligible Postbaccalaureate Program*

A postbaccalaureate academic program in teacher certification that is Pell Grant eligible. A student may receive a Pell Grant for enrollment in such a program, if

- ♦ the program does not lead to a graduate degree;
- ♦ the school offering the program does not also offer a bachelor’s degree in education;
- ♦ the student is pursuing an initial teacher certification or licensing credential within a state; and
- ♦ the program consists of the courses required by a state to receive a professional certification or licensing credential necessary for employment as a teacher in an elementary or secondary school in that state.

*Eligible Program* An educational program that is provided by a participating institution and meets

the requirements in 34 CFR 668.8(c) and (d) for participating in the FSA programs. For a detailed explanation of an Eligible Program see the Higher Education Act, as amended, Part F, Section 481(b).

*Eligible Student* A regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution, who meets the general and program requirements in 34 CFR 668.32 and 668.38, the citizenship requirements in 34 CFR 668.33, and satisfactory academic progress requirements in 34 CFR 668.34, who is not in default of a debt to the department under the HEA, and not in violation of the prohibitions of 34 CFR 668.40. Male students who are 18, or are above the age of 18, must be registered with the Selective Service to be eligible. For a detailed explanation of Student Eligibility, see the *Higher Education Act*, as amended, Part F, Section 484.

*Eligibility and Certification Approval Report (ECAR)* A summary of an institution's eligibility/certification information (Title IV program participation, institution's accreditor, state authorization, staff, additional locations and eligible vocational programs).

*Eligibility Used (Pell)* A percentage calculated by summing all of the accepted actual disbursement records for a student at the attended institution in a award year and dividing that amount by the Scheduled Federal Pell Grant Award at the attended institution.

*Emancipated Minor* A person who has not reached the age of majority but is released from control of his or her parent or guardian, as adjudicated by a court of competent jurisdiction in the state of the student's legal residence at the time of the adjudication.

*Emergency Action* Action taken by the Department to suspend a school's or third-party's participation in the Title IV programs if the Department

- ◆ receives reliable information that the school or third-party servicer is in violation of applicable laws, regulations, special arrangements, agreements, or limitations entered into under the authority of statutes applicable to Title IV of the HEA;

- ◆ determines that immediate action is necessary to prevent the likelihood of substantial losses by the federal government, parent borrowers, or students; and
- ◆ determines that the likelihood of loss exceeds the importance of following the procedures for limitation, suspension, or termination.

*Emergency Response and Evacuation Plan* The procedures a school must develop for emergency response and evacuation and of which it must include a description in its annual security report to the campus community. A school must develop procedures to immediately notify the campus community upon the confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus.

*Employer Identification Number (EIN)* Identifying number issued by the IRS to businesses for tax filing purposes. The EIN preceded by the letters "ED" is the password for accessing the Electronic Application (e-App) that schools use to apply for and update institutional FSA eligibility.

*eMPN* Electronic Master Promissory Note

*Endorser* An individual who agrees to repay a Direct PLUS Loan if the borrower does not repay the loan.

*Endowed Fund* Usually a permanently restricted asset for which the principal portion must be retained indefinitely. The earnings from an endowed fund could be unrestricted or temporarily restricted.

*English Language Acquisition* The process of acquiring English as a second language.

*Enrolled* The status of a student who has

- ◆ completed the registration requirements (except for the payment of tuition and fees) at the institution that he or she is attending; or
- ◆ been admitted into an educational program offered predominantly by correspondence

and has submitted one lesson, completed by him or her after acceptance for enrollment, and without the help of a representative of the institution.

**Enrollment Date** The earliest date a student was enrolled in an eligible program for the designated award year.

**Enrollment Reporting** (in NSLDS) The process used by schools to report student enrollment data to the Department. Enrollment reporting can occur online in real time, or through file exchange using SAIG.

**Enrollment Reporting Profile** (in NSLDS) A webpage that displays information about the school for the enrollment reporting process. The page displays the set up for organizations that report or receive enrollment status information about students receiving federal student aid. The Profile includes file preferences, administrator relationships for school locations sharing the same OPEID, and the reporting schedule one year into the future and six months into the past.

**Enrollment School Code** The 8 digit code (Office of Postsecondary Education Identification Number [OPE ID]) for the physical location where the student is attending classes that is reported in the COD disbursement record to ensure a student is listed on the correct NSLDS Enrollment Roster.

**Enrollment Status** Full-time, three-quarter-time, half-time, or less-than-half-time, depending on a student's credit-hour work load per academic term, at an institution using semesters, trimesters, quarters, or other academic terms and measuring progress by credit hours. All levels are relative to full time. At an institution using clock hours, 24 hours a week is full time and 12 hours a week is half-time.

**Entitlement Program** A program in which the federal government becomes automatically obligated to provide benefits to members of a specific group who meet the requirements mandated by law. Entitlement Programs outlays are not controlled by annual appropriation acts (compare to *Discretionary Program*).

**Entity Identifier** On the Common Record, the

unique routing identifier for each data exchange partner (e.g., school, third-party servicer, vendor, etc.). When performing entity searches via COD website, the Entity ID is the school's COD identifier, Pell ID, Direct Loan ID or OPE ID.

**Entrance Counseling** Information about loan terms and conditions, along with debt management strategies, that first-time student borrowers are required to receive before they may receive their first Direct Loan disbursement. Entrance Counseling is available on StudentLoans.gov.

**Equipment** Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.

**Equity Ratio** A measure of a school's capital resources and its ability to borrow, used when calculating the composite score. The equity ratio is expressed as a fraction with the modified equity as the numerator and the modified expenses as the denominator.

**Equivalent of an Associate Degree** An associate degree, or the successful completion of at least a two-year program that is acceptable for full credit toward a bachelor's degree and qualifies a student for admission into the third year of a bachelor's degree program.

**ERISA** Employee Retirement Income Security Act of 1974 (29 U.S.C. 1301-1461)

**ESAR** Electronic Student Aid Report

**Escheat** The reversion of funds to an unintended Third-Party, (e.g., when a FSA credit balance check to a student is not cashed, and the funds remain in the school's account or are transferred to the state's escheatment account). Schools must have a process to ensure that FSA program funds never escheat to the state or any other third party.

**ESI** Experimental Sites Initiative authorized by Section 487A of the Higher Education Act.

*e-SIGN* Electronic Signatures in Global and National Commerce Act

*ESL* English as Second Language

*ESL Program* English as a Second Language program. Students enrolled in a program consisting solely of ESL instruction are eligible for FSA funds only from the Pell Grant program.

*ESOA* Electronic Statement of Account

*Estimated Financial Assistance (EFA)* Funds that must be considered during the Title IV aid packaging process. EFA includes aid received from Title IV programs (exception: Iraq and Afghanistan Service Grant), as well as all other as grants, scholarships, loans and need-based employment that can be anticipated at the time a school is packaging aid for a student. The student's packaged Title IV aid plus EFA may not exceed a student's need.

*Excess Cash* Any amount of federal student aid funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution

- ◆ received those funds from the Department; or
- ◆ deposited or transferred to its federal account previously disbursed federal student aid program funds received from the Department, such as those resulting from award adjustments, recoveries, or cancellations.

*Excess Liquid Capital (in Perkins)* The amount by which the funds a school has available (cash on hand plus anticipated collections) to make Perkins loans in an award year significantly exceeds the loans a school anticipates making for that award year.

*Exit Counseling* Available on StudentLoans.gov, it provides information about loan terms and conditions, with emphasis on repayment requirements and debt management strategies, that each school participating in the federal education

loan programs must ensure is provided to student borrowers. For Perkins Loan borrowers, the counseling must take place before the borrower leaves school, or as soon as possible after the school becomes aware that the borrower is no longer attending classes. For Direct Loan and FFEL student borrowers, the counseling must take place shortly before the borrower ceases to be enrolled at least half time, or as soon as possible after the school becomes aware that the borrower is no longer enrolled half time.

*Expected Family Contribution (EFC)* The amount a student and the student's family may be reasonably expected to contribute toward the student's postsecondary education for the academic year.

*Expedited Determination Letter (EDL)* Fast-track versions of the preliminary report and final determination letter to the institution regarding findings identified during a program review. Used only under conditions described in the procedures.

*Expired Appropriations or Accounts* Appropriation accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has passed.

*Extended Processing (Direct Loan)* The Direct Loan Program provides relief from close-out processing deadlines for extenuating circumstances. An institution may request extended processing if it is unable to meet the processing deadline (also known as Closeout Deadline). The Department grants extended processing due to either an event such as a natural disaster, or a processing error.

*Extended Processing (Pell Grant)* The Federal Pell Grant Program provides relief from processing deadlines in extenuating circumstances. A school may request administrative relief when it is unable to meet the September 30 deadline for submitting records, due to either an event, such as a natural disaster, or a processing error.

*eZ Audit* A web application designed by the U.S.

Department of Education that provides schools with a paperless, single point of submission, for financial statements and compliance audits required by Title IV participants.

## F

*F&A* Facilities and Administration

*FAA* Financial Aid Administrator

*FAA Access to CPS Online* A website that financial aid administrators use to enter application data, view ISIR information, and make corrections. It is located at [fafsa.ed.gov/FOTWWebApp/faa/faa.jsp](http://fafsa.ed.gov/FOTWWebApp/faa/faa.jsp).

*FAC* Federal Audit Clearinghouse

*Faculty Member at a Tribal College or University*  
An educator or tenured individual who is employed by a Tribal College or University, as that term is defined in section 316 of the HEA, to teach, research, or perform administrative functions. For purposes of this definition, an educator may be an instructor, lecturer, lab faculty, assistant professor, associate professor, full professor, dean, or academic department head.

*FADL* Final Audit Determination Letter

*FAFSA* See *Free Application for Federal Student Aid*

*FAFSA on the Web (FOTW®)* The online version of the FAFSA and the website where it is accessed.

*FAFSA Processor* The data entry processor for a processing year under contract with the U.S. Department of Education. The FAFSA processor receives paper applications, paper SAR corrections, and paper signature pages in the mail, performs document analysis to ensure that the data is acceptable, and handles missing or unacceptable responses. The processor images the application, enters the information from the application, and transmits the data and image electronically to the CPS.

*Failure to Register* A condition wherein a male student knowingly and willingly failed to register for the Selective Service before his 26th birthday.

*FAIN* Federal Award Identification Number

*Fair Value* The amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

*Family* (for purposes of separation of functions)  
A parent, sibling, spouse, child, spouse's parent or sibling, child's or sibling's spouse.

*Family Educational Rights and Privacy Act (FERPA)* The Act that sets limits on the disclosure of personally identifiable information from school records and defines the rights of the student to review the records and request a change to the records. FERPA generally gives postsecondary students the right to

- ♦ review their education records,
- ♦ seek to amend inaccurate information in their records, and
- ♦ provide consent for the disclosure of their records.

*Family Size* Also known as household size. The number of persons in the household of an independent student or a dependent student's parents. In general it includes an independent student and his or her spouse (if there is one) and their dependents or, in the case of dependent students, the parents, their dependents, and the student. See the explanation of household size in Chapter 2 of the Application and Verification Guide for complete details.

*FAO* Financial Aid Office (also, Officer)

*FAPIS* Federal Awardee Performance and Integrity Information System

*FAR* Federal Acquisition Regulation

*FASB* Financial Accounting Standards Board

*FC* Family Contribution

*FCC* Federal Capital Contribution (Perkins)

*FDIC* Federal Deposit Insurance Corporation

*FDLP/DL* The William D. Ford Federal Direct Student Loan Program

*FEA* Federal Enterprise Architecture

*Federal Accounting Standards Advisory Board (FASAB)* Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to federal government entities.

*Federal Audit Clearinghouse (FAC)* The clearinghouse designated by OMB as the repository of record where non-Federal entities are required to transmit required reporting packages.

*Federal Capital Contribution (FCC)* In the Perkins Loan Program, federal funds allocated or reallocated to an institution in an award year for deposit into the institution's federal funds account under section 462 of the HEA.

*Federal Direct Consolidation Loan Program* One of the components of the Direct Loan Program. Loans made under this program are referred to as Direct Consolidation Loans and provide loans to borrowers who consolidate certain federal educational loans.

*Federal Direct PLUS Program* A component of the Federal Direct Loan Program. It provides loans to parents of dependent students attending schools that participate in the Direct Loan Program. The Federal Direct Graduate/Professional PLUS Program provides loans to graduate or professional students attending schools that participate in the Direct Loan Program. Direct PLUS borrowers are responsible for the interest that accrues during any period. Loans made under this program are referred to as Direct PLUS Loans.

*Federal Direct Stafford/Ford Loan Program* One of the components of the Direct Loan Program. It provides loans to undergraduate, graduate,

and professional students attending schools that participate in the Direct Loan Program. The Department subsidizes the interest while the borrower is in an in-school, grace, or deferment period. Loans made under this program are referred to as Direct Subsidized Loans.

*Federal Direct Unsubsidized Stafford/Ford Loan Program* One of the components of the Direct Loan Program. It provides loans to undergraduate, graduate, and professional students attending schools that participate in the Direct Loan Program. The borrower is responsible for the interest that accrues during any period. Loans made under this program are referred to as Direct Unsubsidized Loans.

*Federal Family Education Loan (FFEL) Programs* This former loan program included the Federal Stafford Loan, Federal PLUS, Federal Supplemental Loans for Students (Federal SLS), and Federal Consolidation Loan programs. Lenders used their own funds to make loans to enable students or their parents to pay the costs of the students' attendance at eligible institutions.

*The Federal Information Security Management Act (FISMA)* Legislation that defines a comprehensive framework to protect government information, operations and assets against natural or man-made threats. FISMA was signed into law part of the Electronic Government Act of 2002 and updated in 2014.

*Federal Interest in Title IV, HEA Program Funds* Except for funds provided by the Department for administrative expenses, and for funds used for the Job Location and Development Program under 20 CFR part 675, subpart B, funds received by an institution under the Title IV, HEA programs are held in trust for the intended beneficiaries or the Secretary. The institution, as a trustee of those funds, may not use or hypothecate (i.e., use as collateral) Title IV funds for any other purpose or otherwise engage in any practice that risks the loss of those

funds.

*Federal Pell Grant Program* A grant program authorized by the HEA under which grants are awarded to help financially needy students meet the cost of their postsecondary education.

*Federal Perkins Loan Program* The student loan program authorized by Title IV of the HEA. The Federal Perkins Loan Program includes loans made under the National Direct Student Loan Program and the National Defense Student Loan Program. This Campus-Based Program provides low-interest loans to financially needy students attending institutions of higher education to help them pay their educational costs.

*Federal Public Defender Organization* A defender organization established in accordance with section 3006A(g)(2)(A) of title 18, United States Code.

*Federal Register* The daily journal of the U.S. federal government. It contains notices, proposed and final regulations, and presidential documents. Regulations first appear in the register and, when final, are incorporated in the Code of Federal Regulations.

*Federal Reserve Banks (FRB)* A nationwide system for clearing and settling checks drawn on depository institutions located in all regions of the United States.

*Federal Share* The percentage of a school's annual expenditures in the Campus-Based Programs paid in an award year from a school's current authorization or from federal funds carried forward or back.

(The Office of) *Federal Student Aid (FSA)* The office within the U.S. Department of Education that manages the Federal Student Aid Programs.

*Federal Student Aid (the programs)* Programs authorized under Title IV of the Higher Education Act (as amended) that provide financial assistance to eligible students enrolled in postsecondary educational programs.

*Federal Student Aid Assessments (FSA Assessments)*

web-based management assessment modules for helping schools assess their compliance with FSA program requirements and enhance services. Each assessment is self-guided and contains links to applicable laws and regulations. Available at [ifap.ed.gov/ifap/](http://ifap.ed.gov/ifap/).

*Federal Student Aid Coach (FSA Coach)* A comprehensive, online introductory course on school requirements for administering the FSA programs. A version for foreign schools, FSA COACH for Foreign Schools contains lessons designed specifically for those working at foreign schools who administer FSA loans. Available at [ifap.ed.gov/ifap/fsacoach.jsp](http://ifap.ed.gov/ifap/fsacoach.jsp).

*Federal Student Aid Handbook (The Handbook)* Annual Department publication that explains the requirements for participation in the FSA programs.

*Federal Student Aid Information Center (FSAIC)* Serves the public by providing information, in both English and Spanish, about the FSA programs and the application process. Customers include students, parents, and financial aid administrators seeking general information about federal grant and loan programs and specific assistance with the FAFSA. 800-4-FED-AID (800-433-3243); 334-523-2691; TDD/TTY 800-730-8913 for the deaf or hearing impaired.

*Federal Supplemental Educational Opportunity Grant (FSEOG) Program* The Campus-Based Program that provides grants to eligible students who demonstrate exceptional financial need.

*Federal Work-Study (FWS) Program* A Campus-Based Title IV program that provides part-time employment to students attending institutions of higher education who need the earnings to help meet their costs of postsecondary education and encourages students receiving FWS assistance to participate in community service activities.

*Fedwire* The Federal Reserve Bank's nationwide real time gross settlement electronic funds and securities transfer network. Fedwire® is a credit transfer system. Each funds transfer is settled

individually against an institution's reserve or clearing account on the books of the Federal Reserve. The transaction is considered an irrevocable payment when processed.

*FERPA* Family Education Rights and Privacy Act

*FFATA* Federal Funding Accountability and Transparency Act of 2006 or Transparency Act—Public Law 109-282, as amended by section 6202(a) of Public Law 110-252 (31 U.S.C. 6101)

*FICA* Federal Insurance Contributions Act

*Fiduciary* (adj.) Relating to the collection or receipt, management, protection, accounting, investment and disposition of cash or other assets in which federal student aid recipients, their parents in the case of Parent PLUS Loans and the federal government have an ownership interest.

*Fiduciary* (n.) An entity that holds assets in trust. A school holds federal student aid funds in trust for recipients, their parents in the case of Parent PLUS Loans and the federal government.

*Fiduciary Activity* An activity that relates to the collection or receipt, management, protection, accounting, investment and disposition by a school of cash or other assets in which federal student aid recipients, their parents in the case of Parent PLUS Loans and the federal government have an ownership interest that the school must uphold.

*Fiduciary Relationship* A fiduciary relationship exists when a school recognizes, agrees to, or consents to undertake fiduciary activity. Participating institutions have a fiduciary responsibility to ensure federal student aid funds are used as intended.

*Final Audit Determination* The written notice of a determination issued by a designated department official based on an audit of

- ◆ an institution's participation in any or all of the Title IV, HEA programs; or
- ◆ a third-party servicer's administration of any aspect of an institution's participation in any or all of the Title IV, HEA programs.

*Final Demand Letter* A letter that a lender or servicer sends to a borrower demanding full payment of a delinquent account. A demand letter is required as part of the due diligence procedures for collecting a loan that is about to go into default or a loan made to an ineligible student.

*Final Funding Authorization* An electronic notification that tells a school the final allocations for each Campus-Based Program in which it participates.

*Final Funding Worksheet* Document containing the data used by the Department to determine a school's allocation for each Campus-Based Program in which the school participates and how each final allocation was determined.

*Final Program Review Determination* (FPRD) The letter from the Department that follows an institution's response to the Program Review Report (PRR). The FPRD informs the institution of ED's final determination regarding each of the findings in the PRR and identifies liabilities, if any; provides instructions for payment of liabilities; notifies the institution of its right to appeal the existence of and amount of liabilities; and closes the program review if appropriate.

*Final Regulations* Regulations that apply to the general public and have final legal effect.

*Financial Account* (in cash management) A student's or parent's checking or savings account, prepaid card account, or other consumer asset account held directly or indirectly by a financial institution.

*Financial Accounting Standards Board* (FASB) Independent, private, non-government group which is authorized by the accounting profession to establish generally accepted accounting principles in the United States.

*Financial Aid Administrator Access to CPS Online* In EDEXpress, FAA Access to CPS Online is available from the "View" menu and from the

FAFSA and Student Inquiry tabs. FAAs can use the site to access saved applications, submit FAFSAs, make corrections, request Institutional Student Information Records (ISIRs), compare ISIRs, verify ISIR data, apply a student signature, and check the processing status of student records.

*Financial Aid Appeal* A process through which a student appeals a negative finding on his or her Satisfactory Academic Progress (SAP) status. A student’s right to appeal is granted at the option of the school. If the school agrees to consider the appeal, the school may place the student on financial aid probation in the interim. See *Satisfactory Academic Progress*.

*Financial Aid Management System (FMS)* This system is the general ledger for FSA. FMS works with G5 to communicate financial information and to deliver federal cash to schools.

*Financial Aid Package* The total student assistance—loans, grants, scholarships, and need-based employment—offered to a student.

*Financial Aid Probation* A status under which a student can remain Title IV-eligible after being found not to be making Satisfactory Academic Progress. A student placed on probation must either be on-track to meet Satisfactory Academic Progress (SAP) requirements by the end of the subsequent payment period (no academic plan required, based on the financial aid appeal), or, if the student will require more than one payment period to meet SAP requirements, the school must require the student to develop an academic plan to meet the SAP requirements. This status is available only when a school permits an appeal. The student’s progress towards meeting the SAP requirements must be assessed after each payment period, and the student may retain Title IV eligibility as long as they are meeting the progress requirements of their academic plan.

*Financial Aid Warning* A temporary, one payment period status which allows a student who failed to achieve Satisfactory Academic Progress (SAP) to continue receiving aid. Failing to achieve SAP after one payment period results in a loss of eligibility. Students may, at the option of the school, appeal their SAP status. This status may only be used by

schools that check SAP at the end of each payment period.

*Financial Institution* (in cash management) A bank, savings association, credit union, or any other person or entity that directly or indirectly holds a financial account belonging to a student or parent that issues an access device associated with a financial account and agrees with a student or parent to provide EFT services.

*Financial Need* An eligible student’s cost of attendance (COA) minus expected family contribution (EFC) minus estimated financial assistance (EFA) not received under Title IV.

*Financial Reporting* The main financial statements (income statement, balance sheet, statement of cash flows, statement of retained earnings, statement of owner’s equity) plus other financial information, such as annual reports, press releases, etc.

*Financial Responsibility* The obligation for a school to

- ◆ provide the services described in its official publications and statements;
- ◆ properly administer the FSA programs in which it participates; and
- ◆ meet all of its financial obligations.

The financial responsibility standards (34 CFR 668 Subpart L) can be divided into two categories: (1) general standards, which are the basic standards used to evaluate a school’s financial health, and (2) performance and affiliation standards, which are standards used to evaluate a school’s past performance and to evaluate individuals affiliated with the school.

*Financial Statements* The presentation of financial data, including accompanying notes derived from accounting records and intended to communicate an entity’s economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a comprehensive basis of accounting.

*Financial Statements Opinion* An opinion that the financial statements present fairly, in all material

respects, the financial position of the company as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with the applicable financial reporting framework. The opinion also includes an identification of the applicable financial reporting framework.

*Fire* Any instance of open flame or other burning in a place not intended to contain the burning or in an uncontrolled manner.

*Fire Drill* A supervised practice of a mandatory evacuation of a building for a fire.

*Firefighter* A firefighter is an individual who is employed by a federal, state, or local fire fighting agency to extinguish destructive fires; or provide fire fighting related services such as

- ◆ providing community disaster support and, as a first responder, providing emergency medical services;
- ◆ conducting search and rescue; or
- ◆ providing hazardous materials mitigation.

*Fire-Related Death* Any instance in which a person is killed as a result of a fire, including death resulting from a natural or accidental cause while involved in fire control, attempting rescue, or escaping from the dangers of a fire; or dies within one year of injuries sustained as a result of the fire.

*Fire-Related Injury* Any instance in which a person is injured as a result of a fire, including an injury sustained from a natural or accidental cause, while involved in fire control, attempting rescue, or escaping from the dangers of the fire. The term “person” may include students, employees, visitors, firefighters, or any other individuals.

*Fire Safety System* Any mechanism or system related to the detection of a fire, the warning resulting from a fire, or the control of a fire. This may include sprinkler systems or other fire extinguishing systems, fire detection devices, stand-alone smoke alarms, devices that alert one to the presence of a fire, such as horns, bells, or strobe lights; smoke-control and reduction mechanisms; and fire doors and walls that reduce the spread of a

fire.

*First-Time Borrower (Direct Loan)* In regard to the 150% limit. An individual who has no outstanding balance of principal or interest on a Direct Loan Program or FFEL Program loan on July 1, 2013, or on the date the borrower obtains a Direct Loan Program loan after July 1, 2013.

*First-Time Undergraduate Student* An entering undergraduate who has never attended any institution of higher education. It includes a student enrolled in the fall term who attended a postsecondary institution for the first time in the prior summer term, and a student who entered with advanced standing (college credit earned before graduation from high school).

*FISAP* Fiscal Operations Report and Application to Participate

*FISAP Technical Reference* A reference document that provides programmer specifications and record layouts for schools or other organizations needing to design customer software systems to interface with the U.S. Department of Education’s FISAP on the Web process.

*Fiscal Operations Report* Parts III, IV, V, and VI of the FISAP on which schools report on their activities in the Campus-Based Programs. Sometimes referred to as the FISOP.

*Fiscal Operations Report and Application to Participate (FISAP)* Electronic application through which schools provide information on Campus-Based expenditures made during the award year just completed, and apply for funds in the Campus-Based Programs in the upcoming award year.

*Fiscal Records* Financial records that reflect each federal student aid program transaction; and general ledger control accounts and related subsidiary accounts that identify each federal student aid program transaction, and separate those transactions from all other institutional financial activity, including the records specified in 34 CFR 668.24(c).

*Fiscal Year* An accounting year that ends on a date other than December 31. For example, a school

district might have a fiscal year of July 1, 2011 through June 30, 2012.

**FISMA** Federal Information Security Management Act

**Fixed Cost** A cost that does not vary in the short term with the volume of activity.

**Fixed Interest Rate** An interest rate on a loan that remains the same for the entire term of the loan.

**FMFIA** Federal Managers' Financial Integrity Act of 1982

**FMS** Financial Management System

**FOIA** Freedom of Information Act

**Forbearance** A period during which a borrower may temporarily stop making loan payments, temporarily make smaller payments, or extend the time for making payments. A borrower who does not meet the eligibility requirements for a deferment may, at the discretion of the loan holder, receive a forbearance if the borrower does not meet the eligibility requirements for a deferment but is temporarily unable to make loan payments for reasons including, but not limited to, financial hardship or illness. Borrowers are also entitled to receive forbearance if they meet certain regulatory eligibility criteria.

**Forbearance (Perkins)** A temporary postponement of payments. In the Perkins Program forbearance is available for all loans, regardless of when they were made. Under Perkins forbearance, a borrower may alternatively request an extension of time allowed for making payments, or the acceptance of smaller payments than were previously scheduled.

**Foreclosure** A method of enforcing payment of a debt secured by a mortgage by seizing the mortgaged property. Foreclosure terminates all rights that the mortgagor has in the mortgaged property upon completion of due process through the courts.

**Foreign Organization** An entity that is

(a) A public or private organization located in a

country other than the United States and its territories that is subject to the laws of the country in which it is located, irrespective of the citizenship of project staff or place of performance;

(b) A private nongovernmental organization located in a country other than the United States that solicits and receives cash contributions from the general public;

(c) A charitable organization located in a country other than the United States that is nonprofit and tax exempt under the laws of its country of domicile and operation, and is not a university, college, accredited degree-granting institution of education, private foundation, hospital, organization engaged exclusively in research or scientific activities, church, synagogue, mosque or other similar entities organized primarily for religious purposes; or

(d) An organization located in a country other than the United States not recognized as a Foreign Public Entity.

**Foreign School** A school not located in a state, territory, or possession of the United States, or otherwise administered by the government of the United States. For the purposes of the Direct Loan Program, a state includes a State of the Union, American Samoa, the Commonwealth of Puerto Rico, the District of Columbia, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

**Forgiveness** In the Direct Loan and FFEL programs, cancellation of a loan debt in exchange for the borrower performing certain types of service.

**FOTW®** FAFSA on the Web

**FP** Dear Colleague Letter designation for financial partners (published before January 2013)

**FPL** Federal Perkins Loan Program

**FPRD** Final Program Review Determination (L letter)

**FR** Federal Register

**FRB** Federal Reserve Bank

**FRCS** Federal Reserve Communications System

**Free Application for Federal Student Aid (FAFSA®)**  
The student aid application provided for under section 483 of the HEA, which is used to determine an applicant's eligibility for the federal student aid programs. See *Student Aid Application*.

**Freely Associated States** (Micronesia, Palau, Marshall Islands) Students from one of the Freely Associated States are potentially eligible for Pell Grants, but are not eligible for Title IV loans. Citizens of Palau are also eligible for FWS and FSEOG. Citizens of these states are eligible noncitizens, but do not have A-numbers or (usually) Social Security Numbers.

**Freeze Cash** A period during which a school is temporarily prevented from drawing down cash until unsubstantiated cash previously drawn down is substantiated by submitting actual disbursements or refunding cash. Pertains to schools using the Advance Payment funding method.

**FS** Financial Services (in the U.S. Department of Education)

**FSA** Federal Student Aid, an office of the Department of Education

**FSA Download** Federal Student Aid website from which schools can download manuals, technical references, guides, software and associated documents.

**FSA ID** A username and password combination that serves as a student's or parent's identifier, allows access to personal information in various U.S. Department of Education systems, and acts as a digital signature on some online forms.

**FSAH** Federal Student Aid Handbook

**FSAIC** Federal Student Aid Information Center

**FSAPubs** Federal Student Aid site for ordering publications found at [www.FSAPubs.gov](http://www.FSAPubs.gov).

**FSATECH Listserv** An email listserv through which

schools can ask technical questions about Federal Student Aid systems, software, and mainframe products. Answers are provided by technical experts at FSA. For more information on subscribing to FSATECH, go to [ed.gov/offices/OSFAP/services/fsatechsubscribe.html](http://ed.gov/offices/OSFAP/services/fsatechsubscribe.html).

**FSEOG** Federal Supplemental Educational Opportunity Grant Program

**FT** Full Time

**FTE** Full-time Equivalent

**Full-time Student** An enrolled student carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. For a term-based program, the student's workload may include repeating any coursework previously taken in the program but may not include more than one repetition of a previously passed course. There are individual minimum standards for programs

- ♦ that measure progress in credit hours and use standard terms,
- ♦ that measure progress in credit hours and do not use terms,
- ♦ that measure progress in credit hours and use nonstandard terms
- ♦ that measure progress in clock hours,
- ♦ composed of a series of courses or seminars,
- ♦ offered in a cooperative education structure,
- ♦ composed of correspondence coursework.

(For additional details see 34 CFR 668.2.)

**Full-time Teacher** (in the TEACH Program) A teacher who meets the standard used by a state in defining full-time employment as a teacher. For an individual teaching in more than one school, the determination of full-time is based on the combination of all qualifying employment.

**Fund** (Federal Perkins Loan Fund) A fund established and maintained according to § 674.8(a).

**Funds Available for Awards** In the Campus-Based Programs, the amount available for awards. It is composed of the federal share, plus the institutional match, minus the applicable *Administrative Cost Allowance*.

**Fund-Specific Basis** One of the ways a school can match its federal allocation in the FSEOG Program. In this approach, the school establishes an FSEOG account for federal program funds and deposits the required 25% qualified nonfederal matching share into the fund. The matching funds must be deposited at the same time the federal funds are deposited. Awards to FSEOG recipients are then made from this mixed fund. Schools using the fund-specific method must deposit their institutional match at the time they receive the federal share funds.

**FWS** Federal Work-Study Program

**FY** Fiscal Year

## G

**G** Dear Colleague Letter designation for guaranty agency letters (published before January 2013)

**G5** Formerly known as GAPS, this system is used by Federal Student Aid to process school-specific obligations and to make payments (drawdowns) against those obligations. G5 communicates with the COD system through FMS. G5 is part of EDCAPS and interfaces directly with U.S. Treasury's Federal Reserve System. G5 is the system through which schools request and return Federal Student Aid funds.

**G5 External Award Activity Report** (Activity Report) A statement for a school's G5 awards that displays both cumulative and detailed information on drawdown activity, refunds, adjustments, available balances, and authorization changes for each award.

**G5 Hotline** Department of Education call center responsible for assisting G5 customers. The hotline

phone number is 888-336-8930, the email address is edcaps.user@ed.gov.

**G5 Online Guide for the G5 Payment System** An online guide for the G5 system to assist Department staff, applicants and recipients with G5 regarding the grant management and payment activities and other operational activities of G5.

**G-845 Form** This form is completed by the FAA and sent to DHS with a student's eligible noncitizen documentation to support a claim of being an eligible noncitizen for Title IV purposes, after primary and secondary electronic verification has failed. The G-845 can only be used after primary and secondary confirmation with DHS has been performed.

**GA** Guaranty Agency

**GAAP** Generally Accepted Accounting Principles

**GAAS** Generally Accepted Auditing Standards

**GAGAS** Generally Accepted Government Auditing Standards

**Gainful Employment Programs** All nondegree educational programs offered by public and nonprofit institutions and virtually all academic programs offered by proprietary institutions of higher education. These programs prepare students for "gainful employment in a recognized occupation."

**GAN** Grant Award Number

**GAO** Government Accountability Office (formerly General Accounting Office)

**Garnishment** The withholding of an individual's funds by an entity for the payment of a debt in accordance with a court order or other legal or equitable procedure. No FSA grant, loan, or work assistance (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department.

**GAS** Government Auditing Standards

**GASB** Governmental Accounting Standards Board

<i>GE</i> Gainful Employment	(as opposed to sale). An audit statement must note an opinion if the accountant performing the audit believes that the assumption is in doubt.
<i>GEAR UP</i> Gaining Early Awareness and Readiness for Undergraduates Program	
<i>GED</i> General Education Development certificate or General Equivalency Diploma. Equivalent of a high school diploma.	<i>Government Accountability Office (GAO)</i> Independent, non-partisan agency that assists Congress in investigating and reporting on government’s effectiveness in using public funds.
<i>GEN</i> Dear Colleague Letter designation for general letters	<i>Government Auditing Standards or Generally Accepted Government Auditing Standards (GAGAS)</i> Commonly referred to as the “Yellow Book,” it contains standards for audits of government organizations, programs, activities, and functions, and of governmental funds received by contractors, nonprofit organizations, and other non-government organizations. Revisions are issued as required by the Comptroller General of the United States.
<i>General Fund</i> Accounts for receipts not earmarked by law for a specific purpose.	
<i>General Journal</i> A book of original entry that requires that the account being debited and the account being credited be listed along with the respective amounts. Because of accounting software and special journals, there are relatively few entries made into the general journal.	<i>Governmental Accounting Standards (GAS)</i> Official promulgations by the Governmental Accounting Standards Board (GASB) and, if not superseded, part of generally accepted accounting principles applicable to state and local governmental entities.
<i>General Ledger</i> That part of the accounting system which contains the balance sheet and income statement accounts used for recording transactions.	
<i>Generally Accepted Accounting Principles (GAAP)</i> Uniform minimum standards of and guidelines to financial accounting and reporting. Currently, the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), and the Federal Accounting Standards Advisory Board (FASAB) are authorized to establish these principles.	<i>Governmental Accounting Standards Board (GASB)</i> Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to state and local governmental entities.
<i>Generally Accepted Auditing Standards (GAAS)</i> Standards governing the conduct of external audits by CPAs, as determined by the Auditing Standards Board (ASB) of the AICPA.	<i>GPA</i> Grade Point Average
<i>Gift Aid</i> Financial assistance, such as grants and scholarships, that do not need to be repaid.	<i>GPO</i> Government Printing Office
<i>GOCO</i> Government owned, contractor operated	
<i>Going Concern Assumption</i> The accounting guideline that allows the readers of financial statements to assume that the organization being audited will continue in operation long enough to realize its investment in assets through operations	<i>Grace Period</i> A period of time following a borrower’s period of enrollment and preceding the repayment period start date for a loan during which the borrower is not required to make payments.
	<i>Grade Level</i> Classification of a student by academic year at a school; e.g. freshman, sophomore, or first-year, second-year, etc. A student’s grade level is measured according to standards established by the school. Grade level helps determine a student’s annual loan limit.

*Grade-Level Progression* A student’s movement through their academic program for purposes of determining when a borrower becomes eligible for a new annual loan limit.

*Grade Point Average (GPA)* A cumulative measure of a student’s grades over time where the grades have been converted to a numerical scale.

*Graduate or Professional Student* A student who

- ♦ is not receiving federal student aid as an undergraduate student for the same period of enrollment;
- ♦ is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a professional degree;
- ♦ has completed the equivalent of at least three years of full-time study either prior to entrance into his or her program or as part of the program itself.

*Grant Award Number* Unique, 11-character “number” that identifies each grant award issued by a specific program office to a specific grantee. All funds are requested (and returned) using the Grant Award Number. The following is an example of a Grant Award Number and an explanation of the parts that make up the number: P031B151234

- ♦ P—Program Office issuing the award
- ♦ 031—Catalog of Federal Domestic Assistance (CFDA) numeric suffix of the program
- ♦ B—Alphabetic subprogram identifier
- ♦ 15—The trailing year in the academic year for DL and TEACH and the beginning year in the academic year for Pell and all other awards.
- ♦ 1234—Unique identifier

*Grantee* an entity (not a person) that applies for and receives a grant award from the Department. The grantee is responsible for ensuring the grant is administered in accordance with program regulations.

GSA General Services Administration

*Guaranty Agency* A state or private nonprofit organization that has an agreement with the Department under which it will administer a loan guarantee program under the Act.

GUI Graphical User Interface

## H

*Half-time Student* An enrolled student who is carrying a half-time academic workload, as determined by the institution, that amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student, except that a student enrolled solely in a program of study by correspondence must be carrying a workload of at least 12 hours of work per week, or is earning at least six credit hours per semester, trimester, or quarter. Note that regardless of the work, no student enrolled solely in correspondence study is considered more than a half-time student.

*Handicapped Children* Children ages 3 through 21, inclusive, who require special education and related services because they are

- ♦ mentally retarded,
- ♦ hard of hearing,
- ♦ deaf,
- ♦ speech and language impaired,
- ♦ visually handicapped,
- ♦ seriously emotionally disturbed,
- ♦ orthopedically impaired,
- ♦ specific learning disabled, or
- ♦ otherwise health impaired.

**Hardship Payment Reduction** In the Perkins Program, lowering a borrower’s scheduled payments, for up to one year at a time, if the borrower is scheduled to pay the \$40 minimum monthly payment and the school determines that the borrower is unable to make the scheduled payments due to hardship, such as prolonged illness or unemployment.

**Hate crime** A crime reported to local police agencies or to a campus security authority that shows evidence that the victim was intentionally selected because of the perpetrator’s bias against the victim. In their recording, schools must identify the actual or perceived category of the victim that motivated the crime. The categories are: race, gender, gender identity, religion, sexual orientation, ethnicity, national origin, and disability.

**HBCU** Historically Black Colleges and Universities

**HCM** Heightened Cash Monitoring

**HCM1** Heightened Cash Monitoring 1 Payment Method

**HCM2** Heightened Cash Monitoring 2 Payment Method

**HEA** Higher Education Act

**Header** A crossover term funded out of the upcoming award year. See also *Trailer*.

**HEAL** Health Education Assistance Loan Program

**Heightened Cash Monitoring** There are two payment methods (Heightened Management and Reimbursement) and three levels of heightened cash monitoring—Heightened Cash Monitoring 1 (HCM1), Heightened Cash Monitoring 2 (HCM2), and Reimbursement through which the Department more closely monitors the expenditure of federal funds by schools whose policies and procedures have been called into question.

**High-Need Field (in the TEACH Program)** Any field documented as high-need by the federal government, a state government, or a local education agency (LEA), and approved by the Department and listed in the Department’s annual Teacher Shortage

Area Nationwide Listing (Nationwide List) in accordance with 34 CFR 682.210(q).

**High-Risk Children** Individuals under the age of 21 who are low-income or at risk of abuse or neglect, have been abused or neglected, have serious emotional, mental, or behavioral disturbances, reside in placements outside their homes, or are involved in the juvenile justice system.

**Higher Education Act (HEA)** Federal legislation passed in 1965, with amendments and reauthorizations subsequently passed, authorizing federal postsecondary student financial aid programs and mandating that the programs be regulated and administered by the U.S. Department of Education.

**Holder** See *Loan Holder*.

**Home School** Under a consortium or contractual agreement, the school where a student is enrolled in a degree or certificate program.

**Host School** The school where students are taking part of their program requirements through either a consortium or contractual agreement.

**Household Size** See *Family Size*. Household size is the term used in the EFC calculation, and in verification.

**HSI** Hispanic-Serving Institution

**IA** Information Assurance

**IBR** Income-Based Repayment Plan

**IBS** Institutional Base Salary

**ICC** Institutional Capital Contribution (Perkins)

**ICR** Income-Contingent Repayment Plan

*IFAP* Information for Financial Aid Professionals (website)

*IG* Inspector General

*IHE* Institution of Higher Education

*IIS* Institutional Improvement Specialist

*Immediate Need* The amount of FSA program funds a school needs to make disbursements within three business days following the date the school receives the funds. This definition of immediate need applies to all FSA program funds (other than Perkins Loan funds), regardless of whether the school draws down funds by electronic funds transfer (EFT) through the ACH or through FEDWIRE.

*Immigration and Naturalization Service (INS)* A federal agency abolished when the Department of Homeland Security was created in 2003 and its responsibilities were split into three different agencies. (See *U.S. Citizenship and Immigration Services*.)

*Immigration Status* The status conferred on a noncitizen under the Immigration and Nationality Act of 1952, as amended, 8 U.S.C. 1182.

*Improper Payment* Any payment made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements and includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts. (See *Overaward* and *Overpayment*.)

*In School* The period during which borrowers are enrolled in a postsecondary educational program. For purposes of eligibility for loan deferments, a student must be enrolled at least half-time as an eligible student to be considered “in-school.”

*Inadvertent Overborrowing* An overpayment that occurs when a student inadvertently has received FSA loan funds in excess of annual or aggregate loan limits and is no longer eligible for FSA funds.

A school must determine that a borrower’s receipt of loan funds in excess of an annual or aggregate loan limit was inadvertent before the borrower may regain FSA eligibility.

*Inadvertent Overpayment* Occurs when a school disburses FSA funds to a student who is no longer in attendance, for example, when a school makes a scheduled disbursement on Monday to a student who dropped out on the previous Friday. Inadvertent overpayments are included in Return calculations as Aid that could have been disbursed rather than Aid that was disbursed.

*Incarcerated Student* A student who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution. A student is not considered incarcerated if that student is in a half-way house or home detention or is sentenced to serve only weekends.

*Incarcerated Student Limitation* The requirement that no more than 25% of a school’s regular students be incarcerated for the school to be eligible to participate in the Title IV programs. A public or private nonprofit school can ask the Department to waive this limitation in certain circumstances.

*Incentive Compensation Prohibition* The requirement that a school not provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid to any person or entity engaged in any student recruitment or admission activity or in making decisions regarding the award of Title IV, HEA program funds.

*Incentive Repayment Program* Steps a school (in the Perkins Program) may take to encourage a borrower to make regular payments. Included are reducing a loan’s interest rate by up to 1% if the borrower makes 48 consecutive monthly payments; and discounting (Reducing) the balance a borrower owes on a loan if he or she pays the loan in full before the end of the repayment period. With the Department’s approval, a school may establish any other repayment incentive options that reduce defaults and replenish the funds available to lend to students.

**Incompatible Duties** Internal control systems rely on separation of function or duties to reduce the chance of errors or fraud. Duties are incompatible if they should be separated for control. For example, one person should not be in a position to both embezzle funds and to hide the embezzlement by changing the recorded accountability.

**Increased Unsubsidized Eligibility for Health Professions Students** To replace loan funds that otherwise would have been available under the former HEAL Program, schools can award increased Direct Unsubsidized Loan amounts to graduate or professional students who are enrolled at least half-time in a health professions discipline that was eligible under the HEAL Program, or in certain naturopathic medical programs.

**Incurred** A word used by accountants to communicate that an expense has occurred and needs to be recognized on the income statement even though no payment was made. The second part of the necessary entry will be a credit to a liability account.

**Independent Auditor** A certified public accountant or a government auditor who meets the *Government Auditing Standards* qualification and independence standards, including standards related to organizational independence.

**Independent Student** A student who qualifies as an independent student under section 480(d) of the HEA. A student who satisfies one of the following criteria:

- ◆ is 24 years of age or older by December 31 of the award year;
- ◆ is an orphan, in foster care, or a ward of the court, or was an orphan, in foster care, or a ward of the court at any time when the individual was 13 years of age or older;
- ◆ is, or was immediately prior to attaining the age of majority, an emancipated minor or in legal guardianship as determined by a court of competent jurisdiction in the individual's State of legal residence;
- ◆ is a veteran of the Armed Forces of the United States (as defined in subsection (c)

(1)) or is currently serving on active duty in the Armed Forces for other than training purposes;

- ◆ is a graduate or professional student;
- ◆ is a married individual;
- ◆ has legal dependents other than a spouse;
- ◆ has been verified during the school year in which the application is submitted as either an unaccompanied youth who is a homeless child or youth or as unaccompanied, at risk of homelessness, and self-supporting; or
- ◆ is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

**Indian Tribe** Any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. Chapter 33), which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (25 U.S.C. 450b(e)). See annually published Bureau of Indian Affairs list of Indian Entities Recognized and Eligible to Receive Services.

**Indirect Cost** those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

**Individual Recipient Basis** One of the ways a school can match its federal allocation in the FSEOG Program. In this approach a school ensures that every student's FSEOG award consists of 75% federal funds and 25% qualified nonfederal funds.

**Infant or Toddler with a Disability** An infant or toddler from birth to age 2, inclusive, who needs early intervention services for specified reasons, as

defined in section 632(5)(A) of the Individuals with Disabilities Education Act.

*Information for Financial Aid Professionals (IFAP)* Federal Student Aid website ([www.ifap.ed.gov](http://www.ifap.ed.gov)) that provides information to financial aid professionals about the Title IV federal programs.

*Information Security* Information security is the preservation of confidentiality, integrity, and availability. Each of these attributes is defined as follows: *Confidentiality*—ensuring that information is accessible only to those authorized to have access; *Integrity*—safeguarding the accuracy and completeness of information and processing methods; *Availability*—ensuring that authorized users have access to information and associated assets when required.

*Information Technology Systems* Computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources.

*Initial Allocation* For the Campus-Based Programs, the amount that the Department first allocates to each participating school for an award year from new funds appropriated by Congress, according to statutory allocation formulas. An eligible school receives an initial allocation for each Campus-Based Program in which the school participates.

*Initial Grace Period* That period which immediately follows a period of enrollment and immediately precedes the date of the first required repayment on a loan. This period is generally nine months for Federal Perkins loans, Defense loans, and NDSLs made before October 1, 1980, and six months for Direct Loans. A borrower is only entitled to one initial grace period.

*Initiating Official* The designated department official authorized to begin an emergency action under 34 CFR 668.83.

*In-Kind* Goods or services provided instead of money.

*Input Controls* Computer controls designed to

provide reasonable assurance that transactions are properly authorized before processed by the computer, accurately converted to machine readable form and recorded in the computer, that data files and transactions are not lost, added, duplicated or improperly changed, and that incorrect transactions are rejected, corrected and, if necessary, resubmitted on a timely basis.

*INS* Immigration and Naturalization Service (INS is now part of Department of Homeland Security and known as U.S. Citizenship and Immigration Services.)

*Institution* An institution of higher education, or a proprietary institution of higher education, or a postsecondary vocational institution as defined in 34 CFR part 600.

*Institution-Affiliated Organization* Any organization that is directly or indirectly related to a covered institution; and is engaged in the practice of recommending, promoting, or endorsing education loans for students attending such covered institution or the families of such students.

An institution-affiliated organization may include an alumni organization, athletic organization, foundation, or social, academic, or professional organization, of a covered institution. An institution-affiliated organization does not include any lender with respect to any education loan secured, made, or extended by such lender.

*Institution of Higher Education* One of three types of institutions eligible for participation in the Federal Student Aid programs. The others are a *proprietary institution of higher education*, and a *postsecondary vocational institution*. For a more information see 34 CFR 600.4.

*Institutional Capital Contribution (ICC)* In the Perkins Loan Program, the institutional funds a school must provide if the school receives a Federal Capital Contribution in an award year.

***Institutional Control*** The designation of an institution as public or private, nonprofit or for-profit. By definition, an institution of higher education or a postsecondary vocational institution can be either public or private but is always nonprofit. A proprietary institution of higher education is always a private, for-profit institution.

***Institutional Depository Account*** A school must maintain Title IV funds in a depository account. For a school located in a state, the depository account must be insured by the FDIC or NCUA. For a foreign school, the depository account may be insured by the FDIC or NCUA, or by an equivalent agency of the government of the country in which the institution is located. If there is no equivalent agency, the Department may approve a depository account designated by the school.

***Institutional Liability*** Financial penalties or repayments that a school must pay to the Department as a result of incorrect school action or actions. A liability is the difference between the actual expenditures reported by the school in G5 for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official.

***Institutional Loan*** Loans specific to a college, university, or other post-secondary educational institution and made from institutional funds. Eligibility and loan characteristics will vary among institutions.

***Institutional Methodology*** The formula a postsecondary institution uses to allocate the school's own financial aid funds and those federal student aid funds for which the student is eligible and over which the school has control.

***Institutional Student Information Record (ISIR)*** An electronic record that the Department transmits to an institution that includes an applicant's FAFSA information; personal identification information; and EFC.

***Intangible Property*** Property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).

***Integrated Postsecondary Education Data System (IPEDS)*** The system maintained by the Department's National Center for Education Statistics. Via the IPEDS website, schools report their graduation, completion, and transfer-out rates.

***Interest*** The cost of borrowing money. Interest is an expense calculated as a percentage of the outstanding (unpaid) principal balance.

***Interest-Only Payment*** A payment that covers only accrued interest owed on a loan and none of the principal balance. Borrowers eligible for interest-only payments are not prohibited from making additional or larger payments.

***Interest Rate*** The annual interest rate that is charged on a loan. The price charged per unit of money borrowed per year, or other unit of time, usually expressed as a percentage.

***Interim Disbursement*** A disbursement made prior to verification by a school to an applicant selected for verification, when the school believes the applicant's FAFSA information is accurate. A school is liable for any overpayment the student receives as an interim disbursement for which the student is

later determined to be ineligible and any subsidized student financial aid the student received if the school does not receive a valid SAR/ISIR within the timeframe established under 34 CFR 668.60, that is not eliminated by adjusting other financial assistance or recovered from the student.

*Internal Control* A process, directed by a school’s management and other personnel, designed to provide reasonable assurance that the objectives of the school are being achieved in the following categories

- ◆ effectiveness and efficiency of operations including the use of the school’s resources;
- ◆ reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use;
- ◆ compliance with applicable laws and regulations.

Internal controls consist of the control environment, risk assessment, control activities, information and communication, and monitoring. A necessary implication or subset of these objectives is the safeguarding of school and trust assets against unauthorized acquisition, use, or disposition.

Consequently, the definition of internal control, as it relates to safeguarding assets can be extended to include processes, directed by a school’s management and other personnel, designed to provide reasonable assurance regarding prevention of or prompt detection of unauthorized acquisition, use, or disposition of the school’s assets.

*Internal Control Deficiency* Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

*Internal Control Over Compliance Requirements* A process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

(a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements and Federal reports;
- (2) Maintain accountability over assets; and
- (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

(b) Transactions are executed in compliance with:

- (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
- (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and

(c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

*Internal Control Standards* Standards that define the minimum level of quality acceptable for internal controls and provide the basis against which internal controls are to be evaluated.

*Internal Control System* The organization structure, operating procedures, and administrative practices that provide reasonable assurance that programs and administrative activities are efficiently carried out in accordance with the objectives of the Federal Managers’ Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, “Management Accountability and Control.”

*Internal Revenue Service (IRS)* A bureau in the U.S. Department of the Treasury. It is responsible for collecting taxes and the interpretation and enforcement of the Internal Revenue Code.

*International Accounting Standards Board (IASB)* An organization whose members represent accounting bodies in member countries. The group is dedicated to bringing about the harmonization of

international accounting standards.

*International Auditing and Assurance Standards Board (IAASB)* The committee authorized by the International Federation of Accountants (IFAC) to issue International Standards on Auditing (ISA) and guidance.

*International Financial Reporting Standards (IFRS)* A set of accounting standards, developed by the International Accounting Standards Board (IASB), that is becoming the global standard for the preparation of public company financial statements. The IASB is an independent accounting standards body, based in London, that is unaffiliated with the AICPA.

*IPA* Income Protection Allowance, also Independent Public Auditor

*IPEDS* Integrated Postsecondary Education Data System

*Iraq and Afghanistan Service Grant* A Title IV Grant for dependents of soldiers who died as a result of service in the U.S. military in Iraq or Afghanistan after September 11, 2001. The program has a duration of 6 Scheduled Awards, which equals 600% Lifetime Eligibility (LEU).

*Iraq Afghanistan Service Grant Indicator* A field added to COD for Award Years 2011-2012 and forward. This indicator is checked by the school when entering the award on the COD website and notifies the Department of the school's desire to award the student an Iraq and Afghanistan Service Grant.

*IRC* Internal Revenue Code

*IRS* Internal Revenue Service

*IRS DRT* Internal Revenue Service Data Retrieval Tool

*IRS Data Retrieval Tool (DRT)* The feature that allows students and parents who are using FAFSA on the Web and who have already submitted their federal tax return to electronically retrieve certain tax data from the IRS database for entry on their FAFSA.

*IRS Request Flags* The Student IRS Request Flag and Parent IRS Request Flag on the SAR/ISIR indicate whether the IRS data retrieval process was used and the result if used.

*ISDEAA* Indian Self-Determination and Education and Assistance Act

*ISIR* Institutional Student Information Record

*ISIR Guide* Annual ED reference publication that aid administrators use to interpret student information on the ISIR. It also explains codes and flags that appear in the FAA Information section of the ISIR. Located at: [www.ifap.ed.gov](http://www.ifap.ed.gov).

*ISP* Internet Service Provider

*IT* Information Technology

## J

*JLD* Job Location and Development (Program) in Federal Work-Study Program

*Job Location and Development (JLD) Program* A school is allowed to use part of the federal funds it receives under FWS to encourage students to participate in community service activities and to expand off-campus job opportunities for students who are currently enrolled and who want jobs regardless of financial need. Jobs may be located and developed under the JLD Program for both FWS and non-FWS eligible students. The federal-share limitation for a JLD Program is 80% of the allowable costs.

*Journal* The record of journal entries in order by date. Often referred to as the book of original entry, since the entries are first recorded in a journal. From the journal the entries will be posted to the

designated accounts in the general ledger.

*Journal Entry* The entry made in a journal. It will contain the date, the account name and amount to be debited, and the account name and amount to be credited. Each journal entry must have the dollars of debits equal to the dollars of credits.

## L

*L* Dear Colleague Letter designation for FFEL letters (published before January 2013)

*LAN* Local Area Network

*Late Disbursement* A disbursement made to a student who has ceased to be eligible. An otherwise eligible student becomes ineligible to receive Title IV, HEA program funds on the date that

- ♦ for a Direct Loan, the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended; or
- ♦ for an award under the Federal Pell Grant, FSEOG, Federal Perkins Loan, Iraq-Afghanistan Service Grant, and TEACH Grant programs, the student is no longer enrolled at the institution for the award year.

*Late Fee or Charges* A fee that may be assessed if a scheduled FSA loan payment is not made by the due date.

*Lawful Permanent Resident (LPR)* Noncitizens who are legally permitted to live and work in the U.S. permanently. LPRs are potentially eligible for Title IV aid. Form I-551 is the standard document supporting LPR status.

*LD* Dear Colleague Letter designation for limited distribution letters (published before January 2013)

*LDA* Last Date of Attendance

*LEA* Local Educational Agency

*LEAP* Leveraging Educational Assistance Partnership Program

*Legal Guardian* An individual appointed by a court to be a “guardian” of a person and specifically required by the court to use his or her financial resources for the support of that person.

*Legally Authorized* The legal status granted to an institution through a charter, license, or other written document issued by the appropriate agency or official of the State in which the institution is physically located.

*Lender* The organization that initially made an education loan. The lender could be the U.S. Department of Education, the borrower’s school, or a lending institution.

*Letter of Credit* Document granted by banks stating that the bank will guarantee amounts that its customer incurred.

*Letter of Credit Requirement* If a school fails to meet the Refund Reserve Standard for returning funds in a timely manner in either of its two most recently completed fiscal years, the school may be required to submit an irrevocable letter of credit acceptable and payable to the Department equal to 25% of the returns the school made or should have made during its most recently completed fiscal year. Public schools and schools covered by a state tuition recovery fund that has been approved by the Department are not subject to the letter of credit requirements.

*LEU* Lifetime Eligibility Used

*Level Of Expenditure (LOE)* In the Perkins Loan Program, the maximum dollar amount the Department allows a school to expend from the school’s Perkins loan fund in a given award year. The LOE includes all authorized expenditures for the program, including loans to students, administrative cost allowance, and collection costs.

*Leveraging Educational Assistance Partnership (LEAP) Program* A grant program authorized by Title IV of the HEA.

*Liability* For federal accounting purposes, a probable future outflow or other sacrifice of resources as a result of past transactions or events.

*Librarian with a Master's Degree* An information professional trained in library or information science who has obtained a postgraduate academic degree in library science awarded after the completion of an academic program of up to six years in duration, excluding a doctorate or professional degree.

*Lifetime Eligibility Used (LEU)* The sum of all annual Eligibility Used (EU) percentages for Pell Grant and Iraq and Afghanistan Service Grant recipients. The maximum a student may receive is the equivalent of 12 full-time semesters, or 6 scheduled awards. The COD system tracks a student's Pell LEU percentage.

*Limitation (of participation)* The continuation of a school's or third-party servicer's eligibility to participate in the Title IV programs subject to compliance with special conditions established by agreement with the Department or imposed as the result of a limitation or termination proceeding.

*Liquidation* In the Perkins Loan Program, a series of steps a school must follow when withdrawing from the program or closing.

*Liquidation Period* One of the award periods in G5. The liquidation period is one month long, follows the performance period and is the first closeout phase. During the liquidation period

- ◆ no new expenditures may be processed against a grant award;
- ◆ schools can draw down funds for obligations incurred during the performance period; and
- ◆ schools may use the period to adjust draw-downs for expenditures incurred during the performance period.

The last date a school can draw down cash from the Department without special permission from the program office is the end of the liquidation period.

*Liquidity* The availability of cash or ability to obtain it quickly. Debt paying ability.

*LOA* Leave of Absence

*Loan Balance* The amount owed on a loan that if

paid will retire the loan. See *Loan Principal*.

*Loan Disclosure Statement (Direct Loan)* A document that provides a Direct Loan borrower with important loan-specific information, such as the anticipated loan disbursement amounts, the anticipated loan disbursement dates, and the amount of the borrower's loan fee. It is provided to the borrower before or at the time of the first disbursement of a Direct Loan.

*Loan Forgiveness* The cancellation or reduction of a loan debt under the FFEL or Direct Loan programs for certain types of public service.

*Loan Guarantee* Any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a borrower to a nonfederal lender.

*Loan Holder* The organization that owns a loan. Examples include the U.S. Department of Education, banks, and schools. Most federal student loans made since July 1, 2010, are owned by the U.S. Department of Education. The current loan holder may be different than the organization that originally made the loan. The loan holder may be different than the loan servicer.

*Loan Period* See *Period of Enrollment*.

*Loan Principal* Initially, the amount borrowed plus any fees charged by the lender. Later, it includes capitalized interest, charges and fees allowed by regulation, less any amount paid and credited to principal, and any amount cancelled, forgiven, or discharged.

*Loan Proration* Proportionally reducing an undergraduate Direct Loan borrower's annual loan limit if the borrower is enrolled in a program shorter than a full academic year, or in a program that is more than one academic year in length but is in a remaining period of study shorter than a full academic year.

*Loan Servicer* An entity that collects payments

on loans, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a loan (e.g., processing requests for a change in repayment plans). A federal loan servicer is a loan servicer for the U.S. Department of Education.

*Local Educational Agency (LEA)* (1) A public board of education or other public authority legally constituted within a state to administer, direct, or perform a service function for public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state; or such combination of school districts of counties as are recognized in a state as an administrative agency for its public elementary or secondary schools. (2) Any other public institution or agency having administrative control and direction of a public elementary or secondary school.

*Local Government* Any unit of government within a state, including —county, borough, municipality, city, town, township, parish, local public authority (including any public housing agency under the United States Housing Act of 1937), special district, school district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), and any other agency or instrumentality of a multi-, regional, or intra-state or local government.

*Lockbox (bank lockbox)* Speeds the availability of funds from cash collections by reducing the time from the customer mailing the check until the funds are available to spend. Remittances are sent to a bank near the customer and the bank deposits funds speedily to the payee’s account.

*LOE* Level of Expenditure (in the Federal Perkins Loan Program)

*LOR* Loan Origination Record

*Loss (n.) (financial)* Any expense or irrecoverable cost, often referred to as a form of nonrecurring charge; an expenditure from which no present or future benefit may be expected.

*Low-Income Community* A community where there is a high concentration of children eligible to be counted under Title I of the Elementary and

Secondary Education Act of 1965, as amended.

*Low-Income Individual* A person whose income falls below the Income Protection Allowances published annually by the Department in the Federal Register.

*LSDA* Late Stage Delinquency Assistance

*LST* Limit, Suspend or Terminate (a school’s participation in the federal student aid programs)

## M

*Major Disaster* Any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the United States, which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance to supplement the efforts and available resources of states, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby.

*Management Decision* Evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

*Mandatory Forbearance (or Mandatory Administrative Forbearance)* Forbearance a lender is required to grant because a borrower satisfies criteria such as military or domestic service, residence in a designated disaster area, changes in certain repayment plans, and medical and dental residency. The Direct Loan and Perkins Loan Program have different qualifying requirements.

**Master Promissory Note (MPN)** A promissory note that can be used to make one or more loans for one or more academic years (up to 10 years). An MPN lists the terms and conditions under which the borrower agrees to repay the loan and explains the borrower’s rights and responsibilities.

**Matching** In the Campus-Based Programs, with certain exceptions, schools that participate in the Campus-Based Programs must provide nonfederal funds as a match for the federal funds they receive. The specific matching requirements for each Campus-Based Program are different. The institutional matches are known as the institutional nonfederal share in the FWS and FSEOG programs and the institutional capital contribution in the Perkins Program.

**Material Weaknesses** (in financial reporting) Reportable condition or combination of reportable conditions, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, will not be prevented or detected.

**Maximum Eligibility Period** (Direct Loan) A period of time, measured in academic years, equal to 150 percent of the length of the educational program, as published by the institution, in which the borrower is currently enrolled.

**MD and A** Management’s Discussion and Analysis in an audit report

**MDE** Multiple Data Entry

**Means-tested benefit program** A subsidized government benefit program (e.g., TANF), sometimes referred to as welfare, that requires beneficiaries to have income that does not exceed a specific level.

**Measurable** Can be determined with reasonable certainty or is reasonably estimable.

**Medicaid** A subsidized government health benefit program, the receipt of which can help qualify aid applicants for the simplified needs test or automatic zero EFC.

**Medical Technician** An allied health professional (working in fields such as therapy, dental hygiene,

medical technology, or nutrition) who is certified, registered, or licensed by the appropriate state agency in the state in which he or she provides health care services. An allied health professional is someone who assists, facilitates, or complements the work of physicians and other specialists in the health care system.

**Merit-Based Aid** Financial aid awarded on the basis of specific accomplishments or talents rather than financial need.

**Micro-Purchase** A purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-Federal entity’s small purchase procedures. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). It is \$3,000 except as otherwise discussed in Subpart 2.1 of that regulation, but this threshold is periodically adjusted for inflation.

**Minimum Loan Period** The shortest permissible length of time for which a loan may be made. For standard term credit-hour programs and nonstandard term SE9W programs, the minimum loan period is the term. For non-term programs, clock-hour programs, and non-standard term, non-SE9W programs, the minimum loan period is the lesser of

- ◆ the length of the program;
- ◆ the remaining portion of the program; or
- ◆ the academic year.

**Misrepresentation** Any false, erroneous or misleading statement by an eligible institution, one of its representatives, or any ineligible institution, organization, or person with whom the eligible institution has an agreement to provide educational programs, or to provide marketing, advertising, recruiting, or admissions services made directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, to a state agency, or to the Department. A misleading statement includes any statement that has the likelihood or tendency to deceive or

confuse. A statement is any communication made in writing, visually, orally, or through other means. Misrepresentation includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the institution required the student to make such an endorsement or testimonial to participate in a program.

*Modified Total Direct Cost* The first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award) excluding equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.

*Module* A period of enrollment that is shorter than a school’s regularly scheduled academic periods that either falls within but does not span an entire semester, or falls between of a school’s regularly scheduled academic periods. Often referred to by schools as a mini-session.

*Modules or Offered in Modules* A program is “offered in modules” if a course or courses in the program does not span the entire length of the payment period or period of enrollment.

*MOP* Method of Payment

*MOR* Memorandum of Record

*MOU* Memorandum of Understanding

*MPN* Master Promissory Note

*MPN Acknowledgement* The COD response sent to schools upon receipt of an MPN once edits have been performed and the linking attempted by COD.

*MPN ID* The unique identifier printed on the MPN. It is made up of a student’s SSN, “M” for subsidized or unsubsidized, “N” for Parent PLUS and Grad PLUS, the last two digits of the award year, a school’s Direct Loan code, and a three-digit sequence number. Example: 123456789M07G12345001.

*MRR* Multiple Reporting Record

*MTC* Modified Total Cost

*MTDC* Modified Total Direct Cost

*Multi-Year (MY) Feature* The feature of the Master Promissory Note that allows multiple Direct Loans for the same student borrower to be disbursed under the same MPN. Once an MPN has been accepted and remains open, schools that use this feature do not have to obtain a new promissory note each academic year. The MPN may be valid for up to 10 years.

*Multiple Disbursement Requirement* The requirement that FSA funds, except the Federal Work-Study wages, be paid in two or more installments of approximately equal increments.

*Multiple Reporting Record (MRR)* For the Pell Grant and Iraq and Afghanistan Service Grant programs, the MRR identifies originations and disbursements being reported by more than one institution for the same student during the same period of time. The multiple report records are designed to provide institutions with information to identify and resolve potential overaward payments and concurrent enrollments before they occur.

*MY* Multi-Year feature of Direct Loan promissory notes

## N

*NACUBO* National Association of College and University Business Officers

*NAPD* Net Accepted and Posted Disbursements

*NASFAA* National Association of Student Financial Aid Administrators

*NASSGAP* National Association of State Student Grant and Aid Programs

*National Committee on Foreign Medical Education and Accreditation (NCFMEA)* The operational committee of medical experts established by the De-

partment to determine whether the medical school accrediting standards used in other countries are comparable to those applied to medical schools in the United States, for purposes of evaluating the eligibility of accredited foreign graduate medical schools to participate in the Title IV, HEA programs.

*National Credit Bureau or Nationwide Consumer Reporting Agency* A credit bureau with a service area that encompasses more than a single region of the country. Any one of the national credit bureaus with which the Department has an agreement.

*National Early Intervention Scholarship and Partnership (NEISP) Program* The scholarship program authorized by Chapter 2 of subpart 1 of Title IV-A of the HEA.

*National Institute of Standards and Technology* A measurement standards laboratory which is a non-regulatory agency of the United States Department of Commerce. The institute’s mission is to promote U.S. innovation and institutional competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve quality of life.

*National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) Program* A previously offered grant program under which grants were awarded during the third and fourth academic years of study to eligible financially needy undergraduate students pursuing eligible majors in the physical, life, or computer sciences, mathematics, technology, or engineering, or foreign languages determined to be critical to the national security of the United States.

*National Student Loan Data System (NSLDS®)* The Department of Education’s central database for student financial aid. It contains student-level data received from schools, the Direct Loan Program, the Pell Grant Program, and other ED programs and offices. NSLDS provides a centralized, integrated view of federal student aid loans and Pell grants and tracks them through their entire cycle. Located on the web at [www.nslsdfap.ed.gov/nsls\\_fap/default.jsp](http://www.nslsdfap.ed.gov/nsls_fap/default.jsp).

*Nationally Recognized Accrediting Agency* An agency or association that the Department recognizes as a reliable authority to determine

the quality of education or training offered by an institution or a program offered by an institution. The Department recognizes these agencies and associations under the provisions of 34 CFR part 602 and publishes a list of the recognized agencies in the Federal Register.

*NCES* National Center for Educational Statistics

*NCSFMEA* National Committee on Foreign Medical Education and Accreditation

*NCUA* National Credit Union Association

*NDSL* National Direct (or Defense) Student Loan Program

*Need-based Employment* Employment provided by an institution itself or by another entity to a student who has demonstrated to the institution or the entity (through standards or methods it establishes) a financial need for the earnings from that employment for the purpose of defraying educational costs of attendance for the award year for which the employment is provided.

*Negative Assurance* A statement of what the CPA does not know as opposed to what the CPA believes (positive assurance) that is, a statement that nothing came to his attention that caused him to believe that the accounts examined did not meet a specified standard. A statement that the CPA was “not aware of material modifications that should be made to financial statements for them to conform with U.S. generally accepted accounting principles” is negative assurance.

*Negotiated Rulemaking (Neg. Reg)* Section 492 of the Higher Education Act (HEA) requires that, before publishing any proposed regulations to implement programs under Title IV of the HEA, the Department obtain public involvement in the development of those proposed regulations. *Negotiated Rulemaking* is the process the Department uses to obtain input from organizations and groups that represent the interests significantly affected by the proposed regulations.

*NEISP* National Early Intervention Scholarship and Partnership (Program)

*Net Accepted and Posted Disbursements* Total actual disbursements [Disbursement Release Indicator (DRI) = True] that have been accepted and posted on the COD System plus accepted actual disbursement adjustments (upward or downward).

*Net Assets* The current market value at the time of application of the assets (not including a home or farm) minus the outstanding liabilities or indebtedness against the assets.

*Net Drawdowns or Payments* Cash Receipts (funds drawn through G5) minus Refunds of Cash (funds returned through G5) minus Returns of Cash (drawdowns rejected by the school’s bank). This figure will also include drawdown adjustments.

*Net Income Ratio* A measure of a college’s profitability, used when calculating the composite score. The net income ratio is expressed as a fraction with the income before taxes as the numerator and the total revenues as the denominator.

*Net Price Calculator* An online tool providing estimated net price information to current and prospective students and based, as much as possible, on their individual circumstances. Net price is defined as the cost of attendance minus the average yearly grant and scholarship aid, and all Title IV schools that enroll full-time, first-time degree- or certificate-seeking undergraduate students must have on their website a net price calculator.

*NFC* National Finance Center

*NIST* National Institute of Standards and Technology

*Nominal (Face or Par) Value or Amount* The amount of a bond, note, mortgage, or other security as stated in the instrument itself, exclusive of interest or dividend accumulations. The nominal amount may or may not coincide with the price at which the instrument was first sold, its present market value, or its redemption price. Often referred to as the stated value.

*Noncampus Building or Property* Any building or property owned or controlled by a student organization that is officially recognized by the institution;

or any building or property owned or controlled by an institution that is used in direct support of, or in relation to, the institution’s educational purposes, is frequently used by students, and is not within the same reasonably contiguous geographic area of the institution.

*Noncash Contribution* The paying of a school’s share of a student’s Federal Work-Study wages through a contribution of services or equipment—for example, tuition and fees, room and board, and books and supplies.

*Non-conformance* (in financial reporting) A condition in which financial management systems do not substantially conform to financial systems requirements. Financial management systems include both financial and related (or mixed) systems.

*Non-Credential Teacher Certification Program Coursework* Coursework for which a school does not award an academic credential for a course that is required for teacher certification or recertification in the state where the student plans to teach.

*Nonfederal Audit* A school financial statement and/ or compliance audit conducted by an independent public accountant (as defined by the audit standards of the U.S. General Accounting Office) who has been hired by the school. Also called an Independent Audit or an OMB Circular A-133 audit.

*Non-Federal Entity* A state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

*Nonfederal Share of FSEOG* The share of FSEOG grants made to students from the school’s own resources. In general, this “match” must equal 25% of the total FSEOG awards made to students. The school’s resources may include the following:

- ◆ institutional scholarships and grants;
- ◆ waivers of tuition or fees;
- ◆ the nonfederal portion of state scholarships and grants; and

- ♦ funds from foundations or other charitable organizations.

The types of nonfederal FSEOG matching include the individual recipient basis, aggregate basis, and fund-specific basis.

*Nonfederal Share of FWS (Institutional Share)* The share of a student’s wages paid by a school from school or other eligible funds. In general, a school must contribute (match) 25% of the student’s total wages. There are exceptions for employment

- ♦ in civic education and community service projects;
- ♦ as a reading tutor for preschool-age children or elementary school children;
- ♦ as a mathematics tutor for children in elementary school through ninth grade;
- ♦ in family literacy projects that provide services to families with preschool or elementary age children; and
- ♦ at a private nonprofit organization or a federal, state, or local public agency.

A school may also pay the nonfederal share with noncash contributions.

*Non-Material Weaknesses* (in financial reporting) Control problems that can be corrected at the Principal Office level without the approval or attention of the next higher level of management.

*Nonprofit Institution (Domestic)* An institution that

- ♦ is owned and operated by one or more nonprofit corporations or associations, no part of the net earnings of which benefits any private shareholder or individual;
- ♦ is legally authorized to operate as a nonprofit organization by each state in which it is physically located; and

- ♦ is determined by the U.S. Internal Revenue Service to be an organization to which contributions are tax-deductible in accordance with section 501(c)(3) of the Internal Revenue Code.

*Nonprofit Institution (Foreign)* An institution that is owned and operated only by one or more nonprofit corporations or associations; and

- ♦ if a recognized tax authority of the institution’s home country is recognized by the Department for purposes of making determinations of an institution’s nonprofit status for Title IV purposes, is determined by that tax authority to be a nonprofit educational institution; or
- ♦ if no recognized tax authority of the institution’s home country is recognized by the Department for purposes of making determinations of an institution’s nonprofit status for Title IV purposes, the foreign institution demonstrates to the satisfaction of the Department that it is a nonprofit educational institution; or
- ♦ is determined by the U.S. Internal Revenue Service to be an organization to which contributions are tax-deductible in accordance with section 501(c)(3) of the Internal Revenue Code (26 U.S.C. 501(c)(3)).

*Nonprofit Organization* An organization owned and operated by one or more nonprofit corporations or associations where no part of the organization’s net earnings benefits, or may lawfully benefit, any private shareholder or entity. An organization may show that it is nonprofit by meeting the provisions of § 75.51 of the Education Department General Administrative Regulations (EDGAR), 34 CFR 75.51.

*Nonstandard Term* Academic or payment period in which classes are expected to begin and end within fixed starting and ending dates but the terms are not the length of standard terms (14–17 weeks long).

*Nonterm* An academic or payment period in which classes do not begin and end on fixed dates. A program measuring progress in clock hours is always considered a nonterm program. A credit-hour program is considered nonterm if it has:

- ◆ courses that do not begin and end within a set period of time;
- ◆ courses that overlap terms;
- ◆ self-paced and independent study courses that overlap terms; or
- ◆ sequential courses that do not begin and end within a term.

*Normal Time* The amount of time necessary for a student to complete all requirements for a degree or certificate according to the institution’s catalog. This is typically four years for a bachelor’s degree in a standard term-based institution, two years for an associate degree in a standard term-based institution, and the various scheduled times for certificate programs.

*Notice* Notification about the availability of information an institution is required to disclose and provide to an individual on a one-to-one basis through an appropriate mailing or publication, including direct mailing through the U.S. Postal Service, campus mail, or electronic mail. Posting on an Internet website or an intranet website does not constitute a notice.

*Notice of Proposed Rulemaking (NPRM)* An announcement of an agency’s plan to draft regulations that solve problems and accomplish goals and to give interested persons an opportunity to submit comments to improve the final regulations.

*NPRM* Notice of Proposed Rulemaking

*NRM* Negotiated Rulemaking

*NSC* National Student Clearinghouse

*NSF* Non-Sufficient Funds

*NSLDS* National Student Loan Data System

*NSLDSFAP* National Student Loan Data System Professional Access Website

*NSLDS Match Flag* The result on a SAR/ISIR of the match with NSLDS for identifying potential default or overpayment issues in the applicant’s financial aid history.

*NSLDS Postscreening* The process through which NSLDS assists schools to detect significant changes to a student’s financial aid history that may affect a student’s aid eligibility. If NSLDS detects such a change, it will inform CPS. CPS generates a new ISIR and a new NSLDS transaction number.

*Number in College* The number of persons in the household size that are enrolled at least half time in a degree or certificate program at a Title IV-eligible postsecondary school. *Number in College* is used in the EFC calculation and is subject to verification.

*Nurse* A licensed practical nurse, a registered nurse, or other individual who is licensed by the appropriate State agency to provide nursing services.

O

*Obligated Balances* The net amount of obligations in a given account for which payment has not yet been made.

*Obligation* Binding agreements that will result in outlays immediately or in the future.

*Obligations* Amounts of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or a future period.

*OC* Object Class/Objective Classification

*OCFO* Office of Chief Financial Officer

*OCIO* Office of the Chief Information Officer

*OCR* Office of Civil Rights

*Office of the General Counsel (OGC)* An office within the Department of Education. OGC provides legal services to all units within of the Department.

*Office of the Inspector General (OIG)* An office within the Department of Education. Within the office, *Investigation Services (IS)* is responsible for all investigative activities relating to the Department's programs and operations and the prevention and detection of fraud and abuse in these programs and operations.

*Office of Management and Budget* The Executive Office of the President, Office of Management and Budget.

*Office of Postsecondary Education Identification Number (OPEID)* An eight-digit number assigned to an institution upon approval to participate in Federal Student Aid programs. It is used throughout multiple systems to identify a school entity (the first six digits) and its individual locations (the last two digits).

*Official Cohort Default Rate* The official cohort is the cohort default rate the Department publishes for an institution under 34 CFR 668.186. Cohort default rates calculated for the FFEL and Direct Loan programs are not related in any way to cohort default rates that are calculated for the Federal Perkins Loan Program.

*Official Reporting Date* The date on which an institution must report fall enrollment data to either the state, its board of trustees or governing board, or some other external governing body.

*OGC* Office of General Council

*OHA* Office of Hearings and Appeals

*OIG* Office of Inspector General

*OM* Office of Management

*OMB* Office of Management and Budget

*On-Campus Student Housing Facility* A dormitory or other residential facility for students that is located on an institution's campus, as defined in § 668.46(a).

*On-Time Payment* A federal student loan payment made within 15 days of the scheduled due date.

*One-Academic-Year Training Program* An educational program that is at one academic year in length as defined under 34 CFR 668.2.

*One-Third of an Academic Year* A period that is one-third of an academic year as determined by an institution. At a minimum, one-third of an academic year must be a period that begins on the first day of classes and ends on the last day of classes or examinations and is a minimum of 10 weeks of instructional time during which, for an undergraduate educational program, a full-time student is expected to complete at least eight semester or trimester hours or 12 quarter hours in an educational program whose length is measured in credit hours or 300 clock hours in an educational program whose length is measured in clock hours.

For an institution whose academic year has been reduced under § 668.3, one-third of an academic year is the pro-rated equivalent, as measured in weeks and credit or clock hours, of at least one-third of the institution's academic year.

*OOD* Object Oriented Development

*OPD* Operations Performance Division

*OPE* Office of Postsecondary Education (in the U.S. Department of Education)

*OPE-ID* Office of Postsecondary Education Identifier

*Origination* The process through which and point at which a school creates and certifies a loan.

*Origination Fee* The amount a borrower is required to pay the Department to help defray the costs of subsidizing a Direct Loan.

*Other Financial Assistance* For purposes of determining a student’s eligibility for Title IV funds, estimated financial assistance includes all scholarships, grants, loans, or other assistance known to the institution at the time the determination of the student’s need is made, including national service educational awards or post-service benefits under Title I of the National and Community Service Act of 1990 (42 U.S.C. 12511 et seq.), but excluding veterans’ education benefits as defined in subsection (c). In general, tuition prepayment plans shall reduce the cost of attendance by the amount of the prepayment, and shall not be considered estimated financial assistance. For a detailed explanation of the components included in Other Financial Assistance see the Higher Education Act, as amended, Part F, Section 480(j).

*Other Information Standard in Auditor’s Report* Information other than the audited financial statements and the related auditor’s report, included in a company’s annual report. The other information standard requires an auditor to focus on the responsibility to identify material inconsistencies between the other information and the company’s audited financial statements and on the identification of material misstatements of fact, based on relevant evidence obtained and conclusions reached during the audit.

*Outlay* The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate an obligation.

*Output Document* The Student Aid Report (SAR), Electronic Student Aid Report (ESAR), or other document or automated data generated by the Department of Education’s central processing system or Multiple Data Entry processing system as the result of the processing of data provided in the Free Application for Federal Student Aid (FAFSA).

*Overaward* Amount by which a student’s aid package exceeds his or her need. An overaward exists whenever a

- ♦ school awards aid either to a student who is ineligible for a specific program or to a student who is ineligible for any FSA program assistance;

- ♦ student’s award in an individual program exceeds the regulatory maximum, e.g., lifetime limit for Pell Grant, annual or aggregate loan limits, annual limit on Federal Supplementary Educational Opportunity Grant (FSEOG) awards, or a Pell award based on the wrong payment schedule or enrollment status;
- ♦ student’s aid package exceeds his or her need (including when the student’s Expected Family Contribution [EFC] is revised upward after initial packaging);
- ♦ student’s award exceeds his or her cost of attendance (COA); and
- ♦ student is receiving a Pell Grant or Iraq and Afghanistan Service Grant at multiple schools for the same period.

*Overpayment* Funds disbursed to a student in excess of his or her need. That is, an overpayment exists when some or all of the funds that make up an overaward have been disbursed to the student.

*Oversight Agency for Audit* The federal awarding agency that provides the predominant amount of funding directly to a non-Federal entity not assigned a cognizant agency for audit. When there is no direct funding, the federal awarding agency that is the predominant source of pass-through funding must assume the oversight responsibilities.

*Ownership Interest* The possession of substantially all of the benefits and risks incident to ownership.

## P

*P* Dear Colleague Letter designation for Pell Grant Program letters (published before January 2013)

*PA* Payment Analyst (in Performance Improvement and Procedures Service Group)

*Pace of Completion* The quantitative component (along with the qualitative component, i.e. grades) of Satisfactory Academic Progress (SAP). The minimum amount of academic credit/hours a student must complete to remain on track to finish the academic program within SAP limits. See *Satisfactory Academic Progress*.

**Packaging** A school’s process for determining the type and amount of assistance (from all sources) that will be offered to a student.

**PAN** Payee Account Number

**Paper Secondary Confirmation** The process for documenting that a student is an eligible noncitizen used when a student doesn’t pass automated secondary confirmation or when a school has conflicting information. Paper secondary confirmation is accomplished by use of the G-845 form and supporting documents.

**Parent** A student’s biological or adoptive mother or father or the student’s stepparent, if the biological parent or adoptive mother or father has remarried at the time of application.

**Participant Support Costs** Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

**Participating Institution** An eligible institution that meets the standards for participation in federal student aid programs in subpart B and has a current program participation agreement with the Department.

**Pass-Through Charges** Cost of housing or education supplies (books and materials) assessed by a third-party but paid (with a student’s authorization) from a student’s FSA funds if the school has entered into a contract with the third party to provide institutional housing and/or bookstore services.

**Pass-Through Entity** A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

**Past Performance and Affiliation Standards** The financial responsibility standards that look at schools’ and affiliated officials’ past performance (34 CFR 668.174) as it relates to the Title IV programs.

**Pastoral Counselor** A person who is associated with a religious order or denomination, is recognized by that religious order or denomination as someone

who provides confidential counseling, and is functioning within the scope of that recognition as a pastoral counselor.

**Payee** An entity designated by the grantee to request and manage federal funds on its behalf. The grantee and payee can be the same entity.

**Payee (in G5)** The recipient (organization or individual) of Department of Education funds responsible for accounting for those funds. The payee may be a single entity, such as a college or a central finance office, that requests funds and prepares financial reports for several organizations within its system.

**Payment (in G5)** Funds deposited into payees’ accounts. The payment must be disbursed within three business days.

**Payment Analyst** Formerly Reimbursement Analyst. An FSA employee who ensures that schools subject to heightened cash management have accurately determined FSA eligibility of, and payment to each student, with sufficient funds in the school’s G5 account, and submits documentation to that effect.

**Payment Data** An electronic record that is provided to the Department by an institution showing student disbursement information.

**Payment Methods** The methods through which the Department provides funds to schools, including the advance payment method, the reimbursement payment method, and the cash monitoring payment methods.

**Payment Period** The academic period or period of enrollment established by an institution for which financial aid is disbursed. Payments for all federal student aid programs except FWS must be made on a payment period basis.

**Payoff Amount** The total required to pay off a loan. It includes the loan principal, capitalized interest, accrued interest, late charges, and other charges, fees, and costs allowed by the applicable regulations.

**Payoff Date** The date on which a loan payoff calculation is based.

*PBO* Performance-Based Organization

*PC* Parental Contribution

*PDF* Portable Document Format

*Peak Enrollment* Occurs when at least 25 percent of a school’s students start classes during a given 30-day period. A school is given some leeway under the excess cash rules during this period.

*Peer Review* A monitoring program in which the audit documentation of one CPA firm is periodically reviewed by independent partners of other firms to determine that it conforms to the standards of the profession.

*Pell Eligible Flag* The field in the ISIR that alerts schools to an applicant’s Pell Grant eligibility status. A “Y” confirms that a student’s EFC and undergraduate or qualifying graduate status make him or her eligible for a Pell Grant and that the record has been included in the payment system database. This flag does not take into account whether students have reached their Pell lifetime eligibility used limit.

*Pell Formula* The formula used to calculate an eligible student’s annual Pell Grant. The formulas used for individual students are differentiated by a student’s enrollment status and program type.

*Pell Grant Payment and Disbursement Schedule* (Pell Disbursement or Payment Schedule) A table showing the annual awards that three-quarter, half-time, and less-than-half-time students at term-based institutions using credit hours would receive for an academic year in the Pell Grant Program. This table is published annually by the Department and is based on

- ◆ a student’s expected family contribution (EFC), as determined in accordance with Title IV, part F of the HEA;
- ◆ a student’s attendance costs as defined in Title IV, part F of the HEA; and
- ◆ the amount of funds available for making Federal Pell Grants.

*Pell Grant Pending Disbursement List* This list is automatically generated by COD and sent to a school’s SAIG mailbox. It produces a listing of anticipated disbursements (Disbursement Release Indicator (DRI) set to false) and actual disbursements ((DRI) set to true) with dates set 8 to 30 days in the future. The list can be used to monitor anticipated disbursements nearing disbursement dates to either set the DRI to true for confirmed eligible students, or to cancel the award for ineligible students. The list also can be used to monitor awards scheduled for upcoming disbursements to determine current eligibility.

*Pell Grant Reconciliation Report* Sent annually by COD just prior to the close of the award year (September 30), the report provides a one-record per student summary of the total YTD Pell Grant disbursements in COD. Pell Grant Reconciliation Reports can also be ordered by a school through the COD web and are useful for both monthly and year-end reconciliation.

*Pell Grant Verification Status Report* Provides a list of students selected by the CPS for verification who have either a blank or W verification status in COD. Students whose verification status is “W” must be updated to be reconciled. Students whose verification status is “blank” must be updated to be disbursed. COD automatically sends the report to the school’s SAIG mailbox on a monthly basis through the last day of December for the award year ending on July 31.

*Pell Grant Year-to-Date (YTD) Record* Contains detailed award and disbursement information at a transaction level. Pell Grant YTD Records are created only upon school requests. They can be requested on a per student, or all students, basis and they are a good tool for reconciling of student Pell data and rebuilding a school’s corrupted data base. On an “all student” basis, the Pell Grant YTD Record shows the number of recipients at the school; the number of award and/ or disbursement records that were accepted, corrected, and rejected; and, for certain edit codes, the number of times a school received that specific edit code on a response document.

*PEPS* Postsecondary Education Participants System

*Percentage of Period Completed* For Return of Title IV Funds purposes, the percentage determined by dividing the number of days or clock-hours in a payment period or period of enrollment, as applicable, completed by a student before he or she withdrew by the total length of the payment period or period of enrollment in days or clock hours.

*Percent of Scheduled Award Used by Award Year (in Pell)* The percent of his or her Pell eligibility a student has used in an award year. The percentage is calculated by summing all of the accepted disbursement records for a student within an award year across all schools and dividing that amount by the Scheduled Federal Pell Grant Award for the student for the award year.

*Performance Goal* A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. In some instances (e.g., discretionary research awards), this may be limited to the requirement to submit technical performance reports (to be evaluated in accordance with agency policy).

*Performance Period* One of the award periods in G5. The period between the FSA program award begin date and the FSA program end date. During this period, schools can draw down cash. Once the performance period ends, the closeout process begins. During the performance period:

- ◆ schools may request payments;
- ◆ schools may modify payment requests;
- ◆ schools may adjust drawdowns; and
- ◆ changes may be made to the Federal Student Aid (FSA) program's grant awards authorizations.

*Performance Testing* Process of testing the degree to which a system or a component accomplishes its designated functions within given constraints in regards to processing time and data transfer rates.

*Period of Enrollment* The period for which a federal education loan is intended. The period of enrollment must coincide with a period established by the school for which institutional charges are generally

assessed (e.g., semester, trimester, quarter, length of the student's program or academic year). The period of enrollment is also referred to as the loan period.

*Period of Performance* The time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award.

*Perkins Loan Selection Criteria* In awarding Perkins Loans, a school must give priority to those students with exceptional financial need (as defined by the school). A school's Perkins selection procedures must be in writing, uniformly applied, and kept on file at the school.

*Perkins Promissory Note* The legally binding document that is evidence of a borrower's indebtedness to a school.

*Personal Property* Property other than real property. It may be tangible, having physical existence, or intangible.

*Personally Identifiable Information (PII)* PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials.

The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified. Non-PII can become PII whenever additional information is made publicly available, in any medium and from any source, that, when combined with other available information, could be used to identify an individual.

*P-Note* Promissory Note (also PN)

*PII* Personally Identifiable Information

*PIN* Personal Identification Number

study for the purposes of federal student aid.

*PJ* Professional Judgment

*Post-Deferment Grace Period* That period of six consecutive months which immediately follows the end of certain periods of deferment and precedes the date on which the borrower is required to resume repayment on a loan.

*PL* Public Law

*PRHP* Post-retirement Health Plans

*Plain Language Disclosure (PLD)* Document that summarizes the information contained in the Borrower’s Rights and Responsibilities Statement. A PLD is provided to students (and parents borrowing on behalf of students) who attend schools that use the multiyear feature of the MPN. Since borrowers at these schools don’t sign a new promissory note for each loan, a PLD is forwarded with each disclosure statement to remind Direct Loan borrowers of their rights and responsibilities.

*Postsecondary Education Participants System (PEPS)* Department system that maintains eligibility, certification, demographic, program review, financial and audit review and default rate data about institutions and lenders and guarantors participating in the Title IV programs.

*PLD* Plain Language Disclosure

*Post-Withdrawal Disbursement* For Return of Title IV Funds purposes, the amount of federal student aid funds a student is eligible to receive after withdrawing. It is equal to the amount by which the federal student aid earned by a student exceeds the total federal student aid disbursed to the student.

*POP* Potential Overaward Process

*Posting* Recording an entry in an account in the general ledger or in a subsidiary ledger.

*Positive Assurance* A statement as to what the CPA believes. An example is an opinion that the financial statements are presented fairly in conformity with U.S. GAAP. The opposite is negative assurance.

*Post-Baccalaureate or Equivalent Medical Program* A program offered by a foreign graduate medical school that requires, as a condition of admission, that its students have already completed their non-medical undergraduate studies and that consists solely of courses and training leading to employment as a doctor of medicine or doctor of osteopathic medicine.

*Postsecondary Vocational Institution* One of three types of institutions eligible for participation in the Federal Student Aid programs. The others are an *institution of higher education*, and a *proprietary institution of higher education*. For a more information see 34 CFR 600.6.

*Post-Baccalaureate Program (in the TEACH Program)* A program of instruction for individuals who have completed a baccalaureate degree, that

*Potential Overaward Process (POP)* Communication through which COD warns schools that have reported Pell Grant or Iraq and Afghanistan Service Grant disbursements to a student if COD calculates that (a) the reported Pell or Iraq and Afghanistan Service Grants disbursements for a student in an award year exceed 100 percent of the student’s full scheduled award, or (b) a student might be receiving a Pell disbursements at two schools for the same period of time.

- ♦ does not lead to a graduate degree;
- ♦ consists of courses required by a state in order for a student to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary school or secondary school in that state, except that it does not include any program of instruction offered by a TEACH Grant-eligible institution that offers a baccalaureate degree in education; and
- ♦ is treated as an undergraduate program of

*Poverty Guideline* The income categorized by state and family size in the poverty guidelines published annually by the United States Department of Health and Human Services pursuant to 42 U.S.C. 9902(2).

*PPA* Program Participation Agreement

*PRCN* Program Review Control Number

*Preaccredited* A status that a nationally recognized accrediting agency, recognized by the Department to grant that status, has accorded an unaccredited public or private nonprofit institution that is progressing toward accreditation within a reasonable period of time.

*Pre-Collection Activities* In the Perkins Program, a series of contacts a school must make during a student's grace period that increase the likelihood that a student will begin satisfactory repayment on his or her Federal Perkins Loan.

*Predispute arbitration agreement* Any agreement, regardless of its form or structure, between a school or a party acting on behalf of a school and a student that provides for arbitration of any future dispute between the parties.

*Preferred Lender Arrangement* An arrangement or agreement between a lender and a covered institution or an institution-affiliated organization of such covered institution under which a lender provides or otherwise issues education loans to the students attending such covered institution or the families of such students; and that relates to such covered institution or such institution-affiliated organization recommending, promoting, or endorsing the education loan products of the lender.

*Prepaid Tuition Plan* A savings vehicle that allows families to set aside funds for college expenses. Prepaid tuition plan funds are not considered Estimated Financial Assistance (EFA) in the packaging process, but such funds are considered an asset of the owner of the account, unless the owner of the account is a dependent student.

*Preparatory Coursework* Coursework required in order to be eligible for enrollment in an eligible program. Students may be eligible for Direct Loans for one consecutive 12-month period based on enrollment in coursework the school has documented is necessary for the student to enroll in a Title IV-eligible program.

*Prepayment* A loan payment made before it is due

under the terms of the applicable promissory note.

*Preschool-Age Child* A preschool-age child is a child from infancy to the age at which his or her state provides elementary education.

*Preventive Controls* Preventive controls deter risks from being realized. Examples of preventive controls are documentation, approvals, authorizations, access controls, and file security.

*Primary Accrediting Agency* An agency that has the authority to accredit all of a postsecondary institution's programs. A school must have only one primary accreditor. (See also, *Programmatic Accrediting Agency*.)

*Primary Confirmation* A process by which the Department, by means of a matching program conducted with the Department of Homeland Security (DHS), compares the information contained in a Application for Federal Student Aid or a multiple data entry application regarding the immigration status of a noncitizen applicant for federal student aid with records of that status maintained by the DHS in its Alien Status Verification Index (ASVI) system for the purpose of determining whether a student's immigration status meets the requirements of 34 CFR 668.33(a)(2) and reports the results of this comparison on an output document.

*Primary Reserve Ratio* A measure of a school's viability and liquidity, used when calculating the composite score. The primary reserve ratio is expressed as a fraction with the adjusted equity as the numerator and the total expenses as the denominator.

*Prime Rate* The interest rate lending institutions charge their most credit-worthy customers—also called the prime interest rate. Interest rates on some Direct Loans are set in relation to the prime rate.

*Principal* The loan amount borrowed plus any capitalized interest.

*Principal Balance* The principal that remains unpaid on a loan.

**Prior-prior year** Two years before the first year in the award year and the year before what used to be the base year; e.g., for the 2017–2018 award year, 2015 is the prior-prior year, and that is the tax year used for filling out the FAFSA.

**Prior-Year Charges** Institutional charges for tuition and fees, room, or board (and with permission, educationally related charges) incurred prior to the current award year. In general, FSA funds may only be used to pay for the student’s costs for the period for which the funds are provided. However, with a student’s authorization, a school may use current-year funds to satisfy prior award year for a total of not more than \$200.

**Prior-Year Recoveries** Funds a school collects in a given award year from money disbursed in prior award years. Schools must adjust award expenditures and administrative cost allowances (ACAs) in an award years in which recoveries are made.

**Private Education Loan** A loan provided by a private educational lender that is not a federal student aid loan and that is issued expressly for postsecondary education expenses to a borrower, regardless of whether the loan is provided through the educational institution that the student attends or directly to the borrower from the private educational lender.

**Proceeds** The amount received from a loan or realized from a financial transaction.

**Professional Counselor** A person whose official responsibilities include providing mental health counseling to members of the institution’s community and who is functioning within the scope of his or her license or certification.

**Professional Degree** A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor’s degree. Professional licensure is also generally required. Examples of a professional degree

include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).

**Program Income** Gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in §200.307 paragraph (f). (See §200.77 Period of performance.) Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.

**Program Offered in Modules** A program in a payment period or period of enrollment, in which one or more courses in the program do not span the entire length of the payment period or period of enrollment.

**Program Participation Agreement (PPA)** The agreement between the Department of Education and a school that affirms the school has been approved to participate in the federal student aid programs.

**Program Records** A school’s application for federal student aid funds and other records that document

- ◆ a school’s eligibility to participate in the federal student aid programs;

- ◆ the eligibility of a school’s educational programs for federal student aid program funds;
- ◆ the school’s administration of the federal student aid programs in accordance with all applicable requirements;
- ◆ the school’s financial responsibility;
- ◆ all information included in any application for federal student aid program funds made by the school; and
- ◆ the school’s disbursement and delivery of federal student aid program funds.

**Program Review** A routine investigation by the Department of schools to ensure that they are properly administering the Title IV programs. Program reviewers will, among other actions, analyze school records, identify weaknesses, and set forth corrective measures.

**Programmatic Accrediting Agency** An agency that accredits only individual educational programs that prepare students for entry into a profession, occupation, or vocation. A school may be accredited by one or more programmatic accrediting agencies. (See *Primary Accrediting Agency*.)

**Promissory Note** A legally binding contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan is to be repaid. It becomes legally binding when signed (executed) by the borrower. Most federal education loans are made under a Master Promissory Note (MPN).

**Proof of Cash** A reconciliation of the general ledger cash balance at both the beginning and end of a period, combined with a reconciliation of cash deposited for the period with the cash receipts journal, and a reconciliation of checks for the period with the cash disbursements journal.

**Property** Real property or personal property

**Proprietary Institution of Higher Education** One of three types of institutions eligible for participation in the Federal Student Aid programs. The others are an *institution of higher education*, and a *postsecondary*

*vocational institution*. For a more information see 34 CFR 600.5.

**Proration** Assigning institutional charges or Title IV assistance to a specific time period. For example: Title IV assistance can be prorated to the period for which it is received or the period for which it was intended; institutional charges can be prorated to the period in which they are incurred or the amount retained by the school for a period.

**Prospective Employee** An individual who has contacted an eligible institution for the purpose of requesting information concerning employment with that institution.

**Prospective Student** An individual who has contacted an eligible institution requesting information concerning admission to that institution.

**Provisional Certification** The status that the Department may permit a proprietary or private nonprofit school to participate under for up to three years. The Department may permit a school to participate under provisional certification if the school is not financially responsible because it does not satisfy the general standards, has an unacceptable audit opinion or has a past performance problem that has been resolved. In such cases the school will need to

- ◆ submit to the Department a letter of credit, payable and acceptable to the Department, for a percentage (10%–100%) of the FSA program funds received by the school during its most recent fiscal year and
- ◆ demonstrate that it has met all of its financial obligations and was current on its debt payments for its two most recent fiscal years.

**PRR** Program Review Report

**PTE** Pass-through Entity

**Public Interest Work** Work performed for the welfare of the nation or a community rather than work performed for a particular interest or group.

*Public Property* All public property, including thoroughfares, streets, sidewalks, and parking facilities, that is within the campus, or immediately adjacent to and accessible from the campus.

*Published Length of a Program* The length of an individual academic program in weeks of instructional time and credits or clock hours as described in a school’s literature, and accreditation documents and agreements with the Department.

## Q

*QA* Quality Assurance Program (Authorized by Section 487A of the HEA)

*QC* Quality Control

*Qualified Education Benefit* A qualified tuition program (as in the Internal Revenue Code of 1986) or other prepaid tuition plan offered by a state; and a Coverdell education savings account (as defined in section 530(b)(1) of the Internal Revenue Code of 1986).

*Qualified Opinion* (Auditor’s) Auditor’s statement that, except for the effects of the matter to which a qualification relates, the financial statements fairly present financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. (See also *Unqualified Opinion*.)

*Qualified Professional Provider of Early Intervention Services* A provider of services as defined in section 632 of the Individuals with Disabilities Education Act (IDEA).

*Qualifying National Guard Duty* Service as a member of the National Guard on full-time National Guard duty under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days in connection with a war, other military operation, or a national emergency declared by the President and supported by federal funds.

*Questioned Cost* A cost that is questioned by the auditor because of an audit finding, e.g. (a) a cost

that resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds; (b) costs that at the time of the audit, are not supported by adequate documentation; or (c) costs that appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

## R

*R & D* Research and development.

*R2TIV* Return of Title IV Funds (process also seen as R2T4)

*Ratio* The relation between two quantities expressed as the quotient of one divided by the other. The ratio of 8 to 2 is written 8/2 and equals 4. Financial statement ratios are used as analytical procedures in audits.

*RDE* Recipient Data Exchange

*Real Property* Land, including land improvements, structures and appurtenances thereto, but excluding moveable machinery and equipment.

*Reallocated FWS Funds* FWS funds that were initially awarded to one participating institution that are returned to the Department and re-awarded to another participating institution.

*Reasonable Assurance* A judgment based upon all available information that the systems of internal controls are operating in accordance with Federal Managers Financial Integrity Act of 1982 (FMFIA).

*Recalculation* One or more additional determinations (after the initial calculation or disbursement) of a student’s eligibility for a Pell Grant or other Title IV aid, because of changes in one or more of the factors on which the student’s award was based e.g., EFC, enrollment status, dependency, etc.

*Recertification* The process through which a school that is presently certified to participate in the FSA programs applies to have its participation extended beyond the expiration date of its current Program Participation Agreement (PPA). (A school may be certified to participate for up to six years.) The

Department will notify a school six months prior to the expiration of its PPA, and the school must submit a complete application before the expiration date.

*Receiving Entity* An entity to which functions are transferred.

*Recipient of Title IV Grant or Loan Assistance* A student for whom the requirements of 34 CFR 668.164(g)(2) have been met.

*Recognize* (a financial transaction) Formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. Recognition includes determining the amount, timing, classification, and other conditions precedent to the acceptance and entry of a transaction. Recognition includes both initial recognition of an item and recognition of subsequent changes in or removal of a previously recognized item.

*Recognized Equivalent of a High School Diploma* The following are the equivalent of a high school diploma

- ◆ a General Education Development Certificate (GED);
- ◆ a state certificate received by a student after the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma;
- ◆ an academic transcript of a student who has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree; or
- ◆ for a person who is seeking enrollment in an educational program that leads to at least an associate degree or its equivalent and who has not completed high school but who excelled academically in high school, documentation that the student excelled academi-

cally in high school and has met the formalized, written policies of the institution for admitting such students.

*Recognized Occupation* An occupation that is

- ◆ identified by a Standard Occupational Classification (SOC) code established by the Office of Management and Budget or an Occupational Information Network O\*NET-SOC code established by the Department of Labor and available at [online.onetcenter.org](http://online.onetcenter.org) or its successor site; or
- ◆ determined by the Department of Education in consultation with the Department of Labor to be a recognized occupation.

*Reconciliation* A process in which financial records are compared and discrepancies resolved. Monthly reconciliation is required in most federal student aid programs.

*Reconciliation* (in the Direct Loan Program) Required monthly comparison of the funds schools have received (from the G5 system to pay its students) with the actual disbursement records submitted to the Common Origination and Disbursement (COD) system. Schools are also required to complete a final reconciliation of their Direct Loan accounts (year-end closeout).

*Record* (v.) To give expression to a transaction on (or in) the books of account; to enter.

*Recourse* The rights of a holder in due course of a financial instrument (such as a loan) to force the endorser on the instrument to meet his or her legal obligations for making good the payment of the instrument if dishonored by the maker or acceptor.

*Red Flags Rule* Issued by the Federal Trade Commission (FTC), in concert with other federal agencies, these regulations require financial institutions and creditors to develop and implement a written identity theft prevention program to detect, prevent, and respond to patterns, practices, or

specific activities that may indicate identity theft. The “Red Flags Rule” applies to institutions participating in the Federal Perkins Loan Program and may apply to other credit programs administered by an institution and to institutionally mandated accounts into which students Title IV credit balances are deposited.

*Refund* The return of interest or excess cash to the Department from G5 drawdowns or the return of audit and program review liabilities and fines. Often incorrectly used by schools to refer to a school’s distribution of a FSA credit balance to a student.

*Refund Policy* The published institutional, state, or accrediting agency formula a school applies when a student withdraws or otherwise ceases attendance to determine whether funds paid by, or on behalf of the student must be returned to the payee.

*Refund Reserve Standard* One of the standards that a school must satisfy to be considered financially responsible. A school must have sufficient cash reserves to return federal student aid funds when a student withdraws.

*Regular Student* A person who is enrolled or accepted for enrollment in an eligible program at an eligible institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. A school must document that an aid recipient is a regular student.

*Rehabilitation (of a defaulted loan)* Process by which a borrower may bring a loan out of default by adhering to specified repayment requirements.

*Reimbursement Payment Method* The most restrictive heightened cash management payment plan. Under reimbursement, the FSA School Participation Team initiates a drawdown through G5 on behalf of a school or direct cash payments are deposited in the school’s bank account based on actual disbursements submitted to and accepted by the COD System.

*Reinstatement (of borrower FSA eligibility)* A process by which a borrower who has outstanding debts to the Department or has a defaulted FSA loan regains eligibility for FSA funds by satisfying the debt, paying off the loan, or agreeing to and

adhering to strict repayment requirements.

*Reject Codes* Alphabetic and numeric codes for the problems found with a student’s FAFSA. When there is a reject, no EFC is generated and the reason for the reject must be addressed. Alphabetic codes indicate reject reasons that are verifiable, that is, the student can verify the questionable value by re-entering it if it is correct or changing it if it is wrong. Numeric reject codes are not verifiable—the questioned data must be changed (or provided if the field was left blank).

*Related Parties* Those with whom a client has a business relationship that might damage the self-interest of one of the parties (accounting is based on measurement of arm’s length transactions). Related parties include affiliates of the client, principle owners, management (decision makers who control business policy), and members of their immediate families.

*Release Record* A record that changes an anticipated disbursement to an Actual Disbursement Record. Schools using the Common Record submit a new record with the DRI set to True.

*Religious Institution* A school that is owned, controlled, operated, and maintained by a religious organization lawfully operating as a nonprofit religious corporation; and awards only religious degrees or certificates including, but not limited to, a certificate of Talmudic studies, an associate of Biblical studies, a bachelor of religious studies, a master of divinity, or a doctor of divinity.

*Remaining Eligibility Period (Direct Loan)* The difference, measured in academic years, between the borrower’s maximum eligibility period and the sum of the borrower’s subsidized usage periods.

*Remaining Eligibility (Pell Grant)* The percentage of a student’s Pell Grant Scheduled Award that has not yet been disbursed for an award year.

*Remedial Coursework* A course of study designed to increase the ability of a student to pursue a course of study leading to a certificate or degree. A student enrolled solely in remedial coursework is not eligible

for Title IV aid, however, if a student is enrolled in an eligible program which contains some remedial coursework, he/she can be considered a regular student and potentially eligible for Title IV aid, even if he is taking all remedial courses before taking any regular courses.

**Renewal FAFSA** The application, available on the FOTW site, that contains pre-filled information taken from the student's valid application the previous year.

**Repayment Period** The time during which a borrower is obligated to make payments on a loan according to the terms and conditions of the loan's promissory note and the repayment plan the borrower chooses. For Direct Subsidized Loans and Direct Unsubsidized Loans, repayment begins the day after the grace period ends. For Direct PLUS Loans, repayment begins the day after the loan is fully disbursed.

**Repayment Plan** An arrangement made to repay a loan or other financial obligation. Repayment plans vary substantially among federal education loans. (See *Direct Loan Repayment Plan*.)

**Repeated Coursework** Courses in which a student has enrolled previously and is enrolled again.

**Reportable Condition (financial reporting)** A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, or other significant financial reports, that is more than inconsequential will not be prevented or detected.

**Reportable Condition (overall)** A control deficiency or combination of control deficiencies that should be communicated because they represent significant weaknesses or deficiencies in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objectives.

**Reporting School** The school that sends and receives data for the campuses or students it serves. The Reporting School must be a school and cannot be a *Third-Party Servicer*.

**Research and Development (R&D)** All research activities, both basic and applied, and all development activities that are performed by non-Federal entities. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

"Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

**Response** The Common Record document sent back to the school after processing of an incoming Common Record document is complete. This Common Record contains processing results and edit codes.

**Retiree (in the TEACH Program)** An individual who has decided to change his or her occupation for any reason and who has expertise, as determined by the institution, in a high-need field.

**Retroactive Payment/Disbursement** A disbursement or payment made to a student for a payment period or period of enrollment that has ended.

**Return of Title IV Funds (R2T4/Return)** The calculation required when a recipient of Title IV aid withdraws from an institution during a payment period/period of enrollment in which the recipient began attendance. The calculation compares the amount of Title IV aid the recipient earned to the amount disbursed and determines whether funds must be returned, or the student is eligible for a post-withdrawal disbursement.

**Returning Funds** The transfer or repayment of FSA funds required when a school must correct an overaward or an overpayment, and the return

of funds that may be required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment.

*Revenue Adjustment* A contra revenue account that is used to report reduction in revenue when realization is not probable (less likely than not).

*Revolving Fund* A fund consisting of permanent appropriation and expenditures of collections, that are earmarked to finance a continuing cycle of business-type operations. A school's Perkins Loan fund is a revolving fund.

*Risk* The possibility of an act or event occurring that would have an adverse effect on the organization and its information systems.

*Risk Assessment* A prioritization of potential business disruptions based on severity and likelihood of occurrence. The risk assessment includes an analysis of threats based on the impact to the institution, its customers, and financial markets, rather than the nature of the threat.

*Risk Management* An approach to problem analysis which weighs risk in a situation by using risk probabilities to find a more accurate understanding of the risks involved. Risk management includes risk identification, analysis, prioritization, and control.

*Roster File* The output document from the Enrollment Reporting process. The Roster File lists all Direct Loan Program borrowers at a school who were last reported as enrolled. Formerly known as Student Status Confirmation Report (SSCR). (See also *Enrollment Reporting Roster File*.)

*ROTW* Renewal FAFSA on the Web

*Routing Identifier* An identifier established by the U.S. Department of Education in Award as an identifier assigned to schools and third-party

Servicers that is common across the Pell Grant and Direct Loan programs. It is a randomly generated eight-digit number that replaces the Pell Institution Number and Direct Loan (E/G) School code for the reporting of Pell Grant and Direct Loan data. It was previously referred to as the Common School Identifier (CSID).

## S

*SAIG* Student Aid Internet Gateway (successor to Title IV Wide Area Network [TIV WAN])

*SAM* System for Award Management (federal procurement systems)

*SAP* Satisfactory Academic Progress

*SAR* See *Student Aid Report*.

*SAR Acknowledgement* An output document similar to the SAR but which has fewer and less detailed comments and can't be used for corrections as the SAR can. Students receive one when they apply electronically and don't provide an email address.

*SAS* Direct Loan School Account Statement (also, AICPA Statements on Auditing Standards)

*Satisfactory Academic Progress (SAP)* A required measurement of a student's academic progress toward their academic goal. Progress must be measured by both grade-based (qualitative) and time/pace of completion (quantitative) standards. For programs lasting one year or less, SAP must be assessed at the end of each payment period. For programs lasting more than one year, SAP must be assessed annually (corresponding with the end of a payment period). SAP must be measured cumulatively.

*Satisfactory Repayment Arrangement* For purposes of regaining eligibility for federal student aid funds, the agreement of an individual or borrower

to make a predetermined number of on-time, voluntary monthly payments on a defaulted loan, or an overpayment of federal student aid. For the purpose of consolidating a defaulted loan, the making of three consecutive, voluntary, on-time, full monthly payments on a defaulted loan. The required monthly payment amount may not be more than is reasonable and affordable based on the borrower's total financial circumstances. A borrower may only obtain the benefit of this paragraph with respect to renewed eligibility once.

**SAY** Scheduled Academic Year

*Scheduled Academic Year (SAY)* A traditional academic year calendar as published in a school's catalogue or other materials. An SAY is a fixed period of time that begins and ends at a fixed time and is used to measure annual loan limit progression.

*Scheduled Award (in the TEACH Program)* The maximum amount of a TEACH Grant that a full-time student could receive for a year.

*Scheduled Break* An interruption in training that appears on a school's published calendar. In the Return of Title IV Aid, institutionally scheduled breaks of five or more consecutive days are excluded from the Return calculation as periods of nonattendance and therefore do not affect the calculation of the amount of earned FSA program funds.

*Scheduled Federal Pell Grant Award (Scheduled Award)* The amount of a Federal Pell Grant which would be paid to a full-time student for a full academic year.

*School Closeout* The process of identifying and submitting any outstanding records for an award year and returning any money for which there are no records to substantiate its use.

*School Participation Divisions* Department of Education personnel in the regions and in Washington, DC, who are assigned a portfolio of schools. Each division is responsible for oversight functions for the schools in its portfolio. These functions include audit resolution, program reviews, financial statement analysis, initial eligibility and

recertification, and method of payment.

*School Serving Low-Income Students (low-income school) (in the TEACH Program)* An elementary or secondary school that

- ♦ is in the school district of a local education agency (LEA) that is eligible for assistance pursuant to Title I of the Elementary and Secondary Education Act (ESEA);
- ♦ has been determined by the Department to be a school in which more than 30 percent of the school's total enrollment is made up of children who qualify for services provided under Title I of the ESEA; and
- ♦ is listed in the Department's Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits. The Department considers all elementary and secondary schools operated by the Bureau of Indian Education (BIE) in the Department of the Interior or operated on Indian reservations by Indian tribal groups under contract or grant with the BIE to qualify as schools serving low-income students.

*School Transfer Profile* The information a school provides to the NSLDS pertaining to its participation in the Transfer Student Monitoring Process. The profile designates the school's contact, email address where Alert Notification Messages should be sent, and Inform and Alert options.

*Secondary Confirmation* A type of citizenship match test done by the Department of Homeland Security's Office of Citizenship and Immigration Services (USCIS) when primary confirmation does not satisfactorily resolve a student's status. If a student's eligible noncitizen status is not confirmed in DHS's automated Primary match, the student's record is held at DHS for up to three days to check other DHS databases for a match.

*Secondary School* A school that provides secondary education, as determined by (a) state law; or

(b) the Department, if the school is not in a state. However, state laws notwithstanding, secondary education does not include any education beyond grade 12.

*Section 529 Plans* Qualified tuition programs that offer tax benefits and enable individuals to save money for a student’s college education. They are covered in section 529 of the IRS tax code, hence the name.

*Segregation or Separation of Duties or Function* The requirement that schools must separate the functions of authorizing payment and disbursing or delivering funds so that no single person or office exercises both functions for any student receiving FSA funds. Separation of function is a preventive control.

*Selective Service* A federal agency system that collects the names of male U.S. citizens and male immigrant non-citizens between the ages of 18 and 25 on a list for potential conscription into the U.S. military. Males in this age group must register with Selective Service to receive Title IV aid. The CPS performs a match with the Selective Service System to determine if students are registered.

*Selective Service Match Flag* The result on a SAR/ISIR of the Selective Service (SS) match, which determines whether relevant applicants are registered with the SS.

*SE9W* A credit-hour program that has nonstandard terms which all terms are substantially equal in length, and each term is at least 9 weeks in length.

*SEOG* See *FSEOG*

*SEOG First Selection Group* Students with the lowest expected family contributions (EFC) who will also receive Pell Grants in an award year at a school. A school must make SEOG awards to all students in its first selection group before awarding SEOG funds to students in its second selection group.

*SEOG Second Selection Group* Students with the lowest EFCs who are not receiving Pell Grants. If

a school has SEOG funds remaining after making awards to all its Pell Grant recipients for the award year, it may make SEOG awards to students in the second selection group.

*Sequestration* An automatic spending reduction that takes place when the appropriation bills passed by Congress to provide for total government spending exceed the limits set by Congress.

Under sequestration, an amount of money equal to the difference between the cap set in the Budget Resolution and the amount actually appropriated is “sequestered” by the Treasury and not handed over to the agencies to which it was originally appropriated by Congress.

*SFA* Student Financial Aid

*Show-Cause Official* The designated Department official authorized to conduct a show-cause proceeding for an emergency action under 34 CFR 668.83.

*SID* Student Identifier in COD

*Significant Risk* An identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration.

*Simplified Acquisition Threshold* The dollar amount below which a non-Federal entity may purchase property or services using small purchase methods. The simplified acquisition threshold is set by the Federal Acquisition Regulation

*Simplified EFC Formulas* A variation of the regular EFC formulas that does not use assets in calculating the EFC. The simplified formulas are used when an independent student or a dependent student’s parents have income below a specific threshold (< \$50,000) and meet one of a group of other criteria, such as not needing to file a Form 1040 U.S. tax return. (See *Automatic Zero EFC*.) For a detailed explanation of Simplified EFC Formulas and Tests see the Higher Education Act, as amended, Part F, Section 479.

*Simplified Needs Test (SNT)* Synonymous for

Simplified EFC Formulas.

*Single Year (SY) Feature* The option that allows schools or borrowers not to use the Multi-Year Feature of the Master Promissory Note. If a school or borrower chooses to use this feature, a new promissory note must be signed each academic year.

*SME* Subject Matter Expert

*SNAP* Supplemental Nutrition Assistance Program

*SNT* Simplified Needs Test.

*SOA* Statement of Account

*Social Security Number (SSN)* A nine-digit number issued to U.S. citizens, permanent residents, and temporary (working) residents. Applicants submitting a FAFSA must have a valid Social Security Number. SSNs are matched with the Social Security Administration. Students from the Freely Associated States do not usually have SSNs, but may receive some forms of aid. See *Freely Associated States* for more information.

*SOO* Statement of Objectives

*SOW* Statement of Work

*SPD* School Participation Division

*Special Combat Pay* Pay received by a member of the Armed Forces because of exposure to a hazardous situation.

*Special Journals* Journals other than the general journal. Special or specialized journals include the cash receipts journal, the cash disbursements journal, the purchases journal, and the sales journal.

*Special Purpose Equipment* Equipment that is used only for research, medical, scientific, or other technical activities.

*Specified year* The calendar year preceding the first calendar year of an award year, i.e., the base year; or the year preceding the base year.

*Speech Language Pathologist with a Master's Degree*

An individual who evaluates or treats disorders that affect a person's speech, language, cognition, voice, swallowing and the rehabilitative or corrective treatment of physical or cognitive deficits or disorders resulting in difficulty with communication, swallowing, or both and has obtained a postgraduate academic degree awarded after the completion of an academic program of up to six years in duration, excluding a doctorate or professional degree.

*SPOC* Single Point of Contact

*SSA* Social Security Administration

*SSA Citizenship Code* Code on SAR indicating the results of the citizenship match with Social Security Administration (SSA). The data for this field comes from the SSA Citizenship Flag field in the ISIR record layout.

*SSAE* AICPA Statements on Standards for Audit Attestation Engagements

*SSI* Supplemental Security Income

*SSN* Social Security number

*SSN Match* A CPS data match performed to confirm a student's identity and citizenship status, as part of the process of establishing student eligibility. See *Social Security Number*.

*SSN/Name/Date of Birth Change Report* A report sent to all schools, separately for each program, whose students in the Pell Grant, Direct Loan, and TEACH Grant programs have had changes to their identifiers (SSN, name, or date of birth).

*SSS* Student Support Services (A Title IV TRIO program), also Selective Service System

*Stalking* Conduct directed at someone that would cause a reasonable person to fear for his or her safety or the safety of others or suffer substantial emotional distress.

*Standard of Conduct* In managing Title IV funds, a school must exercise the level of care and diligence required of a fiduciary.

*Standard Term* An academic or payment period

that is generally 15 to 17 weeks long. Semester-based academic calendars traditionally have two terms, in the fall and spring, and trimester-based academic calendars traditionally have three terms, in the fall, spring, and summer.

**State** A State of the Union, American Samoa, the Commonwealth of Puerto Rico, the District of Columbia, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. The latter three are also known as the Freely Associated States. An institution is physically located in a state if it has a campus or other instructional site in that state.

**State Education Agency** The State board of education; or an agency or official designated by the Governor or by State law as being primarily responsible for the State supervision of public elementary and secondary schools.

**Statement of Financial Position** One of the main financial statements of a nonprofit organization. This financial statement reports the amounts of assets, liabilities, and net assets as of a specified date. This financial statement is similar to the balance sheet issued by a company.

**Statutory Interest Rate** The maximum annual interest rate (under the Higher Education Act) that may be charged on a FSA loan.

**STEM** Science, Technology, Engineering and Math

**Stored-Value Card** A prepaid debit card that can be used to withdraw cash from an automated teller machine (ATM) or to purchase goods from a merchant. A school may use stored-value cards as a way to make direct payments to students of FSA credit balances. We distinguish a stored-value card from a traditional debit card by defining a stored-value card as not being linked to a checking or savings account.

**Student Aid Application** An application approved

by the Department and submitted by a person to have his or her EFC determined under the Federal Pell Grant, ACG, National SMART Grant, Federal Perkins Loan, FWS, FSEOG, Federal Stafford Loan, or William D. Ford Federal Direct Loan programs. See *Free Application for Federal Student Aid*.

**Student Aid Internet Gateway (SAIG)** The internet-based tool that allows Federal Student Aid trading partners to securely exchange batch data with Federal Student Aid Application Systems. Through SAIG, organizations are eligible to enroll to exchange and access data with

- ◆ CPS (ISIR batch data, FAA Access to CPS Online services)
- ◆ COD (Exchange Direct Loan, Pell Grant, Iraq Afghanistan Service Grant, TEACH Grant batch data, COD online services)
- ◆ FISAP (electronic Campus-Based system (eCB))
- ◆ NSLDS (Enrollment Rosters, Electronic Cohort Default Rate (eCDR), NSLDS online services)
- ◆ FMS (Lender Reporting System/Guaranty Agency Financial Reports)
- ◆ CSB (Direct Loan Delinquency Reports, Borrower Services)

**Student Aid Report (SAR)** A report provided to an applicant by the Department showing the applicant's FAFSA information and the amount of his or her EFC. SARs are the paper or electronic (eSAR) output documents that are sent to students or printed from the FAFSA on the Web and FAA Access to CPS Online Web sites. SARs and ISIRs contain the same processed student information in different formats.

**Student Ledger Account** A bookkeeping account maintained by a school to record the financial transactions pertaining to a student's enrollment at the school.

**Student Loan Interest Statement (1098-E)** Documentation of interest paid on a federal education loan provided by a financial institution, loan servicer, or school to the borrower.

**Student Services** Services that are offered to

students that may include, but are not limited to, financial aid, library, peer guidance counseling, job placement, assisting an instructor with curriculum-related activities, security, and social, health, and tutorial services. Student services do not have to be direct or involve personal interaction with students. For purposes of this definition, facility maintenance, cleaning, purchasing, and public relations are never considered student services.

*Student with an Intellectual Disability* A student with mental retardation or a cognitive impairment characterized by significant limitations in

- ◆ intellectual and cognitive functioning; and
- ◆ adaptive behavior as expressed in conceptual, social, and practical adaptive skills.

A student who is currently, or was formerly, eligible for special education and related services under the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. 1401), including a student who was determined eligible for special education or related services under the IDEA but was home-schooled or attended private school.

*Study Abroad Program* A program in which a student enrolled in a U.S. school takes classes at a foreign one. A participating institution may establish study-abroad programs for which students may receive FSA funds. A study-abroad program is eligible if the home school awards academic credit for it and students in it remain concurrently enrolled at their home school.

*Subsidiary Accounts* Accounts outside of the general ledger which provide the detail for the balance reported in a general ledger account. (The account in the general ledger is known as the control account.) The total of the subsidiary accounts or records must agree to the balance in the general ledger control account.

*Subsidiary Ledger* Record of the details to support a general ledger account. The general ledger account is often referred to as the control account. For example, the accounts receivable subsidiary ledger provides the details to support the balance in the general ledger control account Accounts Receivable.

*Subsidized Usage Period (Direct Loan)* A period

of time measured in academic years and rounded down to the nearest tenth of a year calculated as: (Number of days in the borrower's loan period for a Direct Subsidized Loan divided by number of days in the academic year for which the borrower receives the Direct Subsidized Loan).

*Substantial Gainful Activity* A level of work performed for pay that involves doing significant physical or mental activities or a combination of both. A student must have a certification from a physician that they are unable to perform such to be classified as totally and permanently disabled for Title IV purposes. See *Total And Permanent Disability Discharge*.

*Substantial Misrepresentation* Any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment.

*Substantially Equal in Length* Academic or payment periods are substantially equal in length if no period in the program is more than two weeks of instructional time longer than any other period in that program.

*Substantiate* The act of accounting for funds already drawn. In the COD Process, institutions can substantiate funds by sending in an Actual Disbursement Record.

*Successfully Complete* Earning a passing grade and completing the instructional time associated with the credit or clock hours.

*SULA* Subsidized Usage Limit Applies (in the DL Program)

*Supplemental Allocation* For the Campus-Based Programs, an additional amount of Campus-Based funds from the Department that is reallocated from the amount of unused Campus-Based funds returned from the previous award year by participating schools.

*Suspension (of participation)* The removal of

a school's or third-party servicer's eligibility to participate in the federal student aid programs, for a specified period of time or until the school or servicer fulfills certain requirements.

**Suspension Period** One of the award periods in G5. The suspension period is one month long and follows liquidation. Once an FSA program has entered the suspension period, no payment actions can take place without the approval of the program office. The Department program offices use this period to prepare for final closeout.

**SY** Single-Year feature of Direct Loan promissory notes

**System for Award Management (SAM)** A website operated by the General Service Administration's (GSA) Office of the Integrated Award Environment (IAE) that consolidates Central Contractor Registration (CCR), Online Representations and Certifications Application (ORCA), Federal Agency Registration (FedReg), and Excluded Parties List System (EPLS). An active SAM account is needed in order to submit an application for a federal grant, receive and manage federal funds, or to register as a vendor or federal contractor.

## T

**T1** Tier One

**T2** Tier Two

**T-account** A visual aid used by accountants to illustrate a journal entry's effect on the general ledger accounts. Debit amounts are entered on the left side of the "T" and credit amounts are entered on the right side.

**TANF** Temporary Assistance for Needy Families

**Tax Identification Number (TIN)** Unique nine-digit number assigned to a grantee organization and used to report activity to the Internal Revenue Service. In other words, the TIN is the grantee's social security number.

**TEACH** Teacher Education Assistance for College

and Higher Education

**TEACH Grant** See *Teacher Education Assistance for College and Higher Education (TEACH) Grant Program*

**TEACH Grant Counseling** The required process of advising a potential TEACH Grant recipient about the full nature of the TEACH program, the service agreement and their obligations based upon receiving a TEACH Grant.

**TEACH Grant-Eligible Institution** An eligible institution as defined in 34 CFR part 600, 34 CFR part 668, subpart L, or 34 CFR 668.175, and that also fulfills the requirements of 34 CFR 686.2.

**TEACH Grant-Eligible Program** An eligible program, as defined in 34 CFR 668.8, is a program of study that is designed to prepare an individual to teach as a highly qualified teacher in a high-need field and leads to a baccalaureate or master's degree, or is a post-baccalaureate program of study. A two-year program of study that is acceptable for full credit toward a baccalaureate degree is considered to be a program of study that leads to a baccalaureate degree.

**Teacher** A teacher is a person who provides

- ◆ direct classroom teaching;
- ◆ classroom-type teaching in a non-classroom setting; or
- ◆ educational services to students directly related to classroom teaching such as school librarians or school guidance counselors.

A supervisor, administrator, researcher, or curriculum specialist is not a teacher unless he or she primarily provides direct and personal educational services to students.

**Teacher (in the TEACH Program)** A person who provides direct classroom teaching or classroom-type teaching in a non-classroom setting, including special education teachers and reading specialists.

**Teacher Certification Coursework** Courses required for teacher certification or recertification in the state where the student plans to teach. Must be offered in credit or clock hours (courses using direct assessment in lieu of credit or clock-hour programs are not eligible). A student may be potentially eligible for Direct Loans, Perkins Loans, and a parent may receive Direct PLUS Loans on behalf of a student for at least one-half-time enrollment in teacher certification coursework, even if it does not lead to a degree or certificate. See also *Non-Credential Teacher Certification Program Coursework*.

**Teacher Education Assistance for College and Higher Education (TEACH) Grant Program** A grant program authorized by Title IV of the HEA under which grants are awarded by an institution to students who are completing, or intend to complete, coursework to begin a career in teaching and who agree to serve for not less than four years as a full-time, highly-qualified teacher in a high-need field in a low-income school. If the recipient of a TEACH Grant does not complete four years of qualified teaching service within eight years of completing the course of study for which the TEACH Grant was received or otherwise fails to meet the requirements of 34 CFR 686.12, the amount of the TEACH Grant converts into a Federal Direct Unsubsidized Loan.

**Teacher Preparation Program** (in the TEACH Program) A state-approved course of study, the completion of which signifies that an enrollee has met all the state's educational or training requirements for initial certification or licensure to teach in the state's elementary or secondary schools. A teacher preparation program may be a regular program or an alternative route to certification, as defined by the state. For purposes of a TEACH Grant, the program must be provided by an institution of higher education.

**Teaching in a Field of Expertise** The majority of classes taught are in the borrower's field of expertise.

**Teach-Out Plan** A written plan developed by an institution that provides for the equitable treatment of students if an institution, or an institutional location that provides 100 percent of at least one program, ceases to operate before all students have

completed their program of study, and may include, if required by the institution's accrediting agency, a teach-out agreement between institutions.

**Technological Risk** Risk is the possibility of harm or loss to any software, information, hardware, administrative, physical, communications, or personnel resource within an automated information system or activity.

**Telecommunications Course** A course offered principally through the use of television, audio, or computer transmission, including open broadcast, closed circuit, cable, microwave, satellite, audio conferencing, computer conferencing, video cassettes, or discs. The term "telecommunications" does not include a course that is delivered using video cassettes or disc recordings unless the institution also delivers comparable instruction offered on the cassettes or discs to students physically attending classes at the institution during the same award year. If the course offered in the manner described above does not qualify as a telecommunications course, it is considered to be a correspondence course.

**Temporarily Totally Disabled** The condition of an individual who, though not totally and permanently disabled, is unable to work and earn money or attend school, during a period of at least 60 days needed to recover from injury or illness. With regard to a disabled dependent of a borrower, this term means a spouse or other dependent who, during a period of injury or illness, requires continuous nursing or similar services for a period of at least 90 days.

**Termination** (of participation) The removal of a school's or third-party servicer's eligibility to participate in the federal student aid programs, for an indefinite period of time.

**Testing** (of controls) Verifying the effectiveness of controls in operation by determining if they are, in fact, operating as intended, meeting the control objectives, and reducing risks. Testing may take several forms including document analysis, transaction testing, observation, or interview.

**TFA** Two-Factor Authentication

*TFAP* Training for Financial Aid Professionals.

*TFCS* Treasury Financial Communications System

*TFM* Treasury Financial Manual

*Third-party In-kind Contributions* The value of non-cash contributions (i.e., property or services) that—(a) Benefit a federally assisted project or program; and (b) Are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.

*Third-party Servicer* Any individual, state, or private, for-profit or nonprofit organization that enters into a contract with

- ♦ any eligible institution of higher education to administer, through either manual or automated processing, any aspect of such institution's student assistance programs under this title; or
- ♦ any guaranty agency, or any eligible lender, to administer, through either manual or automated processing, any aspect of such guaranty agency's or lender's student loan programs, including originating, guaranteeing, monitoring, processing, servicing, or collecting loans.

*Three-Day Rule* A school must disburse FSA funds received under the advance payment method as soon as administratively feasible but no later than three business days following the date the school received those funds.

*Three-Quarter Time Student* An enrolled student who is carrying a three-quarter-time academic workload, as determined by the institution, that amounts to at least three quarters of the work of the applicable minimum requirement outlined in the definition of a full-time student.

*Tier One Arrangement* A financial contract between a school located in a state that has a contract with a third-party servicer under which

1. the servicer performs one or more of the functions associated with processing direct payments of Title IV, HEA program funds on behalf of the institution; and
2. the school or third-party servicer makes payments to—
  - One or more financial accounts that are offered to students under the contract;
  - A financial account where information about the account is communicated directly to students by the third-party servicer, or the institution on behalf of or in conjunction with the third-party servicer; or
  - A financial account where information about the account is communicated directly to students by an entity contracting with or affiliated with the third-party servicer.

*Tier Two Arrangement* A financial contract between a school located in a state and a third-party servicer such as a financial institution, or entity that offers financial accounts through a financial institution, under which financial accounts are offered and marketed directly to students enrolled at the institution.

*TIN* Taxpayer Identification Number

*Title I Children* Children ages 5 through 17 who are counted under section 1124(c)(1) of the Elementary and Secondary Education Act of 1965, as amended.

*Title IV, HEA or Federal Student Aid (FSA) Credit Balance* A credit balance that occurs whenever the amount of Title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period.

*Title IV, HEA Program* Financial aid programs for postsecondary students, authorized under Title IV of the Higher Education Act of 1965, as amended (Title IV, HEA) and administered by the U.S. Department of Education and listed in 34 CFR 668.1(c). Also known as the federal student aid programs.

*Title IV Recipient* A student who has actually received Title IV funds, or has met the conditions that entitle a student to a late disbursement.

*TIV* Title IV of the Higher Education Act (HEA)

*TO* Training Officer

*Total Eligibility Used* The sum of all Eligibility Used (EU) for the Award Year.

*Total and Permanent Disability Discharge* Loan discharge granted to a borrower who meets the definition of totally and permanently disabled.

*Total Income* Adjusted gross income plus untaxed income and benefits for the preceding tax year minus excludable income. For a detailed explanation of Total Income see the Higher Education Act, as amended, Part F, Section 480(a).

*Total Monthly Gross Income* The gross amount of income received by a borrower from employment (either full-time or part-time) and from other sources. It is used to determine the amount of the monthly payment a federal student aid loan borrower must make under certain repayment plans.

*Totally and Permanently Disabled* An individual who

- ♦ is unable to engage in substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death;
- ♦ has lasted for a continuous period of at least 60 months; or can be expected to last for a continuous period of at least 60 months;
- ♦ <sup>or</sup> has been determined by the Department of Veterans Affairs (VA) to be unemployable due to a service-connected disability.

*TPD* Total and Permanent Disability (usually modifies “discharge”)

*Trailer* A crossover term funded out of the preceding award year. See also *Header*.

*Transfer Student* A student who withdraws or graduates from one school and enrolls at another school. See also *Transfer Monitoring*.

*Transfer (student) Monitoring* Process through which schools send student information to NSLDS so schools can be notified of relevant changes to a student’s financial aid history and eligibility.

*Transfer Student Monitoring School Transfer Profile (in NSLDS)* A webpage that displays information about the school for the Transfer Student Monitoring process. The page includes how a school is set up to submit Inform files, length of time for monitoring, and designation for alert notifications. This information is provided and updated by school users, and must be completed prior to submitting your school’s first Inform.

*Transaction* Any submission to the CPS by a financial aid applicant or a school of an application or changes to it. Each transaction results in a new ISIR and SAR and is identified by a two-digit transaction number (for example, 01, 02, or 03). The initial FAFSA submission and SAR/ISIR for the award year is the first transaction and therefore has the transaction number 01.

*Transaction Receipt Date* The date the FAFSA processor or the CPS received the input information that generated the transaction. The Transaction Receipt Date changes with each new transaction. The date the FAFSA Processor or CPS received the initial submission of the FAFSA (the first transaction) is known as the Application Receipt Date and is fixed.

*Transfer of Campus-Based Funds* To help meet their students’ need, schools may transfer funds from certain Campus-Based Programs into certain other Campus-Based Programs. The Department’s permission is not required; however specific guidelines must be followed and reported on the FISAP.

*Trial Balance* A statement of open debit and credit accounts in a ledger to test their equality. The total of the amounts in the debit column should equal the total of the amounts in the credit column.

*TRDBV* Tax Return Database View

*Tribal College or University* An institution that

- ♦ qualifies for funding under the Tribally Controlled Colleges and Universities Assistance Act of 1978 or the Navajo Community College Assistance Act of 1978; or
- ♦ is cited in section 532 of the Equity in Education Land Grant Status Act of 1994.

*TSM* Transfer Student Monitoring

*Two-Year Rule for New Proprietary or Vocational Schools* The requirement that new proprietary or postsecondary vocational institutions must be legally authorized to give (and have continuously been giving) the same postsecondary instruction for at least two consecutive years prior to their application to participate in the Title IV programs.

*Two Plus Two Program* A partnership between a two-year and a four-year school that facilitates students completing the last two years of their four-year degree.

## U

*UCC* Uniform Commercial Code (as in UCC-1 Statement)

*UCC-1 Form* Document a school is required to submit when the account that holds a school's FSA funds does not include the phrase federal funds in its name. Public institutions are exempt from the requirement.

*UEH* Unusual Enrollment History

*Unbooked Loan* A Direct Loan that does not have an accepted actual disbursement and/or is not linked to an accepted Direct Loan Promissory Note.

*Unbooked TEACH Grant* A TEACH Grant that does not have an accepted actual disbursement or is not linked to a TEACH Grant *Agreement to Serve*.

*Undergraduate Student* A student who

- ♦ is enrolled in an undergraduate course of study that usually does not exceed four years, or is enrolled in a longer program designed to lead to a degree at the baccalaureate level. In general, a student is only considered an undergraduate for purposes of the Federal Student Aid programs if the student has not yet earned a baccalaureate or professional degree;
- ♦ has completed a baccalaureate program of study and who is subsequently completing a state-required teacher certification program;
- ♦ for purposes of dual degree programs that allow individuals to complete a bachelor's degree and either a graduate or professional degree within the same program, is in at least the first three years of that program; or
- ♦ is enrolled in a four to five year program designed to lead to an undergraduate degree. A student enrolled in a program of any other, longer length is considered an undergraduate student for only the first four years of that program.

*Unearned Aid* For Return of Title IV Funds purposes, the amount determined by subtracting the federal student aid earned by a student for the payment period or period of enrollment, as applicable, from the federal student aid disbursed to the student for that period.

*Unprocessed Deobligations* Negative available balances in the Pell Grant program that are generally created when a school submits disbursement decreases and those decreases cause the CFL to fall below the amount already sent to the school by G5.

*Unusual Enrollment History (UEH)* A field in NSLDS which alerts schools to a pattern of enrollment and/or award history for either Pell Grants or Direct Loans which is unusual. Depending on the UEH flag (possible values include “N”, “2”, and “3”), schools may be required to check the student’s academic records and take remedial action. If a student cannot provide compelling documentation for a failure to receive academic credit for periods in which they received Title IV funds, the student may lose Title IV eligibility. For more detail, see Volume 1, Chapter 3 of the FSA Handbook.

*U.S. Citizenship and Immigration Services (USCIS)* The federal agency that administers immigration and naturalization services within the United States. Formerly, the Immigration and Naturalization Service (INS).

*United States Code (USC)* Codification by subject matter of the general and permanent laws of the United States. It is divided by broad subjects into 50 titles and published by the Office of the Law Revision Counsel of the U.S. House of Representatives.

*Unqualified Opinion* A “clean” auditor’s report. That is, the auditor has concluded the financial statements present fairly, in all material respects, financial position, results of operations, cash flows in conformity with generally accepted accounting principles.

*Unobligated Balance* The amount of funds under a federal award that the non-federal entity has not obligated. The amount is computed by subtracting the cumulative amount of the non-federal entity’s unliquidated obligations and expenditures of funds under the federal award from the cumulative amount of the funds that the federal awarding agency or pass-through entity authorized the non-federal entity to obligate.

*Unliquidated Obligations* For financial reports prepared on a cash basis, obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-Federal entity for which an expenditure has not been recorded.

*Unsubstantiated Cash* Calculated as net cash at school (i.e. net excess cash returns) received for the award year, not including cash at schools for the last 15 days minus total accepted disbursements (booked disbursements for DL) for award year.

*Untaxed Income and Benefits* The term “untaxed income and benefits” includes

- ◆ child support received;
- ◆ workman’s compensation;
- ◆ veteran’s benefits, such as death pension, dependency, and indemnity compensation, but excluding veterans’ education benefits;
- ◆ interest on tax-free bonds;
- ◆ housing, food, and other allowances (excluding rent subsidies for low-income housing) for military, clergy, and others (including cash payments and cash value of benefits);
- ◆ cash support or any money paid on the student’s behalf, except, for dependent students, funds provided by the student’s parents;
- ◆ untaxed portion of pensions;
- ◆ payments to individual retirement accounts and Keogh accounts excluded from income for federal income tax purposes; and
- ◆ any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, or railroad retirement benefits, or benefits received through participation in employment and training activities under Title I of the Workforce Investment Act of 1998.

*Usability Testing* Measuring how well people can use some human-made object (such as a web page, or a computer interface) for its intended purpose.

*USC* United States Code

*USCIS* U.S. Citizenship and Immigration Services in Department of Homeland Security

## V

**VA** U.S. Department of Veterans Affairs

**Valid Institutional Student Information Record (valid ISIR)** An ISIR on which all the information reported on a student's FAFSA is accurate and complete as of the date the application is signed.

**Valid Student Aid Report (valid SAR)** A SAR on which all of the information reported on a student's FAFSA is accurate and complete as of the date the application is signed.

**Variable Interest Rate** An interest rate on a loan that fluctuates over the term of a loan on the basis of changes in an index that reflects changes in market rates.

**VAT** Value Added Tax

**VDC** Virtual Data Center

**Verification** The process under which an applicant's FAFSA information is selected by the Department or a school and determined to be accurate (true and complete within certain parameters) or inaccurate.

**Verification Flag** Code on a SAR/ISIR transaction indicating that a student has been selected for verification. After the student is selected, he or she is always selected for the current processing year. This data comes from the Student Is Selected for Verification field in the ISIR record layout.

**Verification Selection Flag** The field on the SAR/ISIR that identifies a correction transaction that is selected for verification when the transaction being corrected was not initially selected for verification. This field is always blank on an initial transaction. This flag is set to Y only on the correction transaction that is initially selected for verification. If the Verification Selection Flag is set from the previous transaction, this field is blank.

**Verification Status Code** The code (V, W, S, or blank) that must be reported in the COD system for students who receive Pell grants, regardless of whether they are selected for verification.

**Veteran** Any individual who

- ♦ has served on active duty in the United States Army, Navy, Air Force, Marines, or Coast Guard (other than for training purposes); and
- ♦ was released under a condition other than dishonorable.

**Veterans' Education Benefits** Benefits associated with his or her service that a student who is also a veteran will receive during the award year. For a detailed explanation of *Veterans' Education Benefits* see the Higher Education Act, as amended, Part F, Section 480(c).

**Voluntary Payments** Payments made directly by a borrower or a student who owes a federal student aid debt and that do not include payments obtained by federal offset, garnishment, or income or asset execution.

## W

**Waiver** Relief from an obligation, e.g., to pay tuition, fees, or other institutional charges; or to fulfill an administrative requirement.

**WBT** Web-Based Training

**Weakness (in controls)** An organization's inability to fulfill a responsibility or fully realize the benefit of a control. Weaknesses may be identified internally through self-examination or by an external organization and stated as a recommendation. Depending on the severity, it may be reported to the next level of management. Each material weakness requires a corrective action plan. (See *Material Weakness*.)

**Web-Based Architecture** Composed of services and technologies that enable applications to function in an internet and/or intranet environment through a web browser user interface.

*Week of Instructional Time* Any period of seven consecutive days in which one day of regularly scheduled instruction, examination, or (after the last day of classes) at least one scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination.

*Willingness to Repay* When selecting Perkins Loan recipients, a school must consider evidence of a borrower's willingness to repay the loan. Delinquency, default, or other failure to meet obligations on a previous loan is evidence that the borrower is unwilling to repay a loan. Loans discharged in bankruptcy may be considered evidence of being unwilling to repay a loan. Schools may also consider a student's credit history in determining willingness to repay.

*Withdrawal* To cease attendance in all Title IV eligible classes in a payment period or period of attendance, as applicable. A student is considered to have withdrawn from a payment period or period of enrollment if

- ♦ in the case of a program that is measured in credit hours, the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete;
- ♦ in the case of a program that is measured in clock hours, the student does not complete all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete; or
- ♦ for a student in a non-term or nonstandard-term program, the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence, as defined later in this chapter.

*Withdrawal Date* The date a student ceases attendance (drops or withdraws) from all his or her Title IV eligible courses in a payment period or period of enrollment.

*Withdrawal Rate* The percentage of a school's students who officially withdraw, unofficially drop out, are expelled, or receive a 100% refund of their tuition and fees. Withdrawing from one or more courses (e.g., reducing credit hours from 12 to 6) or programs but not entirely from the school does not meet the definition of a withdrawal. Instead, this action is considered a change in enrollment status. Schools seeking to participate in an FSA program for the first time must have an undergraduate withdrawal rate for regular students of no more than 33% during the last completed award year.

*Work College* An eligible institution that

- ♦ is a public or private nonprofit, four-year, degree-granting institution with a commitment to community service;
- ♦ has operated a comprehensive work-learning-service program for at least two years;
- ♦ requires resident students, including at least one-half of all students who are enrolled on a full-time basis, to participate in a comprehensive work-learning-service program for at least five hours each week, or at least 80 hours during each period of enrollment, except summer school, unless the student is engaged in an institutionally organized or approved study abroad or externship program; and
- ♦ provides students participating in the comprehensive work-learning-service program with the opportunity to contribute to their education and to the welfare of the community as a whole.

*Working Papers* Written records kept by an auditor of procedures applied, tests performed, information obtained, and pertinent conclusions in the engagement.

*Write-off* An action to remove an amount from an entity's assets. Costs incurred that have no future utility are charged (written-off) to an expense or loss account, not carried forward as an asset. A write-off of a loan occurs when an official determines, after all appropriate collection tools have been used, that no further collection activity is warranted. Active collection on an account ceases, and the account is removed from an entity's receivables.

WWW World Wide Web

## Y

YTD Year to Date

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# Technical Resources and Assistance



*While nongovernmental organizations and their publications often provide useful information, following the guidance they offer provides no defense in the case of audit and program review findings. For authoritative guidance on the Federal Student Aid program requirements, schools should refer first to Department of Education publications, and then to broader U.S. Government publications.*

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This chapter is intended for those who are not financial aid professionals. Rather, it is intended for the occasional visitor—non-federal auditors, state auditors, state attorneys general, and business office employees who sometimes need assistance in navigating Federal Student Aid’s offices and websites.

## **INFORMATION FOR FINANCIAL AID PROFESSIONALS (IFAP)**

The Information for Financial Aid Professionals (IFAP) Website consolidates guidance, resources, and information related to the administration and processing of Title IV federal student aid into one online site for use by the entire financial aid community. Please note: we have omitted references to certain sections and items not relevant to business offices, so viewing IFAP online may look slightly different for certain sections and information on the IFAP website. IFAP contains more information than is presented in this Appendix. You can find IFAP at:

**<https://ifap.ed.gov/ifap/>**

Below is an overview of the IFAP website. Here, we identify the areas on IFAP most helpful to the business office. You will find the main headings within tool bars at the top and left side of IFAP and within the boxes in the middle of the home page.

- ◆ **Getting Started**—This section provides an introduction to the IFAP Website for new users and others who want assistance in using IFAP. FSA hopes that it will be particularly helpful to those new to financial aid by showing what information is available and where it can be found. It highlights what you

need to know about accessing the many electronic systems that institutions must use to participate in the Federal Student Aid programs and provides information about obtaining guidance and training in the administration of the programs.

- ◆ **What's New**—The What's New area on IFAP lists all of the items posted to the IFAP Website within the past 14 days. You may click on each link to access the file directly.
- ◆ **Calendar**—The Federal Student Aid Calendar is a helpful tool to view the current FSA conferences, trainings, deadlines or other events. To view the most recent items posted to the FSA Calendar, please click on the New Calendar Entries from the Calendar submenu above.

By default, this page will display today's calendar items. Click the left or right arrows on the calendar to view items from past or future months. Click a specific date on the calendar to view items relative to that date. If you'd like to narrow your calendar item results further, please use the query tools provided below and click the "VIEW" button.

- ◆ **My IFAP**—Through My IFAP you can receive weekly updates to the Information for Financial Aid Professionals (IFAP) Website. Sections within My IFAP include:
  - Login
  - New User Registration
  - Help with My IFAP
- ◆ **iLibrary**—The iLibrary page contains a large number of FSA documents, sorted by Program type (i.e. Federal Pell Grant, Direct Loan program, etc), Functional type (Cash Management, Training, Verification, Foreign Schools, etc), and by Document type (Federal Registers, COD documents, etc).
- ◆ **Training**—Federal Student Aid is pleased to provide you with a variety of ways to obtain training on many topics. You can click on one of the 4 catalog boxes to find training by topic, online training through the e-learning catalog, a catalog of instructor-led training, and materials from past presentations. You can also refer to the training announcements and training calendar on this page.
- ◆ **Help**—Here are some helpful tools to help you navigate through the IFAP Web site. If you need further assistance, you may contact the Web Communications Team via e-mail by either using the Feedback page or sending an e-mail directly to [ifap@ed.gov](mailto:ifap@ed.gov).
- ◆ **Feedback**—You may use one of the options on this page to assist you if you have a question related to Federal Student Aid Title IV policy or if you have a question or suggestion about the IFAP Web site or My IFAP.

Major subpages on IFAP include:

- ◆ Tools for Schools
- ◆ Publications
- ◆ Worksheets, Schedules and Tables
- ◆ Processing Resources

### Tools for Schools

On the Tools for Schools page on IFAP, Federal Student Aid offers online training resources to assist those who work with the Title IV federal student aid programs, software and systems.

**[ifap.ed.gov/ifap/toolsforschools.jsp](https://ifap.ed.gov/ifap/toolsforschools.jsp) (or click on the “Tools for Schools” graphic box in the center column on the IFAP home page)**

Examples of tools include:

- ◆ Conference Presentations—Here you can find Federal Student Aid presentations given at various conferences.
- ◆ EDEXpress Training—This self-paced online course provides step-by-step lessons on EDEXpress functionality, including software setup for the Pell Grant, Direct Loan, and TEACH Grant modules.
- ◆ FSA Assessments—FSA Assessments helps schools with compliance and improvement activities and contains links to applicable laws and regulations.
- ◆ FSA Coach (Web-Based training)—Coach is a comprehensive, introductory course on school requirements for administering the Federal Student Aid programs. The 37 lessons can be completed individually, allowing you to tailor the training to your specific needs.
- ◆ Net Price Calculator—Each postsecondary institution that participates in Title IV federal student aid programs must post a net price calculator on its website to provide estimated net price information to current and prospective students and their families based on a student’s individual circumstances.
- ◆ Financial Literacy Guidance—is designed to help counselors and mentors assist postsecondary students with developing the skills necessary to make informed financial decisions—especially in regard to the student loan process. Financial literacy education can provide an understanding of how to manage personal finances, establish financial goals, and form a plan to reach them. Topics covered include—key student loan concepts, good financial habits, and tools and resources available to help communicate these concepts to students.

### Federal Student Aid Glossary

The FSA Glossary is a comprehensive listing of the many terms of art as they are defined in the federal student aid context.

<https://ifap.ed.gov/ifap/helpGlossary.jsp>

### Financial Aid Toolkit

The financial aid toolkit website has a variety of tools and resources that help schools and students learn about financial aid programs.

<https://financialaidtoolkit.ed.gov/tk/resources.jsp>

### Social Media Resources

Federal Student Aid offers a variety of information via social media from the following sources

**YouTube:** <https://www.youtube.com/user/FederalStudentAid>

**Twitter:** <https://twitter.com/FAFSA>

**Facebook:** <https://www.facebook.com/FederalStudentAid>

- ◆ ISIR Analysis Tool—The ISIR Analysis Tool is designed to help schools conduct an in depth analysis of applicant populations in order to help them understand the effectiveness of their own verification procedures in targeting data elements and students most likely to correct applicant information.

### Publications

The Publications page on IFAP lists publications developed by FSA to assist in the administration of the Title IV federal student aid programs. They are located at:

**[ifap.ed.gov/ifap/publications.jsp](http://ifap.ed.gov/ifap/publications.jsp) (or click on the “Publications” graphic box in the center column on the IFAP home page)**

There are two types of publications listed here – General Publications and Processing Publications. General program-related publications (i.e. giving policy guidance) are found under General Publications. Processing-related technical publications are under Processing Publications.

Examples of General Publications include:

- ◆ Accrediting Agencies: List and Criteria for Recognition
- ◆ Audit Guidance
- ◆ Campus-Based Awards
- ◆ Cohort Default Rate Guide
- ◆ Cohort Default Rate Guide for Lenders and Guaranty Agencies
- ◆ Counselors and Mentors Handbook
- ◆ Federal School Code List
- ◆ Federal Student Aid Handbook
- ◆ FFEL Special Allowance Rates
- ◆ FFEL Variable Interest Rates
- ◆ FSA New School Guide
- ◆ Gainful Employment Operations Manual
- ◆ Perkins Cohort Default Rates (Orange Book)
- ◆ Program Review Guide

Examples of processing publications include:

- ◆ Application Processing System Specifications for Software Developers

- ◆ COD Technical Reference
- ◆ COD XML Schema
- ◆ EDE Technical Reference
- ◆ EFC Formula Guide
- ◆ FISAP Form and Instructions
- ◆ FISAP Technical Reference
- ◆ ISIR Guide
- ◆ SAR Comment Codes and Text
- ◆ School Electronic Process Guide
- ◆ Student Web Application Products Process Guide
- ◆ Summary of Changes for the Application Processing System

### **Worksheets, Schedules, and Tables**

This page includes Federal Student Aid developed worksheets, schedules, and tables to assist in the administration of the Title IV federal student aid programs, including:

- ◆ Student Aid Eligibility Worksheets
- ◆ EFC Formula Worksheets and Tables
- ◆ Pell Grant Payment and Disbursement Schedules
- ◆ Return of Title IV Aid Worksheets
- ◆ Format for Referring Overpayments to Borrower Services
- ◆ Verification Worksheets

The Worksheets, Schedule, and Tables page is located at:

<https://ifap.ed.gov/ifap/wst.jsp> (or click on the “Worksheets, Schedules & Tables” graphic box in the center column on the IFAP home page)

### **Processing Resources**

This page has information on Application processing, which refers to the process through which the Free Application for Federal Student Aid (FAFSA) is evaluated and results are returned to students and institutions. Federal Student Aid maintains compilations of resource information to assist in processing Title IV federal student aid. The resources are categorized as follows:

- ◆ Application Processing Electronic Announcements
- ◆ Campus-Based Processing Information
- ◆ Grant and Direct Loan (COD) Processing Information
- ◆ FAFSA and SAR Materials
- ◆ NSLDS Reference Materials

The Processing Resources page is located at <https://ifap.ed.gov/ifap/ref.jsp> (or click on the “Processing Resources” graphic box in the center column on the IFAP home page)

### Third Party Servicers



The Third Party Servicers page on IFAP provides the most updated information pertaining to responsibilities and requirements for institutions of higher education that enter into contracts with third-party servicers. The Third Party Servicers homepage on IFAP can be found at: <https://ifap.ed.gov/ThirdPartyServicerInfo/ThirdPartyServicerIndex.html>.

Some of the Third Party Servicer subpages which are available on IFAP:

- ◆ Third Party Servicer FAQ
- ◆ Third Party Servicer Dear Colleague Letters
- ◆ Third Party Servicer Resources

We encourage institutions to review the regulations governing an institution’s use of third-party servicers at 34 CFR 668.2 (definition of third-party servicer), 34 CFR § 668.23, and 34 CFR § 668.25.

## FSA DOWNLOAD FOR SOFTWARE AND MANUALS

If you need to download any of Federal Student Aid’s software and associated documents or technical references and guides, you can do so at the U.S. Department of Education’s Federal Student Aid Download (FSAdownload) Website, located at: [fsadownload.ed.gov/](https://fsadownload.ed.gov/)

Examples of technical references and guides include:

- ◆ COD Technical Reference
- ◆ CPS Test System
- ◆ EDExpress Packaging Technical Reference
- ◆ Electronic Data Exchange Technical Reference
- ◆ ISIR Guide
- ◆ Perkins TEF File
- ◆ Renewal FAFSA Process Guide
- ◆ SAR/ISIR Comment Codes and Text
- ◆ Summary of Changes to the Application Processing System.

Examples of software and associated documents include:

- ◆ Direct Loan Tools
- ◆ EDExpress
- ◆ EDconnect Message Class Table
- ◆ GA DataPrep
- ◆ NSLDS GA Loan Discharge Submittal
- ◆ NSLDS Enrollment Submittal
- ◆ NSLDS Exit Counseling Submittal
- ◆ NSLDS Gainful Employment Submittal
- ◆ NSLDS Teacher Loan Forgiveness Submittal
- ◆ NSLDS Perkins Loan Submittal
- ◆ Perkins DataPrep
- ◆ SAIG Mailbox Software & Manuals
- ◆ SUN Java Runtime Environment.

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### DL Tools for Windows

<https://fsadownload.ed.gov>

DL Tools for Windows is Volume IV of the COD Technical Reference. It covers external import record layouts and other information for systems administrators and is available for download at the fsadownload website.



### School Participation Division

In addition to directly entering the URL provided, you can also get there through IFAP. From the home page of [ifap.ed.gov](http://ifap.ed.gov), go to the top horizontal gray tool bar and select Help. Within the Help menu select Contact Information. Within Contact Information select Federal Student Aid Offices. The School Participation Division is the last office listed.

## SCHOOL PARTICIPATION DIVISION

Call the appropriate School Participation Division for information and guidance on audit resolution, financial analysis, program reviews, technical assistance, and school and program eligibility/recertification. You can find contact information for the regional offices of the School Participation Division at:

**<https://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division>**

### *The Electronic Version of the Application for Approval to Participate in the Federal Student Financial Aid Programs*

Postsecondary institutions use the e-App to apply for designation as an eligible institution, initial participation, recertification, reinstatement, change in ownership, or to update a current approval. Updates include changes such as, but not limited to: name or address change, new location or program, increased level of offering, change of officials, or mailing address for publications. Find the e-App at: [eligcert.ed.gov/](http://eligcert.ed.gov/)



### FSATech Listserv

By subscribing to this listserv, financial aid professionals can get answers to their technical questions about FSA's software or systems. They will also automatically get news flashes about processing and software issues. [www2.ed.gov/offices/OSFAP/services/fsatechsubscribe.html](http://www2.ed.gov/offices/OSFAP/services/fsatechsubscribe.html)

In addition to directly entering the URL provided, you can also get there through IFAP. From the home page of [ifap.ed.gov](http://ifap.ed.gov), go to the left side vertical gray tool bar and select System & Processing Links—Application. Within the drop down menu FSATech Listserv is the fifth tag.

### *Training Officers and Institutional Improvement Specialists*

Training officers provide local, regional, and national training on a wide variety of Title IV topics. Training venues include financial aid associations, state organizations, Department of Education national conferences, Department of Education online training, and Fundamentals workshops for new schools and financial aid staff. In addition, training officers provide direct assistance to schools by answering questions, conducting research, and distributing information. Though training officers train on Federal statute and law and the Federal Student Aid (Title IV) programs, each training officer resides in and exclusively serves a particular region made up of specific states. Due to state and school system differences, concentration of certain types of institutions and general workload issues, we encourage schools to contact those training officers located within their region for assistance (see the School Participation Division link above).

Institutional Improvement Specialists (IIS) are part of the regional School Participation Teams (SPTs). SPTs work with institutional eligibility, resolve institutional independent audits, review school financial statements, conduct TIV program reviews, and provide technical assistance. IIS assist schools within their regions that are beginning their participation in the federal student aid programs. They conduct technical assistance visits (on-site and off-site), provide one-on-one training, and answer general questions. In addition, an IIS might work closely with schools to resolve eligibility, audit, and/or financial concerns.

## FSAPUBS

The FSAPubs website ([www.fsapubs.gov](http://www.fsapubs.gov)) allows schools to find electronic publications that can be saved and/or printed. Schools can login to the site by using their OPE ID for functions such as viewing their order history, managing their account and viewing their shopping cart.

## CENTERS FOR SERVICE

The U.S. Department of Education provides multiple service centers that can help you manage your school's participation in the federal student aid programs. We have provided the necessary contact information for these centers as well as a brief description to help you identify the contact center that will serve your needs. You can find a quick reference guide to our Service Centers at:

[ifap.ed.gov/docs/CallQRef.pdf](http://ifap.ed.gov/docs/CallQRef.pdf)

Where to Find Information about Federal Student Aid Offices		
Service Center	Description	Contact Info Page
Conferences	To ask a question or make a comment about an FSA conference, visit this site.	Conferences
Default Prevention Assistance	This website provides information and assistance with encouraging student loan repayment, addressing delinquent repayment when it occurs, reducing the risk of borrower default, and managing cohort default rates.	Default Prevention
Experimental Sites Initiative	Schools that participate as experimental sites test the outcomes of modifying specific components of the laws and regulations governing the awarding of Title IV aid. The Department uses the results of these experiments to guide regulatory policy changes and propose legislative changes that will enhance program integrity, improve student outcomes, and reduce administrative burden. For information about participating in the Experimental Sites Initiative, visit this site.	Experimental Sites
Operations Performance Division	Visit this site if you have questions about cohort default rates or appeals and adjustments, or assistance with challenges and data corrections to default rate data.	Operations Performance Division
School Participation Division	Call the appropriate School Participation Division for information and guidance on audit resolution, financial analysis, program reviews, and school and program eligibility/recertification.	School Participation Division

<b>Where to Find Information about Services for Schools</b>		
<b>Service Center</b>	<b>Description</b>	<b>Contact Info Page</b>
Campus-Based Call Center	Visit this center if you have questions about the Campus-Based Programs, the FISOP/FISAP or Federal Perkins Loan cohort default rates.	Campus Based
Closed School Contacts	This website can help answer your questions about school closures, unpaid refunds, and poor quality of education/student services.	Closed Schools info
COD School Relations Center	They provide assistance with processing Pell/Iraq and Afghanistan Service Grants, TEACH Grants, and Direct Loans.	COD School Relations Center
CPS/SAIG Technical Support and the Two Factor Authentication (TFA) Support Center	Answers your questions about the Central Processing System (CPS), the Student Aid Internet Gateway (SAIG), Web products such as FAA Access to CPS Online, help with software products such as EDconnect and EExpress, and TFA.	CPS/SAIG Technical Support
eZ-Audit	For help submitting financial statements and compliance audits online.	eZ-Audit
Foreign School Contacts	Foreign schools that need help with institutional eligibility, Direct Loan setup and processing, SAIG, publications and school Assessments can get that help here.	Foreign Schools
G5 Hotline	Get help with G5, the Department of Education's electronic system for grants management and payments.	G5 FAQ and contact info
Health Education Assistance Loan (HEAL) Program for Lenders and Lender Servicers	Contact for information and assistance related to the Health Education Assistance Loan (HEAL) Program.	HEAL for Lenders & Servicers
Direct Loan Consolidation for Loan Holders and Servicers	For answers to questions related to the Direct Consolidation Loan application process visit this page.	DL Consolidation for Loan Holders & Servicers
National Student Loan Data System (NSLDS)	The NSLDS Customer Support Center provides assistance with NSLDS functions including: enrollment reporting, exit counseling completion, loan history/detail online enrollment reporting, overpayments, transfer student monitoring, and school website access.	NSLDS
Total and Permanent Disability Discharge and Veterans Disability Discharge	Contact for information and assistance with the disability discharge process.	TPD & Veterans Disability Discharge
Loan Servicing Centers for Schools	For questions about loan repayment or other loan servicing issues, a school should contact the appropriate loan servicing center.	Loan Servicing for Schools
For a complete list of contact information, visit the IFAP contact information page		

<b>Where to Find Information about Services for Students</b>		
<b>Service Center</b>	<b>Description</b>	<b>Contact Info Page</b>
Borrower Defense Hotline	For general information about borrower defense to repayment, visit the StudentAid.gov Web site at StudentAid.gov/borrower-defense. For additional assistance with questions related to borrower defense to repayment, use the contact information listed below.	Borrower Defense Hotline (see bottom of page)
Default Resolution Group	This service center provides assistance to borrowers with defaulted federal education loan debt and federal student aid grant recipients who owe overpayments.	Default Resolution Group
Federal Student Aid Information Center (FSAIC)	The FSAIC provides parents and students with information and assistance (in English and Spanish) about the FAFSA application process and ED's grant and loan programs.	FSAIC
Health Education Assistance Loan (HEAL) Program for Borrowers	Provides information and assistance to borrowers who received HEAL Program loans between 1978 and 1998.	HEAL Info
Loan Consolidation Information Center	Borrowers who are interested in consolidating their federal student loans should contact this center for information and technical assistance.	Loan Consolidation
The FSA Ombudsman Group	Individuals who have exhausted all other customer service avenues can often get help from the Ombudsman.	FSA Ombudsman Group
Loan Servicing Centers for Students	For questions about loan repayment or other loan servicing issues, a borrower should contact his or her loan servicing center.	Loan Servicing Centers
For a complete list of contact information, visit the IFAP contact information page		



# Actions a School Can Take When a Current Student Dies

*When a student who has an FFEL Loan, Direct Loan, or Perkins Loan dies, their loans are discharged. Here we describe how a school should proceed when a currently enrolled recipient of federal student aid dies, including discharge procedures and documentation requirements.*

## WHEN A STUDENT (WHO HAS OUTSTANDING FEDERAL STUDENT LOAN OBLIGATIONS) DIES

The regulations governing Perkins Loans (including Defense Loans and NDSL loans), FFEL program loans, and Direct Loans (including a Direct Unsubsidized Loan which results from the failure to complete the TEACH Grant Agreement to Serve) provide for discharge of a borrower's obligation to repay those loans if the borrower dies (including a Direct Parent PLUS Loan borrower's obligation to repay a Direct PLUS Loan if the student on whose behalf the parent borrowed dies).

If a student has died, the school should contact the loan servicer to ensure the servicer has any relevant information in the school's possession. Unless the deceased has an outstanding Perkins Loan, a school is not responsible for gathering the information need to discharge a borrower's outstanding loans. However, many schools choose to take an active part in order to provide support to the borrower's family and remove the borrower from the school's cohort.

If a school has information that a current or former student who has an current federal student loan obligation has died, the school may try to obtain an original or certified copy of the borrower's death certificate, or an accurate and complete photocopy of the original or certified copy of the death certificate, and provide the death certificate to the holder of the student's loans.

### Documentation required for discharge of a federal student loan when a student dies

In order to discharge the unpaid balance of a Perkins Loan (including NDSL and Defense loans), FFEL program loan, or Direct Loan, except in exceptional circumstances and on a case-by-case basis, the loan holder or servicer must obtain an original or certified copy of a death certificate or an accurate and complete photocopy of the original or certified copy of the death certificate.

34 CFR 674.61(a)  
34 CFR 682.402(b)  
34 CFR 685.212

### Returning loan funds when a student dies

A school that has to return Direct Loan funds because a student has died should always return them using G5.

## CPS Match with the U.S. Social Security Administration

The Social Security numbers of applicants currently in Federal Student Aid's Central Processing System (for all award years currently being processed) are matched weekly against SSA records. If the Social Security number entered in Item 8 of the FAFSA matches that of a deceased person in the SSA records, the CPS will send a new ISIR to all schools indicated on the student's FAFSA. The new ISIR will include Comment Code 076 and the comment text:

*Social Security Administration (SSA) records indicate that the Social Security Number (SSN) that was provided in Item 8 belongs to a deceased person. If the SSN is correct, the applicant must contact the SSA at 1-800-772-1213 or [www.ssa.gov](http://www.ssa.gov) to resolve this problem. If the SSN is incorrect, the applicant must correct the SSN on a paper SAR or submit a new FAFSA online with the correct SSN.*

If a school receives an ISIR that contains Comment Code 076, it must treat the ISIR as conflicting information.

### Enrollment Reporting When a Current Student Has Died

If a school has obtained a copy of the death certificate for a current student, the school must update the student's status in NSLDS. If the school is due to perform its regular Enrollment Status Reporting within the next 14 days, the school may use that process to update the student's status. If the school's regular Enrollment Reporting is more than 14 days in the future, we recommend that the school manually update the student's enrollment status on the NSLDS Professional Access Web site at [www.nslsdfap.ed.gov/nslsdfap/](http://www.nslsdfap.ed.gov/nslsdfap/) (under the Enrollment reporting tab) to a status of "D."

## WHEN A SCHOOL RECEIVES INFORMATION THAT A STUDENT HAS DIED

If, during the school year, a school receives information that a current recipient of Title IV aid has died, the school must determine the validity of that information. Until the school has determined whether or not the student remains in attendance, the school may not make additional disbursements of Title IV aid to the student (including releasing any Title IV credit balance that might exist on the student's account).

In order to properly document the claim (see the "Documentation required for discharge..." section below), and to avoid causing distress to a student's family and friends based on an inaccurate report of a student's death received by the school, the school should first make internal inquiries and consult public information sources when investigating a claim that a student has died. If there is no local newspaper report of a student's death, a school can conduct an online search of the student's hometown newspaper and the newspapers where the death was reported to occur.

Internally, a school should get attendance reports from the faculty in whose classes the student is currently enrolled. If the student lives/lived on campus, the school should contact the appropriate residence hall staff to see what information the staff possesses. Faculty members and residence hall staff should be told that if the student is present, it is critical the student call or visit the financial aid office to dispute the claim of being deceased. A school can also contact the vital records office for the student's home state (a list is available at [www.cdc.gov/nchs/w2w.htm](http://www.cdc.gov/nchs/w2w.htm)) and ask about the possibility of obtaining a death certificate and the steps for doing that; paying a fee is typically also required.

The school should also write the student at the local USPS mailing address/residence of record and at any electronic address available (email and social media) to inform the student that it will not be making further disbursements of financial aid to the student until he or she calls or visits the financial aid office.

A school should complete its internal attempt to resolve the report of the student's death within 30 days. After 30 days, if the school has not resolved the report of the student's death, a school should seek information from the student's family (named on the FAFSA if the student is dependent or married) and any references the student provided during entrance counseling (if the student is a recipient of a federal student loan).

A school that is unable to confirm a student’s death must make a determination that the student is no longer in attendance (has withdrawn) 30 days after the end of the earlier of the:

- ◆ payment or enrollment period;
- ◆ academic year in which the student was enrolled;
- ◆ educational program in which the student was attending.

A school must return any Title IV funds required under 34 CFR 668.22 as soon as possible but no later than 45 days after the date school determined student withdrew. For more details on the procedures and requirements of returning aid, see the FSA Handbook, Volume 5, Chapter 1.

### *Withdrawal date when a student dies*

If a school that is not required to take attendance is informed that a student has died, it must determine the withdrawal date for the student under 34 CFR 668.22(c)(1)(iv). This section provides that if the institution determines that a student did not begin its withdrawal process or otherwise provide official notification of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student’s control, the withdrawal date is the date that the institution determines is related to that circumstance.

The withdrawal date can be no later than the date of the student’s death. For an institution that is required to take attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the school’s attendance records. **The school must maintain the documentation it received that the student has died** (see the “Documentation required...” section below for specific requirements) and determine an appropriate withdrawal date.

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### **Discharge when a student dies**

Defense, NDSL, Perkins: 34 CFR 674.61

FFEL Loan: 34 CFR 682.402(b)

Direct Loan: 34 CFR 685.212(a)

TEACH Grant: 34 CFR 686.42(a)

When a student fails to fulfill their TEACH Grant Agreement to Serve, their TEACH Grant converts into a Direct Unsubsidized Loan. A deceased student has their TEACH Grant Agreement to Serve discharged, or, if their grant has already been converted to an Unsubsidized Direct Loan, the Direct Loan is discharged.

## *Documentation required for discharge of a federal student loan when a student dies*

### **Clarification**

#### **When a deceased student has earned FWS income**

A school may deliver any FWS income earned by a deceased student to the student's estate.

#### **Default Resolution Group**

U.S. Department of Education  
Default Resolution Group  
P.O. Box 5609  
Greenville, TX 75403-5609

903-259-3877

Department of Education's  
On-Site Monitor  
at Default Resolution Group

903-259-3915

In order to discharge the unpaid balance (including interest) of a Perkins Loan (including NDSL and Defense loans), FFEL program loan, or Direct Loan, the loan holder or servicer must obtain:

- an original or certified copy of the death certificate or an accurate and complete photocopy of the original or certified copy of the death certificate for the person who has died;
- an accurate and complete original or certified copy of the death certificate for the person who has died that is scanned and submitted electronically or sent by facsimile transmission; or
- verification of the borrower's death through an authoritative Federal or State electronic database approved for use by the Department.

Note: On a case-by-case-basis, in exceptional circumstances, the Chief Financial Officer of the institution may approve a discharge based upon other reliable documentation of the borrower's death.

## *Obtaining a death certificate or an acceptable copy of a death certificate*

If your school confirms that a current recipient of Title IV aid has died, you must try to obtain an original or certified copy of the recipient's death certificate, or an accurate and complete photocopy of the original or certified copy of the death certificate.

The families of deceased persons have primary responsibility for notifying local and national authorities when a family member dies. Though doctors, other medical professionals, and mortuaries often perform this function, the responsibility remains with the deceased's family.

If you can determine from a notice of death or news report that a medical professional or mortuary was involved, you should request a copy of the student's death certificate from them. Schools may also be able to obtain death certificates from the local government record offices where the death occurred or the local government offices where the student's permanent residence was located. For example, you can contact the vital records office for the student's home state (a list is available at [www.cdc.gov/nchs/w2w.htm](http://www.cdc.gov/nchs/w2w.htm)) and ask about the possibility of obtaining a death certificate and the steps for obtaining it; paying a fee is typically also required.

Since individual state rules for documenting the death of an individual and obtaining a copy of an individual's death certificate differ widely, a school should consult with its attorney to establish procedures for obtaining the required documentation from local authorities in your state.

### ***When a student who has died is due a post-withdrawal disbursement***

You may not make a post-withdrawal disbursement of Title IV funds to the account or estate of a student who has died.

If you determine that a student has died during a period in which the student was receiving Title IV aid, you must perform a Return calculation (see the *FSA Handbook, Volume 5*). If the Return calculation indicates that an institution is required to return Title IV funds, your school must return the Title IV funds for which it is responsible.

A deceased student's estate is not required to return any Title IV funds disbursed to the student. Therefore, an institution should neither report a grant overpayment for a deceased student to NSLDS, nor refer a grant overpayment for a deceased student to Default Resolution Group. If an institution had previously reported a grant overpayment for a student who is deceased to Default Resolution Group, it should inform Default Resolution Group that it has received notification that the student is deceased.

The regulations governing the Direct and Federal Perkins Loan programs provide for a discharge of a borrower's obligation to repay a Federal Direct or Federal Perkins Loan if the borrower dies (including a Direct PLUS Loan borrower's obligation to repay a Direct PLUS Loan if the student on whose behalf the parent borrowed dies). If a school is aware that a student who has died has any outstanding Title IV loan debt, the school should contact the student's estate and inform it of the actions it can take to have the student's Title IV loan debt cancelled.

If a Title IV credit balance created from **funds disbursed before the death of the student** exists after the completion of the Return calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance as follows:

1. In accordance with the cash management regulations, paying authorized charges at the institution (including previously paid charges that are now unpaid due to the Return of Title IV funds by the institution).

2. Returning any Title IV grant overpayments owed by the student for **previous withdrawals** from the present school (the institution may deposit the funds in its federal funds account and make the appropriate entry in G5).

If the institution has previously referred the grant overpayment to Default Resolution Group, the institution should provide Default Resolution Group with documentation that the student has died so that Default Resolution Group can delete the overpayment from its records.

3. Returning any remaining credit balance to the Title IV programs.

### **TREATMENT OF CREDIT BALANCES IN OTHER CASES OF A WITHDRAWAL BEYOND CONTROL OF A STUDENT**

If a student has experienced an emergency beyond the student's control, a school may grant a retroactive withdrawal to the student. On those occasions, the school may find itself holding a credit balance that is composed of both Title IV and non-Title IV funds.

If your school has lost contact with a student who is due a credit balance, you must use all reasonable means to locate the student. If you still cannot find the student, your school must return the Title IV portion of the credit balance to the appropriate FSA program(s) and/or lender. The FSA regulations do not set specific rules for determining which funds created a credit balance. We encourage schools to return FSA funds to loan programs first to reduce the borrower's loan balance.

In the case of a retroactive withdrawal of a student who has outstanding Direct Loans, if the school is unable to locate the student, in order to provide the greatest benefit to the student, the school may return both the Title IV and non-Title IV funds in the student's credit balance using G5.

All returns through G5 must be offset by a downward adjustment in the student's Direct Loan record in COD of the entire amount (the sum of the Title IV and non-Title IV funds) the school is returning.

The school must complete two separate procedures.

1. The school must return the Title IV funds through G5.
2. The return must be offset by a downward adjustment in student's Direct Loan record in COD.

**A school should never return more through G5 than the outstanding balance on the student's Direct Loan.**

# The FSA Assessments

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In collaboration with financial aid professionals, Federal Student Aid has designed the FSA Assessments to help schools with compliance and improvement activities. The Assessments contain links to applicable laws and regulations, and help explain how your school should administer the FSA programs. The FSA Assessments **FAQ page** provides guidance on how to navigate and begin using the FSA Assessments. The **FSA Assessments Chart** (see website below) can help you find the FSA Assessment(s) most relevant to your concerns.

Although the FSA Assessments are not based on a single award year, each assessment will be listed and archived by the closest award year to its publication, in the iLibrary on IFAP. Currently, you can find the FSA Assessments at:

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

There are twelve subjects covered in the FSA Assessments modules. Each subject has its own webpage, linked from the FSA Assessments homepage URL above. The subjects are:

- Fiscal Management
- Student Eligibility
- Institutional Eligibility
- Federal Work Study (FWS)
- Consumer Information
- Verification
- FSEOG
- Satisfactory Academic Progress (SAP)
- Default Prevention & Management
- Return of Title IV Funds (R2T4)
- A Guide to Creating a Policies & Procedures Manual, and
- Direct Loans.

Within each of these categories, there are a summary of requirements for subject area, several lessons to test your knowledge, and hyperlinks to additional guidance in the FSA Handbook, Dear Colleague Letters, and regulations. A brief description of each is below.

Category	Description
Fiscal Management	This assessment outlines the financial standards schools must maintain to participate in the Federal Student Aid programs.
Student Eligibility	This assessment outlines the eligibility requirements for students and parent borrowers and your responsibilities to ensure that recipients qualify for their aid awards.
Institutional Eligibility	This assessment outlines your school’s Institutional Eligibility responsibilities.
FWS	This assessment describes the requirements for the administration of the Federal Work-Study (FWS) program.
Consumer Information	This assessment describes the requirements for the consumer information that a school must provide to students, the Department, and others.
Verification	This assessment provides you with an opportunity to review procedures regarding verification.
FSEOG	This assessment outlines the Federal Supplemental Educational Opportunity Grant (FSEOG) program requirements.
Satisfactory Academic Progress	This assessment provides you with an opportunity to review and evaluate your procedures regarding Satisfactory Academic Progress (SAP).
Return of Title IV Funds	Schools are required to provide students with details of all refund policies applicable to the school as well as information on the Title IV program requirements for the treatment of Title IV funds when a student withdraws. This assessment provides guidance on R2T4 requirements.
A Guide to Creating a Policies & Procedures Manual	This assessment outlines the minimum policies and procedures requirements for administering Title IV Aid.
Default Prevention & Management	This assessment assists schools in understanding cohort default rate calculations, challenges, adjustments, and appeals, and provides default prevention resources.
Direct Loans	This assessment provides you with an opportunity to review and evaluate your procedures regarding Federal Direct Loans.

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# Miscellaneous Business Office Functions

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For Title IV participating schools, there are two school reporting requirements that involve FSA that are not Department of Education requirements. Both reporting requirements are Internal Revenue Service (IRS) requirements. The first of these requirements is for your school to provide the 1098 E or T form to certain aid recipients, and the second is to generate a 1042-S for each student who is a nonresident alien and who receives taxable income other than wages. We will discuss each requirement in greater detail below.

## IRS FORM 1098

There are two variations of IRS form 1098 relevant to awarding Title IV aid:

- ◆ IRS Form 1098-E
- ◆ IRS Form 1098-T.

### IRS Form 1098-E

Schools must provide IRS Form 1098-E, *Student Interest Statement*, to all individuals who paid student loan interest of \$600 or more on loans held by your school during a calendar year. To access the form and more information for students about filling out and filing the form, go to the IRS website: <https://www.irs.gov/uac/form-1098-e-student-loan-interest-statement>.

### IRS Form 1098-T

Your school must provide Form 1098-T, Tuition Statement, for each student enrolled for credit unless:

1. the student is a nonresident alien (unless requested by the student);

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#### IRS 1098 Cites

26 CFR Parts 1, 301, and 602  
26 U.S.C. 6050S  
Federal Register: April 29, 2002  
(Volume 67, Number 82) Preamble to  
Notice of Proposed Rule Making  
Federal Register, December 19, 2002  
(Volume 67, Number 244) Preamble to  
Final Rules

2. the student's qualified tuition and related expenses are entirely waived, or entirely paid with scholarships or grants; or
3. the student's qualified tuition and related expenses are entirely covered by a formal billing arrangement between the school and the student's employer or a government agency such as the Department of Veterans Affairs or the Department of Defense. The instructions for Form 1098-T do not specify what a school should do if:
  - ◆ a student's qualified tuition and related expenses are entirely covered by a **combination of** scholarships, grants, and formal billing arrangement between the school and the student's employer or a government agency; or
  - ◆ only a part of a student's qualified tuition and related expenses are covered by a formal billing arrangement between the school and the student's employer or a government agency.

The preamble to the Final Regulations states that  
“... a taxpayer cannot claim the education credit for education expenses paid with amounts that are excludable from gross income. Educational expenses paid through a formal billing arrangement between an institution and a government entity such as the Veteran's Administration, often are excludable from the gross income of the individual student.” (Federal Register, December 19, 2002 (Volume 67, Number 244) page 77680).

We encourage schools to seek guidance from their in-house counsel and the IRS on how to complete IRS Form 1098-T when the student falls into one of the aforementioned categories. To access the form and more information for students about filling out and filing the form, go to the IRS website: <https://www.irs.gov/uac/form-1098-t-tuition-statement>.

## IRS FORMS 1042 AND 1042-S

Pell Grants and other Title IV need-based grants are tax free to the extent they are used to pay for qualified tuition and course-related expenses during the grant period. Qualified tuition and course-related expenses are defined as tuition, fees, books, supplies and equipment required for courses attempted by a degree, certificate, or other recognized educational credential candidate at an educational institution. To qualify, fees, books, supplies, and equipment must be required of all students in the course of instruction.

Amounts paid from Pell Grants and other Title IV need-based grants which are used for purposes other than for qualifying tuition and fees are taxable. This includes amounts paid for room and board, travel and supplies and equipment not required for the course of instruction at an educational institution. (See IRS Publication 970, Tax Benefits for

Education, Chapter 1: <https://www.irs.gov/publications/p970/index.html>.)

You are **not** required to withhold or report taxable scholarship amounts for students considered residents by the Internal Revenue Service. Students are considered residents for tax purposes if they are U.S. citizens, permanent residents, or nonresidents that meet the IRS substantial presence test (see <https://www.irs.gov/individuals/international-taxpayers/substantial-presence-test>), and are not subject to exemption or treaty benefits.

You **are** required to meet withholding and reporting requirements for nonresident aliens. Schools must generate a 1042-S for each student who is a nonresident alien and who receives taxable income other than wages. This includes Title IV need-based aid and other grants or scholarships. Schools must also prepare a 1042 summarizing the data reported on the individual 1042-S forms. See IRS instructions for form 1042 at <https://www.irs.gov/uac/about-form-1042>. See instructions for form 1042-S at <https://www.irs.gov/forms-pubs/about-form-1042s>.

You must withhold at the rate of 30% of the taxable portion of the Title IV aid for each nonresident alien unless the student passes the substantial presence test for the calendar year (see <https://www.irs.gov/individuals/international-taxpayers/substantial-presence-test>). To meet this test, the student must be physically present in the United States for:

- ◆ at least 31 days during the current year; and
- ◆ 183 days during the three-year period that includes the current year, and the two years immediately before that. (Count all of the days present in the current year, 1/3 of the days present in the first year before the current year and 1/6 of the days present in the second year before the current year.)

IRS Publications 515, Withholding of Tax on Nonresident Aliens and Foreign Entities and IRS Publication 519, U.S. Tax Guide for Aliens provide further guidance on withholding and reporting requirements.

As a withholding agent, your school is liable for any taxes you are required to withhold. This liability is independent of the tax liability of the foreign student to whom the payment is made. If your school fails to withhold the required amount, and the foreign student fails to satisfy the U.S. tax liability, then both you and the foreign student are liable for the taxes, as well as for interest and any applicable penalties. (Note that the applicable tax will be collected only once.) Even if the foreign student satisfies his or her U.S. tax liability, your school may still be held liable for interest and penalties for your failure to withhold.

If you withhold amounts from taxable Title IV need-based aid (or other scholarships and grants) the institution must complete an IRS Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding (see <https://www.irs.gov/pub/irs-prior/i1042s--2017.pdf>). The foreign student must complete and file an IRS Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons with the Internal Revenue Service by March 15 of the year following the calendar year in which the Title IV need-based aid or other grant or scholarship was paid.

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# Institutional Reporting and Disclosure Requirements



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**T**his appendix provides postsecondary educational institutions with a comprehensive summary of reporting and disclosure requirements related to the Higher Education Act (HEA). In general, reports are submitted to the Department of Education, and disclosures are made to students and the public. However, in some cases—for example, the annual security statistics—information must be provided to both as well as to the institution’s faculty and staff. This summary lists the reports and disclosures, their statutory and regulatory authority, a description of what is required in each report/disclosure and other pertinent information, the due date, the method of transmittal or distribution, and the recipient of the report/disclosure. The publication of this document complies with section 482(e) of the HEA, which requires the Secretary to provide institutions with a “compliance calendar” of all reports and disclosures required under the HEA.

**Important:** Any omission in this document does not relieve institutions of any Title IV requirement. Also, this document is not intended to provide complete guidance about implementing the requirements listed. For more instruction on that, see the pertinent regulations as well as the appropriate volume and chapter of the Federal Student Aid Handbook.

## UPDATES FOR 2018–2019

On page 2 we added a citation to 34 CFR 668.45 in the margin note for athlete completion and graduation rates, as well as the waiver information from 668.45(e)(1) at the end of the body text for that section.

On page 4 we updated the URL for the method of transmittal for the FISAP; the COD website has replaced the Campus-Based site. [See the August 1, 2018, announcement](#) for that and other FISAP information.

We modified the gainful employment (GE) reporting requirements on page 5 for clarity and accuracy, and we rewrote the GE disclosure requirements on page 14 to account for 34 CFR 668.412.

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### Notes

1. See the HEA Table of Contents, Appendix G of the FSA Handbook, for the sections of the U.S. Code that correspond to the sections of the HEA referred to in this appendix.
2. Some disclosures do not occur on an annual or periodic basis but are expected to be continuously available and kept current. This is what it means when “N/A” appears for the due date in an entry.

## Annual security statistics

HEA Sec. 485(f)(5)

34 CFR 668.41(e)(5), 668.46(c)

FSA Handbook Volume 2, Chapter 6

[The Handbook for Campus Safety and Security Reporting](#)

**\*Clery geography**—For the purpose of collecting statistics on the crimes listed, Clery geography includes buildings and property that are part of the institution’s campus, the institution’s non-campus buildings and property, and public property within or immediately adjacent to and accessible from the campus. For the purpose of maintaining the crime log described in the disclosures section, Clery geography includes, in addition to the locations above, areas within the patrol jurisdiction of the campus police or security department. For a thorough description of Clery geography, including diagrams, see *The Handbook for Campus Safety and Security Reporting* linked to above.

## Athlete completion and graduation rates

HEA Sec. 485(e)(1)

34 CFR 668.45 and 48

FSA Handbook Volume 2, Chapter 6

## REPORTS

### *Annual security statistics*

(For information on the disclosures related to this item, see the corresponding entry in the disclosures section.)

**Due date:** The date in the letter the Department sends to the school in the summer

**Method of transmittal:** <https://surveys.ope.ed.gov/campussafety/>

**Recipient:** The Department of Education

**Description:** To comply with the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act and the Violence Against Women Act, an institution must report to the Department and disclose in its annual security statistics for the three most recent calendar years the number of each of the following crimes that occurred within its Clery geography\* and that are reported to local police agencies or to a campus security authority:

1. Primary crimes, including criminal homicide: murder, non-negligent manslaughter, and negligent manslaughter; sex offenses: rape, fondling, incest, and statutory rape; robbery; aggravated assault; burglary; motor vehicle theft; arson;
2. Arrests and referrals for disciplinary actions, including arrests for liquor law violations, drug law violations, and illegal weapons possession and persons not arrested for liquor law violations, drug law violations, and illegal weapons possession but who were referred for campus disciplinary action for one of those offenses;
3. Hate crimes, including the number of each type of primary crime listed above that is determined to be a hate crime, and the number of the following that are determined to be hate crimes: larceny-theft, simple assault, intimidation, destruction/damage/vandalism of property;
4. Dating violence, domestic violence, and stalking.

### *Athlete completion and graduation rates*

(For information on the disclosures related to this item, see the corresponding entry in the disclosures section.)

**Due date:** July 1 (for the period ending Aug 31 of the previous year)

**Recipient:** National Center for Education Statistics

**Description:** An institution must report

1. the number of students who attended the institution (categorized by race and gender);
2. the number of students who received athletically-related student aid (categorized by race and gender within each sport);
3. the completion, graduation, and/or transfer out rate of all entering certificate or degree-seeking, full-time, undergraduate students (categorized by race and gender);
4. the completion, graduation, and/or transfer out rate of all entering students who received athletically-related student aid (categorized by race and gender within each sport);
5. the average completion, graduation, or transfer-out rate for the four most recent graduating classes (categorized by race and gender);
6. the average completion, graduation, and/or transfer out rate of the most recent four graduating classes of students who received athletically-related student aid (categorized by race and gender within each sport).

The requirements dealing with completion and graduation rate data are waived for any institution that is a member of an athletic association or conference that has voluntarily published or agreed to publish completion or graduation rate data that the Secretary determines are substantially comparable to the data required here.

**Audits**

**Due date:** Six months after the end of the institution’s fiscal year

**Method of transmittal:** eZ-Audit <https://ezaudit.ed.gov>

**Recipient:** Federal Student Aid

**Description:** A school must, at least annually, have an independent auditor conduct a compliance audit of its administration of the Title IV programs as well as an audit of the school’s general purpose financial statements. The school must submit its compliance audit and audited financial statements no later than six months after the last day of its fiscal year. Audits must be completed with the standards established by the U.S. General Accounting Office’s Government Auditing Standards and must include all Title IV, HEA program transactions that have occurred since the period covered by the institution’s last compliance audit.

**Cash management contract URLs**

(For information on the disclosures related to this item, as well as definitions of Tier One (T1) and Tier Two (T2) arrangements, see the corresponding entry in the disclosures section.)

**Due date:** After posting the relevant information on the school’s website

**Method of transmittal:** <https://studentaid.ed.gov/sa/about/data-center/school/cash-management>

**Recipient:** The Department of Education

**Description:** An institution must disclose on its website any contracts or agreements establishing a T1 or T2 arrangement between it and a third-party servicer or financial institution. The school must then report to the Secretary the Internet URL of the contract or agreement for inclusion in a Departmentally developed, centralized database that will be available to the public. The school submits the URL and other information at the website given above and must use the same site to submit any required updates.

**Equity in Athletics Disclosure Act (EADA) Report**

(For information on the disclosures related to this item, see the corresponding entry in the disclosures section.)

**Due date:** Within 15 days of making the report available to current and prospective students and the public

**Method of transmittal:** <https://surveys.ope.ed.gov/athletics>

**Recipient:** The Department of Education

**Description:** Any co-educational institution of higher education that participates in any title IV, HEA program and has an intercollegiate athletic program must prepare an annual report that includes the following:

1. the number of full-time, undergraduate students enrolled broken down by race and sex;
2. a listing of the varsity teams that competed in intercollegiate athletic competition and for each team the following data:
  - a. the total number of participants as of the day of its first scheduled contest of the reporting year, the number of participants who also participated on another varsity team, and the number of other varsity teams on which they participated;
  - b. the total operating expenses attributable to the team;
  - c. whether the head coach (including graduate assistants or volunteers who served as head coaches) was male or female, was assigned to the team on a full-time or part-time basis, and, if assigned on a part-time basis, whether the head coach was a full-time or part-time employee of the institution;
  - d. the number of assistant coaches (including graduate assistants or volunteers who served as assistant coaches) who were male and the number who were female and, within each category, the number who were assigned to the team on a full-time or part-time basis, and, of those as-

**Audits**

HEA Sec. 487(c)(1)

34 CFR 668.23

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**Cash management contract URLs**

34 CFR 668.164(e)(2)(viii) and (f)(4)(iii)(B)

FSA Handbook Volume 4, Chapter 2

**EADA report**

HEA Sec. 485(g)

34 CFR 668.41(g)(2), 668.47

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- signed on a part-time basis, the number who were full-time and part-time employees of the institution;
3. the unduplicated head count of students who participate on at least one varsity team by gender;
  4. revenues derived by the institution from intercollegiate athletic activities: total revenues attributable to all men's sports combined, all women's sports combined, football, men's basketball, women's basketball, all men's sports except football and basketball combined, and all women's sports except basketball combined;
  5. expenses incurred by intercollegiate athletic activities in the following categories: total expenses attributable to football, men's basketball, women's basketball, all men's sports except football and basketball combined, and all women's sports except basketball combined;
  6. the total amount spent on athletically related student aid;
  7. the ratio of athletically related student aid awarded to male athletes to female athletes;
  8. the total amount of recruiting expenses aggregated for all men's teams and all women's teams;
  9. the average institutional salary of the non-volunteer head coaches of all men's teams, across all sports, and the average annual institutional salary of the non-volunteer head coaches of all women's teams, across all offered sports, on a per person and a per full-time equivalent position basis;
  10. the average annual institutional salary of the non-volunteer assistant coaches of men's teams, across all offered sports, and the average annual institutional salary of the non-volunteer assistant coaches of women's teams, across all offered sports, on a per person and a full-time equivalent basis.

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### Fire safety statistics

HEA Sec. 485(i)(2)  
34 CFR 668.41(e)(5), 668.49(c)  
FSA Handbook Volume 2, Chapter 6

### *Fire safety statistics*

(For information on the disclosures related to this item, see the corresponding entry in the disclosures section.)

**Due date:** The date in the letter the Department sends to the school in the summer

**Method of transmittal:** <https://surveys.ope.ed.gov/campussafety/>

**Recipient:** The Department of Education

**Description:** Institutions must report statistics related to the fire safety and occurrences of fire on their campus. Specifically, the fire statistics include, for the three most recent calendar years,

1. the number of fires and cause of each fire that occurs on campus;
2. the number of persons who received fire-related injuries that resulted in treatment at a medical facility, including at an on-campus health center;
3. the number of deaths related to a fire; and
4. the value of property damage caused by a fire.

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### FISAP

HEA Sec. 482(a)(2)(B)  
34 CFR 673.3, 674.19(d)(2), 675.19(b)(3),  
676.19(b)(3)

### *FISAP (Fiscal Operations Report and Application to Participate)*

**Due date:** October 1

**Method of transmittal:** <https://cod.ed.gov/>

**Recipient:** Federal Student Aid

**Description:** The Fiscal Operations Report and Application to Participate is a data collection instrument used to gather program and fiscal information from institutions that have participated in one or more of the Campus-Based programs in a prior award year. In addition, an institution uses the FISAP to request funds to participate in the Campus-Based programs for the upcoming year. The FISAP will ask generic questions about the institution as well as request information specific to each of the Campus-Based programs in which the institution participates. Specifically, the FISAP requires:

1. identifying information (e.g., name and address of the institution, OPEID, financial aid administrator and chief executive officer information);

2. the amount requested for the next year for each Campus-Based program;
3. information on enrollment, length of terms, and the number of students enrolled and expected to enroll;
4. the total Pell Grant expenditures;
5. Perkins loan information (e.g., loan funds advanced to students, loan principal collected, loan principal cancelled due to a loan forgiveness program);
6. FSEOG information (e.g., funds allocated to students, non-federal share of funds advanced to FSEOG recipients, administrative cost allowances);
7. Federal Work-Study information (e.g., amount of funds allocated to students, amount spent for summer employment, information about students employed in community service activities using FWS funds); and
8. the amount of money transferred between Campus-Based programs.

### ***Foreign sources and gifts***

**Due date:** January 31 or July 31 (the more recent date from the event triggering the report; if a substantially similar report has been submitted to the state, the institution may send that report to the Department to satisfy this requirement.)

**Method of transmittal:** <https://eligcert.ed.gov/>

**Recipient:** FSA School Participation Division

**Description:** Institutions or programs that receive Title IV aid are required to report any contribution from a foreign entity—whether that is a foreign government, a private sector corporation, or a foundation—if the amount of the contribution exceeds \$250,000 in any fiscal year. An institution must report the aggregate dollar amount of gifts and contracts attributable to a foreign country for gifts received from or contracts entered into with a foreign government or a foreign source other than a foreign government. For institutions owned or controlled by a foreign source, the institution must report the identity of the foreign source, the date on which ownership/control was assumed, and any resulting changes in program or structure. For restricted or conditional gifts, an institution must disclose the amount of the gift, the date the gift was received, a description of any conditions or restrictions for the gift, and the country of citizenship of the source.

### ***Gainful employment data***

**Due date:** October 1 after the end of the award year. The placement rates explained below must be reported by the date and in the manner published in the *Federal Register*.

**Method of transmittal:** [https://nsldsfa.ed.gov/nslds\\_FAP/default.jsp](https://nsldsfa.ed.gov/nslds_FAP/default.jsp)

**Recipient:** Federal Student Aid

**Description:** Institutions are required to submit data to the Department of Education on students enrolled in gainful employment programs. For each student enrolled in a GE program during an award year that received title IV, HEA program funds, an institution must report information to identify the student and institution; the name, CIP code, credential level, and length of program; the date the student initially enrolled in the program; his attendance dates and status during the award year; and his enrollment status as of the first day of his enrollment in the program. If the student completed or withdrew during the award year, the institution must report the date he completed or withdrew from the program; the total amount he received from private education loans; his total amount of institutional debt; the total amount of tuition and fees assessed for his entire enrollment in the program; and the total allowances for books, supplies, and equipment included in the cost of attendance for each award year. When requested by the Secretary, if the institution is required by its accrediting agency or state to calculate a placement rate for the institution, the program, or both, it must report the placement rate(s), calculated according to the methodology the agency or state requires, as well as the name of the accrediting agency or state.

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### **Foreign sources and gifts**

HEA Title 1 Part B Sec. 117

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### **GE data**

34 CFR 668.411 Reporting requirements for GE programs

FSA Handbook Volume 2, Chapter 4

### **IPEDS surveys**

HEA Sec. 132(e), 487(a)(17)

FSA Handbook Volume 2, Chapter 6

### ***IPEDS (Integrated Postsecondary Education Data System) surveys***

**Due date:** Exact dates may change from year to year.

February: student financial aid, graduation rates, 200% graduation rates, admissions, outcome measures

April: fall enrollment, finance, human resources, academic libraries

October: institutional characteristics, completions, 12-month enrollment

**Method of transmittal:** <https://surveys.nces.ed.gov/ipeds/>

**Recipient:** NCES (National Center for Education Statistics)

**Description:** Institutions are required to submit data to the National Center for Education Statistics. The multiple IPEDS surveys provide the Department of Education a wide variety of open-access data on higher education. Among the information gathered from IPEDS reporting, the Secretary will publish annual college affordability and transparency lists related to college costs including information on tuition and fees for full-time undergraduate students, cost of attendance, and the number of undergraduate students receiving each type of financial aid. In addition, institutions must report the following: average annual cost of tuition, fees, room and board, books, supplies, and transportation; the net price of the institution, and the average annual cost of tuition and fees. IPEDS surveys focus on: student financial aid, graduation rates and completions, admissions, enrollment (fall semester and 12 month), finance, human resources, academic libraries, institutional characteristics.

An institution identified by the Secretary in the 5% of those with the largest 3-year increases, measured as a percentage change, in tuition and fees or in net price is required to report a description of the major areas in the institution's budget with the greatest cost increases, an explanation of those cost increases, and a description of the steps the institution will take to reduce them.

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### **Teacher prep program report**

HEA Sec. 205, 206

### ***Teacher preparation program report (Title II)***

**Due date:** April 30: Institutions report to their state.

October 31: States submit their annual report to the Department.

**Method of transmittal:** <https://title2.ed.gov/Public/Home.aspx>

**Recipient:** Department of Education

**Description:** An institution of higher education conducting a traditional teacher preparation program or alternative routes to state certification or licensure program and enrolling students who receive federal assistance under this act shall report annually to the state and the general public in a uniform and comprehensible manner established by the Secretary the following:

1. whether it satisfied its annual goal for increasing the number of prospective teachers trained in teacher shortage areas designated by the Secretary or by the state educational agency and a description of the activities the institution implemented to achieve such goals; a description of the steps the institution is taking to improve its performance in meeting its annual goals; and a description of the activities the institution has implemented to meet the required assurances listed in HEA 206(b);
2. for the most recent year for which information is available for those students who took the assessments used for teacher certification or licensure by the state in which the program is located: the percentage of students who completed 100 percent of the nonclinical coursework and took and passed the assessment, the percentage of all students who passed that assessment, the percentage of students who have taken the assessment who enrolled in and completed the traditional teacher preparation program or alternative routes to state certification or licensure program, the average scaled score for all students who took such assessment, a comparison of the program's pass rates with the average pass rates for programs in the state, and a comparison of the program's average scaled scores with the average scaled scores for programs in the state;

3. a description of: the criteria for admission into the program, the number of students in the program (disaggregated by race, ethnicity, and gender), the average number of hours of supervised clinical experience required for those in the program, the number of full-time equivalent faculty and students in the supervised clinical experience, and the total number of students who have been certified or licensed as teachers, disaggregated by subject and area of certification or licensure;
4. in states that require approval or accreditation of teacher preparation programs, a statement whether the institution's program is so approved or accredited and by whom;
5. whether the program has been designated as low-performing by the state under HEA 207(a);
6. a description of the activities that prepare teachers to integrate technology effectively into curricula and instruction and to use technology effectively to collect, manage, and analyze data in order to improve teaching and learning for the purpose of increasing student academic achievement; and
7. a description of the activities that prepare general education and special education teachers to teach students with disabilities effectively.

## DISCLOSURES

### *Academic programs*

**Due date:** Available upon request or published in material produced by the school

**Method of transmittal:** Website, electronic media, publications, or mailings. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Recipient:** Enrolled and prospective students

**Description:** Institutions must annually provide information about their academic programs. Specifically, they must publish

1. the current degree programs and other educational and training programs;
2. instructional, laboratory, and other physical plant facilities related to the academic program;
3. faculty and other instructional personnel; and
4. any plans by the institution for improving an academic program.

### *Accreditation, approval, and/or licensure*

**Due date:** Available upon request or published in material. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must publish information on their accreditation, approval, and licensure. Specifically, they must include:

1. names of associations, agencies, or governmental (federal, state, or tribal) bodies that accredit, approve, or license the institution and its programs and
2. procedures for obtaining or reviewing documents describing accreditation, approval, or licensing.

An institution must also provide its students or prospective students with contact information for filing complaints with its accreditor and with its state approval or licensing entity and any other relevant state official or agency that would appropriately handle a student's complaint.

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### **Academic programs**

HEA Sec. 485(a)(1)(G)

34 CFR 668.43(a)(5)

FSA Handbook Volume 2, Chapter 6

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### **Accreditation, approval, and/or licensure**

HEA Sec. 485(a)(1)(J)

34 CFR 668.43(a)(6) and (b)

FSA Handbook Volume 2, Chapter 6

### Annual security report

HEA Sec. 485(a)(1)(O), 485(f)(1)

34 CFR 668.41(e), 668.46(b)

FSA Handbook Volume 2, Chapter 6

[The Handbook for Campus Safety and Security Reporting](#)

### Annual security report

**Due date:** October 1

**Method of transmittal:** Report mailed or delivered to each enrolled student and employee or made available on an Internet or intranet website.

Prospective students and prospective employees receive notice of the report and can receive it upon request.

On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students and with a statement of how to get the information.

**Recipient:** Enrolled students and current employees, prospective students and employees

**Description:** The annual security report must contain the following:

1. The crime statistics described earlier in this appendix.
2. Policies regarding the procedures for students and others to report criminal actions or other emergencies occurring on campus and regarding the institution's response to these reports, including policies for making timely warnings to members of the campus community, policies for preparing the annual disclosure of crime statistics, a list of the titles of each person to whom individuals should report criminal offenses, and policies and procedures for victims and witnesses to report crimes on a voluntary and confidential basis.
3. Policies concerning security of and access to campus facilities, including residence halls.
4. Policies concerning campus law enforcement that: address the enforcement authority and jurisdiction of security personnel; address the working relationship of campus security personnel with state and local law enforcement agencies, including whether those security personnel have the authority to make arrests and any agreements between the institutions and such agencies; encourage accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies; and describe procedures, if any, that encourage counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary and confidential basis.
5. A description of the type and frequency of programs designed to inform students and employees about campus security procedures and to encourage them to be responsible for their own security and the security of others.
6. A description of programs designed to inform students and employees about the prevention of crimes.
7. A statement of policy concerning the monitoring and recording through local police agencies of criminal activity by students at noncampus locations of student organizations officially recognized by the institution, including those organizations with noncampus housing facilities.
8. The policy on the possession, use, and sale of alcoholic beverages and enforcement of state underage drinking laws.
9. The policy on the possession, use, or sale of illegal drugs and enforcement of federal and state drug laws.
10. A description of any drug or alcohol-abuse education programs.
11. A statement on dating violence, domestic violence, sexual assault, and stalking and the procedures the school will follow when one of these crimes is reported. The statement must include:
  - a. a description of the institution's educational programs and campaigns to prevent these crimes and promote awareness of them;
  - b. procedures victims should follow if such a crime has occurred, including the importance of preserving evidence, how and to whom the alleged offense should be reported, options about the involvement of law enforcement and campus authorities, and, where applicable, the rights of victims and the school's responsibilities for orders (of protection, "no-contact," restraining, or similar) issued by a court or the school;

- c. information about how the institution will protect the confidentiality of victims and other necessary parties, including how the school will complete publically available recordkeeping without using identifying information about the victim and will keep confidential any protective measures provided to the victim as long as that confidentiality does not impair the school's ability to provide those measures;
  - d. a statement that the school will provide written notification to students and employees about its counseling, health, and other assistance programs available for victims;
  - e. a statement that the institution will provide written notification to victims about options for academic, living, transportation, and working situations or protective measures,
  - f. an explanation of the procedures for institutional disciplinary action in cases of these alleged crimes, and
  - g. a statement that when students or employees report that they have been a victim of dating violence, domestic violence, sexual assault, or stalking, the school will provide them a written explanation of their rights and options.
12. A statement advising the campus community where law enforcement agency information provided by a state concerning registered sex offenders may be obtained.
  13. The policy on emergency response and evacuation procedures.
  14. The policy on missing student notification procedures.

### ***Athlete completion and graduation rates***

**Due date:** Provided when an offer is made of athletically related student aid

**Method of transmittal:** The disclosure may be made electronically or on paper.

**Recipient:** Prospective student athletes, their parents, high school coach, and guidance counselor

**Description:** The report sent to NCES and described in the first section is provided to prospective student athletes and others at the time an offer is made of athletically related student aid. An institution does not have to provide a report on completion or graduation rates to prospective student athletes and their parents, high school coaches, and guidance counselors if

1. the institution is a member of a national collegiate athletic association,
2. the association compiles data on behalf of its member institutions, and
3. the association distributed the compilation to all secondary schools in the U.S.

### ***Career and Placement Services***

**Due date:** None specified

**Method of transmittal:** Website

**Recipient:** Enrolled and prospective students

**Description:** An institution must make information easily accessible on its website about career and placement services it offers to students during and after enrollment.

### ***Cash management contracts***

**Due date:** September 1, 2016, for initial posting of the contracts and thereafter no later than 60 days following the most recently completed award year. For certain additional information, September 1, 2017, and thereafter no later than 60 days following the most recently completed award year.

**Method of transmittal:** The institution's website

**Recipient:** The public

**Description:** All institutions must post to their website any contracts or agreements establishing a T1 or T2 arrangement\* between them and a third-party servicer or financial institution. An institution must conspicuously post the entire

### **Athletic completion and graduation rates**

HEA Sec. 485(g)(3)

34 CFR 668.41(f)

FSA Handbook Volume 2, Chapter 6

### **Career and placement services**

HEA Sec. 132(i)(1)(V)(iii)

### **Cash management contracts**

34 CFR 668.164(e)(2)(vi) and (vii)

34 CFR 668.164(f)(4)(iii) and (iv)

FSA Handbook Volume 4, Chapter 2

[DCL GEN-16-16](#)

[Electronic announcement of 6/16/17](#)

**\*Tier One (T1) arrangement**—One where a third-party servicer contracts with an institution to perform one or more functions associated with processing direct payments of Title IV funds, and the institution or servicer makes payments to one or more financial accounts that are offered to students under the contract, or about which information is communicated directly to students by one of three entities: (1) the third-party servicer, (2) the institution on behalf of or in conjunction with the third-party servicer, or (3) an entity contracting with or affiliated with the servicer.

**Tier Two (T2) arrangement**—One where a school contracts with a financial institution or other entity to offer financial accounts that are marketed directly to students enrolled at the school. The Department considers financial accounts to be directly marketed if

- the school communicates directly with its students about the financial account and how it may be opened;
- the financial account or access device is cobranded with the school's name, logo, mascot, or other affiliation and is marketed principally to students at the school; or
- a card or tool provided to students for institutional purposes, such as a student ID card, is validated, enabling students to use the device to access a financial account.

contract or agreement, except that it may redact any provisions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or of physical facilities.

No later than September 1, 2017, institutions with T1 and certain T2 arrangements must post to their websites specific information about payments or other benefits received by and from the institutions and their T1 and T2 partners. Institutions must also post the number of student account holders and the mean and median fees these account holders were assessed. In doing this, schools should follow these rules:

- Prominently place information on the mean and median costs students incurred and the number of student account holders first at the URL given to the Department under §668.164(e)(2)(viii) and (f)(4)(v).
- Place information on the total monetary consideration paid or received by the contracting parties directly below the information on student accounts.
- Place any non-monetary consideration between the contracting parties directly below that on the monetary consideration.
- Display the monetary consideration and the mean and median fees charged to students in a format that includes a dollar sign, the amount in whole dollars, and a comma after the thousands place (e.g. \$1,234).

### ***Completion/graduation and transfer-out rates***

**Due date:** Disclosed annually but no specific date. In the case of a request from a prospective student, the information must be made available prior to the student's enrolling or entering into any financial obligation with the institution. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must make available the completion or graduation rate of certificate- or degree-seeking, first-time, full-time undergraduate students. In addition, these rates should be disaggregated for the following categories: (1) gender; (2) race and ethnicity; (3) Federal Pell Grant recipients; (4) recipients of a subsidized Stafford Loan, but not a Pell Grant; and (5) students who received neither a Pell Grant nor a subsidized Stafford Loan. These rates should be calculated at 150% of normal time for completion and should match the information provided to the National Center for Education Statistics' IPEDS surveys.

### **Completion/graduation and transfer-out rates**

HEA Sec. 485(a)(1)(L), 485(a)(7)  
34 CFR 668.41(d)(4), 668.45  
FSA Handbook Volume 2, Chapter 6

### **Contact information**

HEA Sec. 485(a)(1)(H)  
34 CFR 668.43(a)(8), 668.44  
FSA Handbook Volume 2, Chapter 6

### ***Contact information regarding institutional or financial aid***

**Due date:** Available upon request or published in material. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** Institutions must publish and make available to prospective and enrolled students' information on how and where to contact individuals designated to assist in obtaining institutional or financial aid information.

### ***Copyright infringement policies and sanctions***

**Due date:** A school must annually provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must make available the institution’s policies on copyright infringement. Specifically, they must distribute:

1. a statement that informs students that unauthorized distribution of copyrighted material and unauthorized peer-to-peer sharing may be subject to civil and criminal liabilities,
2. a summary of the penalties for violation of federal copyright laws,
3. a description of the institution’s policies with respect to unauthorized peer-to-peer file sharing, including disciplinary actions that are taken against students who engage in illegal downloading or unauthorized distribution of copyrighted materials using the institution’s information technology system, and
4. the legal alternatives for downloading or otherwise acquiring copyrighted material.

An institution must have a plan to combat unauthorized distribution of copyrighted material by users of its network that includes, in addition to the above, one or more technology-based deterrents, mechanisms for informing its community about appropriate versus inappropriate use of copyrighted material, and procedures for periodically reviewing the effectiveness of the effort. The school will, in consultation with the chief technology or other designated officer, periodically review the legal alternatives for acquiring copyrighted material and make available the results of this review to its students through a website or other means.

**Cost of attendance**

**Due date:** Available upon request or published in material. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must publish information about the price of attendance, including tuition and fees, books and supplies, room and board, transportation costs, and any additional costs.

**Crime log**

**Due date:** Available for public inspection upon request; see below

**Method of transmittal:** A written log

**Recipient:** The public

**Description:** A school with a campus police or security department must maintain a written, easily understood daily log that records by the date reported to campus police or security any crime that occurred within the school’s Clery geography (see the definition given under the annual security statistics entry in the report section). The log must include the disposition of the complaint, if known, and the nature, date, time, and general location of each crime.

The school must make an entry or an addition to an entry to the log within two business days of the report of the information to the campus police or security department unless that disclosure is prohibited by law or would jeopardize the confidentiality of the victim.

A school may withhold information if there is clear and convincing evidence that releasing it would jeopardize an ongoing criminal investigation or the safety of an individual, cause a suspect to flee or evade detection, or result in the destruction of evidence. The school must disclose any information so withheld once the adverse effect is no longer likely to occur.

A school may withhold only that information that would cause the adverse effects described in the above paragraphs.

Schools must make the crime log for the most recent 60 days open to public inspection during normal business hours and must make any part of the log older than 60 days available within two business days of a request for public inspection.

**Copyright infringement**

HEA Sec. 485(a)(1)(P)

34 CFR 668.14(b)(30), 668.43(a)(10)

FSA Handbook Volume 2, Chapters 6 and 7

**Cost of attendance**

HEA Sec. 485(a)(1)(E)

34 CFR 668.41(d)(2), 668.43

FSA Handbook Volume 2, Chapter 6

**Crime log**

HEA Sec. 485(f)(4)

34 CFR 668.46(f)

FSA Handbook Volume 2, Chapter 6

### **Disability services and facilities**

HEA Sec. 132(i)(1)(V)(ii), 485(a)(1)(I)

34 CFR 668.43(a)(7)

FSA Handbook Volume 2, Chapter 6

### ***Disability services and facilities***

**Due date:** Available upon request or published in material. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must make information easily accessible on its website about the facilities and services available to students with disabilities, including those diagnosed with intellectual disabilities.

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### **Drug abuse prevention materials**

HEA Sec. 120

34 CFR 86.100(a)

FSA Handbook Volume 2, Chapter 6

### ***Drug and alcohol abuse prevention materials***

**Due date:** Annually

**Method of transmittal:** Distributed in writing

**Recipient:** Enrolled students and employees

**Description:** An institution is required to distribute information on preventing drug and alcohol abuse. Specifically, an IHE that participates in title IV, HEA programs must distribute

1. standards of conduct that prohibit the unlawful possession, use, or distribution of illicit drugs;
2. a description of legal sanctions under local, state, or federal law for the unlawful possession or distribution of illicit drugs and alcohol;
3. a description of health risks associated with the use of illicit drugs and the abuse of alcohol;
4. a description of available counseling, treatment, rehabilitation, or re-entry programs that are available to employees or students; and
5. a clear statement that the institution will impose disciplinary sanctions on students and employees and a description of those sanctions for violations of the standards of conduct.

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### **Drug abuse prevention program review**

HEA Sec. 120(a)(2)

34 CFR 86.100(b), 86.103(a)

FSA Handbook Volume 2, Chapter 6

### ***Drug and alcohol abuse prevention program review***

**Due date:** Biennially

**Method of transmittal:** Must be made available upon request, but no format is specified.

**Recipient:** Department of Education and public

**Description:** An institution is required to make available the results of a biennial review of the institution's drug and alcohol abuse program that

1. determines the program's effectiveness and any needed changes,
2. determines the number of drug and alcohol related violations and fatalities,
3. identifies the number and type of sanctions imposed, and
4. ensures that the sanctions are consistently enforced.

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### **EADA report**

HEA Sec. 485(g)

34 CFR 668.41(g)(1), 668.47

FSA Handbook Volume 2, Chapter 6

### ***Equity in Athletics Disclosure Act (EADA) report***

**Due date:** October 15

**Method of transmittal:** On paper or electronically upon request.

**Recipient:** Enrolled and prospective students and the public

**Description:** An institution must make the EADA report described earlier easily accessible to current and prospective students and the public. The institution must also provide notice to all enrolled students and prospective students of their right to request the report. If the institution chooses to post the report on an Internet or intranet website, it must provide in the notice the exact electronic address and a brief description of the report and state that it will provide a paper copy of the report on request. For prospective students, the institution may not use an intranet website for this purpose. For a full list of items found in this report, see the EADA entry in the reports section.

**Federal student financial aid penalties for drug law violations**

**Due date:** Upon enrollment and upon the loss of eligibility for any grant, loan, or work-study assistance due to drug offenses.

**Method of transmittal:** Separate written notice

**Recipient:** Each student

**Description:** An institution must provide to each student at the time of enrollment a separate and clear written notice that a conviction for any drug offense while receiving Title IV aid will result in a loss of eligibility for all Title IV aid. For individuals who have lost eligibility, an institution must provide them with a separate, clear, and conspicuous notification of Title IV eligibility loss and must advise them how eligibility may be regained.

**Fire log**

**Due date:** Available for public inspection upon request; see below

**Method of transmittal:** A written log

**Recipient:** The public

**Description:** An institution with on-campus student housing must maintain a written, easily understood fire log that records by the date reported any fire that occurred in an on-campus student housing facility. The log must include the nature, date, time, and general location of each fire. An institution must make an entry or an addition to an entry to the log within two business days of receiving the information.

The fire log must be open to public inspection during normal business hours for the most recent 60-day period. Any portion of the log older than 60 days must be available within two business days of a request for public inspection.

**Fire safety report**

**Due date:** Annually

**Method of transmittal:** Report or notice of report mailed or delivered to each enrolled student and employee or made available on an Internet or intranet website.

Prospective students and prospective employees receive notice of report and receive a paper copy of the report upon request.

Every year an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Recipient:** Enrolled students and current employees; Prospective students and employees

**Description:** An institution must make an annual report to the campus community on the fires recorded in the fire log. This requirement may be satisfied by the annual fire safety report, which contains:

1. The fire statistics described earlier in this appendix.
2. A description of each on-campus student housing facility fire safety system.
3. The number of fire drills held during the previous calendar year.
4. The institution's policies or rules on portable electrical appliances, smoking, and open flames in a student housing facility.
5. The institution's procedures for student housing evacuation in the case of a fire.
6. The policies regarding fire safety education and training programs provided to the students and employees. In these policies, the institution must describe the procedures that students and employees should follow in the case of a fire.
7. For purposes of including a fire in the statistics in the annual fire safety report, a list of the titles of each person or organization to which students and employees should report that a fire occurred.
8. Plans for future improvements in fire safety, if determined necessary by the institution.

**Penalties for drug law violations**

HEA Sec 485(k)

FSA Handbook Volume 1, Chapter 1

**Fire log**

HEA Sec. 485(i)(3)(A)

34 CFR 668.49(d)

FSA Handbook Volume 2, Chapter 6

**Fire safety report**

HEA Sec. 485(a)(1)(T)

34 CFR 668.49(b)

FSA Handbook Volume 2, Chapter 6

## GE programs

34 CFR 668.412 Disclosure requirements for GE programs  
FSA Handbook Volume 2, Chapter 6

## Gainful employment programs

**Due date:** The 2018 version of the Gainful Employment Disclosure Template (GEDT) must have been posted online by April 6, 2018. The requirements about including or linking to the GEDT in program marketing materials and directly distributing it to prospective students [668.412(d) and (e)] were delayed until July 1, 2019. See the [May 9, 2019, announcement](#) for more information, including the 2019 template.

**Method of transmittal:** Linked or posted on any school webpage containing academic, cost, financial aid, or admissions information about the GE program or included in promotional materials or given as a separate document to prospective students.

**Recipient:** General public, primarily prospective students

**Description:** Institutions that offer programs designed to prepare students for gainful employment in a recognized field must disclose the following about their GE programs with the 2018 GEDT:

1. The school's 6-digit OPE ID;
2. The 6-digit Classification of Instructional Program (CIP) code for the GE program and the school's name for the program if it differs from the CIP name;
3. The credential level for the program;
4. The normal time to complete the program, as published by the school;
5. The occupations for which the program prepares students;
6. The in-state and out-of-state tuition and fees the school charges a student for completing the program within normal time;
7. The typical costs for books and supplies for the program;
8. Any other fees or expenses (optional);
9. The URL for other program cost information available on the school's website;
10. The number of students who first enrolled in the program between July 1 and June 30 of the specified years and the number that completed it within normal time;
11. The median loan debt of Title IV students who completed the program;
12. The interest rate used by the Department to amortize the median loan debt for the program;
13. Warning language if applicable;
14. The job placement rate for students completing the program as reported to the school's accrediting agency and/or state.
15. The states that require licensure for the program's target occupation and whether the program satisfies all educational prerequisites.

The data listed above are required by the 2018 GEDT and can change each year. See 668.412(a) for a general list of what the template might include in any year. Also, schools must update at least annually the information in the GEDT with the most recent data for each of their GE programs. This must include any warning [see §668.410(a)(7)] for programs in danger of becoming Title IV-ineligible.

Any school webpage containing academic, cost, financial aid, or admissions information about a GE program must have the GEDT for that program or a prominent and direct link to it.

Similarly, all promotional materials that name a GE program must prominently feature the template or, where constraints prevent that, the URL of or a link to the template. (Note that the requirements of this and the next two paragraphs are delayed until July 1, 2019, as described above.) The URL or link must be prominent and direct and identified as "important information about the educational debt, earnings, and completion rates of students who attended this program" or as otherwise specified by the Department in the *Federal Register*.

Promotional materials include, but are not limited to, school catalogs, invitations, flyers, billboards, and advertising on or through radio, television, print media, the Internet, and social media. Materials must be accurate and current when they are published, approved by a state agency, or broadcast.

Before a prospective student signs an enrollment agreement with the school, completes registration, or makes a financial commitment, the school must provide the student or a third party acting on her behalf a copy of the GEDT as a separate document. This can be done by hand-delivering the template individually or as part of a group presentation or by sending it to the primary email address the school uses to communicate with the student or third party. In the case of hand-delivery, the school must obtain written confirmation of receipt of the GEDT from the student or third party. If email is used, the template must be the only substantive content in the email, and the school must receive written acknowledgement of receipt of the template. If the school gets a response that the email could not be delivered, it must send the template using a different address or delivery method. The school must otherwise record its efforts to provide the GEDT.

Schools that offer a GE program in more than one length *must* publish for each one a separate template that clearly identifies the applicable length.

Schools that offer a GE program in more than one location or format (e.g., full-time, part-time, accelerated) *may* publish a separate template for each location or format if it would result in clearer disclosures. In such cases each disclosure template must clearly identify the applicable location or format.

Schools that publish a separate disclosure template for each length or location or format of the program must disaggregate by length, location, or format the following disclosures:

1. The number of clock or credit hours in the program;
2. The number of students enrolled in the program for the most recently completed award year.
3. The total cost of tuition, fees, books, supplies, and equipment for the program;
4. The placement rate for the program;
5. The percentage of students enrolled in the most recently completed award year who received a loan (Title IV or private); and
6. Whether the program satisfies the educational prerequisites for professional licensure or certification in each state within the school's metropolitan statistical area and in any other state for which the school has made a determination about such requirements. For all other states, the disclosure must indicate that the school has not made a determination regarding their licensure or certification requirements.

***Information for crime victims about disciplinary proceedings***

**Due date:** Upon written request

**Method of transmittal:** Written correspondence

**Recipient:** Alleged victim or next of kin, if alleged victim is deceased as a result of such crime

**Description:** Institutions must disclose upon request to the alleged victim of any crime of violence or a non-forcible sex offense the report on the results of any disciplinary hearing against a student who is the alleged perpetrator of such crime or offense. If the alleged victim is deceased as a result of the crime, the next of kin shall be treated as the alleged victim for purposes of disclosure.

**Information for crime victims**

HEA Sec. 487(a)(26)

### **Job placement rates**

HEA Sec. 487(a)(8)  
34 CFR 668.14(b)(10)

### ***Job placement rates***

**Due date:** Available

**Method of transmittal:** Not specified

**Recipient:** Prospective students

**Description:** If an institution uses job placement rates in their marketing material, they are required to provide certain disclosures about job placement rates. They must provide and certify the data is the most recent available, provide any other information necessary to substantiate the truthfulness of the information, and provide any state licensing requirements. In addition, an institution must provide information on the placement in employment and types of employment obtained by graduates of the institution's degree and certificate programs.

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### **Missing person policy**

HEA Sec. 485(j)  
34 CFR 668.46(h)  
FSA Handbook Volume 2, Chapter 6

### ***Missing Person Policy***

**Due date:** October 1. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** In the annual security report

**Recipient:** The campus community

**Description:**

An institution that provides any on-campus student housing must disclose its missing student notification policy. That policy must

1. indicate the title of persons or organizations to which reports should be made when a student has been missing for 24 hours;
2. require any missing student report be referred immediately to the institution's police or campus security or, in their absence, to the local law enforcement agency with jurisdiction;
3. give a student the option to identify a contact person(s) who will be notified within 24 hours of the determination by campus security or local law enforcement that the student is missing;
4. advise students that their contact information will be registered confidentially, will be accessible only to authorized campus officials, and that it may not be disclosed except to law enforcement investigating a missing person;
5. advise students that if they are under the age of 18 and not emancipated, the institution must notify a custodial parent or guardian within 24 hours of when the students are determined to be missing (in addition to any other contact person they designated above); and
6. inform students that the institution will notify local law enforcement within 24 hours of when a student is determined to be missing unless local law enforcement made that determination.

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### **Net price calculator**

HEA Sec. 132(h)(3) and (4)  
FSA Handbook Volume 2, Chapter 6

### ***Net price calculator***

**Due date:** N/A

**Method of transmittal:** Website

**Recipient:** The public

**Description:** Institutions must make a net price calculator available on their website. The calculator may be one provided by the U.S. Department of Education or one that the institution creates as long as it contains, at a minimum, the same data elements in the Department's calculator.

Estimates produced by the net price calculator shall be accompanied by a clear and conspicuous disclaimer stating that the estimate may change; that it does not represent a final determination or actual award of financial aid; and that it shall not be binding on the Secretary, the institution, or the state. The disclaimer must also state that the student must complete the Free Application for Federal Student Aid (FAFSA) to receive an actual financial aid award that includes federal grant, loan, or work-study assistance under Title IV, and the disclaimer must include a link to the Department's FAFSA website.

**Privacy of student records—Family Educational Rights and Privacy Act (FERPA)**

**Due date:** Annually a school must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Electronic media, publications, or mailings

**Recipient:** Enrolled students

**Description:** An institution that receives any funds from any Department of Education program (not just financial aid funds) must provide a notice to all students currently in attendance, or parents of students currently in attendance about their right to inspect and review the student’s education records, to seek amendment of the student’s education records that may be inaccurate, misleading, or otherwise in violation of the student’s privacy rights, consent to disclosures of personally identifiable information, and file complaints with the U.S. Department of Education. The notice must include the procedure for exercising the right to inspect and review education records, the procedure for requesting amendment of records, and if the educational agency or institution has a policy of disclosing education records, a specification of criteria for determining who constitutes a school official and what constitutes a legitimate educational interest.

An institution shall effectively notify parents or eligible students who are disabled and parents who have a primary or home language other than English.

For a school to disclose directory information without prior consent, it must provide a notice of directory information that includes: (1) the types of information that has been designated directory information and (2) the student’s right to refuse to allow any information to be designated as directory information (including the time period the student has to make that request in writing).

**Refund policy, withdrawal, and return of Title IV financial aid**

**Due date:** Available upon request or published in material. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must publish (1) the institution’s refund policy, (2) requirements and procedures for official withdrawal, and (3) requirements for return of Title IV, HEA grants and loans.

**Retention rates**

**Due date:** On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information. See below regarding prospective students.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must make available the retention rate of certificate- or degree-seeking, first-time undergraduate students as reported to the National Center for Education Statistics’ IPEDS surveys. In the case of a request from a prospective student, the information must be made available prior to the student’s enrolling or entering into any financial obligation with the institution.

**Student activities**

**Due date:** None specified

**Method of transmittal:** Website

**Recipient:** Enrolled and prospective students

**Description:** An institution must make information easily accessible on its website about student activities it offers.

**FERPA**

HEA Sec 485(a)(1)  
34 CFR 99.7, 668.41(c)  
FSA Handbook Volume 2, Chapters 6 and 7

**Refunds, withdrawals, returns**

HEA Sec. 485(a)(1)(F)  
34 CFR 668.41(d)(2), 668.43(a)(2)–(4)  
FSA Handbook Volume 2, Chapter 6

**Retention rates**

HEA Sec. 485(a)(1)(U)  
34 CFR 668.41(d)(3)  
FSA Handbook Volume 2, Chapter 6

**Student activities**

HEA Sec. 132(i)(1)(V)(i)

### **Student body diversity**

HEA Sec. 485(a)(1)(Q)

### ***Student body diversity***

**Due date:** Available upon request. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Publications, mailings, or electronic media

**Recipient:** Enrolled and prospective students

**Description:** An institution must publish information about student body diversity, including the percentage of enrolled, full-time students who are male, female, federal Pell Grant recipients, and self-identified members of a major racial or ethnic group. All of these items are also collected through IPEDS surveys.

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### **Financial aid information**

HEA Sec 485(a)(1)(A)

34 CFR 668.41(d)(1), 668.42

FSA Handbook Volume 2, Chapter 6

### ***Student financial aid information***

**Due date:** Available upon request or published in material. On an annual basis an institution must provide enrolled students with a list of the information (which includes this item) that it is required to provide under HEA §485 to students, and with a statement of the procedure for obtaining the information.

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** Institutions must make available information on

1. all need-based and non-need-based federal, state, and local, private and institutional based student financial aid programs;
2. terms and conditions of Title IV, HEA loans;
3. criteria for selecting award recipients and how the award amount is determined;
4. procedures for applying for aid and eligibility requirements;
5. information on the disbursement of aid;
6. rights and responsibilities in receiving financial aid;
7. terms of any loans and a sample loan repayments schedule;
8. a statement that study abroad approved for credit may be considered enrollment in the home institution for the purposes of financial aid;
9. general conditions and terms applicable to employment provided as part of the financial aid package;
10. the exit counseling information the institution collects;
11. the cost of attending the institution;
12. the academic programs of the institution; and
13. the standards of satisfactory academic progress.

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### **Textbook information**

HEA Sec. 133 (d)

FSA Handbook Volume 2, Chapter 6

### ***Textbook information***

**Due date:** Available on website for each class

**Method of transmittal:** Website—Internet course schedule

**Recipient:** Available to the public

**Description:** To the maximum amount practicable, an institution shall publish in its Internet course schedule used for registration and preregistration the ISBN and retail price information of required and recommended textbooks and supplemental materials for each course. If the ISBN is not available, the institution must provide the author, title, publisher, and copyright date for the material. If applicable, the institution shall note in any written course schedule that textbook information is available in the Internet course schedule and provide the Web address of that schedule.

If the institution determines that the disclosure of textbook information is not practicable for a college textbook or supplemental material, the institution shall put the designation “To Be Determined” in lieu of the textbook information.

**Transfer of credit policies**

**Due date:** Must make readily available

**Method of transmittal:** Website, electronic media, publications, mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must disclose a statement on the transfer of credit that includes (1) any established criteria the institution uses regarding the transfer of credit earned at another institution and (2) a list of institutions with which it has established an articulation agreement. A school’s policies on transfer of credit from other institutions must be easily accessible on its website.

**Types of graduate/professional education that graduates enroll in**

**Due date:** N/A

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** An institution must make available information regarding the types of graduate and professional education in which graduates of its four-year programs enroll and identify the source of the information provided and any time frames or methodology associated with it. In complying with this, the institution may gather information from state data systems, alumni or student satisfaction surveys, or other relevant sources.

**Vaccinations policy**

**Due date:** N/A

**Method of transmittal:** Publications, mailings, or electronic media

**Recipient:** Enrolled and prospective students

**Description:** Institutions must provide information about their policies on vaccinations.

**Voter registration forms**

**Due date:** Institutions must request forms from the state at least 120 days prior to the deadline to register to vote in the state. Otherwise the form shall be made widely available to students at the institution.

**Method of transmittal:** Email or regular mail

**Recipient:** Students enrolled in a degree or certificate program and physically in attendance at the institution.

**Description:** In most states\* an institution must make a good faith effort to make mail voter registration forms widely available to students enrolled in a degree or certificate program and physically attending the institution. The institution shall request the voter registration forms at least 120 days prior to the deadline to register to vote in the state. An institution may electronically transmit a message, devoted exclusively to voter registration, with a voter registration form for use in the state in which the institution is located or with an Internet address where such a form can be downloaded.

**Written arrangements**

**Due date:** None given

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Enrolled and prospective students

**Description:** A school must provide enrolled and prospective students with a description of the written arrangements it has entered into, including

- the portion of the educational program that the school that grants the degree or certificate is not providing,
- the name and location of the other schools or organizations that are providing that portion of the educational program,
- the method of delivery of that part of the educational program, and
- estimated additional costs students may incur by enrolling in an educational program provided under the written arrangement.

**Transfer of credit policies**

HEA Sec. 132(i)(1)(V)(iv), 485(h)(1)

34 CFR 668.43(a)(11)

FSA Handbook Volume 2, Chapter 6

**Types of graduate education that graduates enroll in**

HEA Sec. 485(a)(1)(S)

34 CFR 668.41(d)(6)

FSA Handbook Volume 2, Chapter 6

**Vaccinations policy**

HEA Sec. 485(a)(1)(V)

FSA Handbook Volume 2, Chapter 6

**Voter registration forms**

HEA Sec. 487(a)(23)

FSA Handbook Volume 2, Chapter 6

\* Institutions in six states—Idaho, Minnesota, New Hampshire, North Dakota, Wisconsin, and Wyoming—are exempt from this requirement, as are those in Puerto Rico, Guam, the Virgin Islands, and American Samoa.

**Written arrangements**

34 CFR 668.43(a)(12)

FSA Handbook Volume 2, Chapter 2

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### Code of conduct

HEA Sec. 153(c)(3), 487(a)(25) and (e)  
34 CFR 601.21, 668.14(b)(27)  
FSA Handbook Volume 2, Chapter 3

## DISCLOSURES RELATED TO LOANS

### *Code of conduct*

**Due date:** N/A

**Method of transmittal:** Website

**Recipient:** Public and those with responsibilities with loans must be notified annually

**Description:** An institution must publish a code of conduct that prohibits conflicts of interest with respect to Title IV, HEA loans or private education loans. The code of conduct must prohibit (1) revenue-sharing agreements; (2) receiving gifts from a lender, guarantor, or loan servicers; (3) contracts providing financial benefit from any lender; (4) directing borrowers to a particular lender; (5) offers of funds for private loans; (6) call center or financial aid office staffing assistance; and (7) advisory board compensation.

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### Disclosures on the end of Perkins

HEA Sec. 463(A)(a)  
FSA Handbook, Volume 6, Chapter 3  
and Appendix A of that volume

### *Disclosures related to the end of Perkins loans*

**Due date:** Before a school makes a first disbursement of a Perkins loan

**Method of transmittal:** A written statement

**Recipient:** Student borrowers

**Description:** The Federal Perkins Loan Program Extension Act of 2015 provided that schools must make the following additional disclosures related to the end of the Perkins Loan Program to each Perkins borrower:

1. an explanation about the end to future availability of Perkins loans;
2. an explanation that repayment and forgiveness benefits available to Direct loan borrowers are not available to Perkins loan borrowers;
3. an explanation regarding the borrower's option to consolidate a Perkins loan into a Direct consolidation loan, including any benefit of consolidation;
4. For *current undergraduate borrowers*, an explanation giving a comparison of the interest rates of Perkins loans and Direct loans and informing the borrower that she has reached the maximum annual borrowing limit for Direct subsidized Stafford loans for which she is eligible; and
5. For *new undergraduate borrowers*, an explanation giving a comparison of the interest rates of Perkins loans and Direct loans and informing the borrower that she has reached the maximum annual borrowing limit for Direct subsidized and unsubsidized Stafford loans for which she is eligible.

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### End of the Perkins Loan Program

The Perkins Loan Program ended in 2017. No new Perkins loans could be made after September 30, 2017, and no disbursements on existing loans could be made after June 30, 2018. For more information see [DCL GEN-16-05](#) and the [online FAQs](#).

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### Disclosure of Perkins repayment information

HEA Sec. 463(A)(b)  
34 CFR 674.42(a)  
FSA Handbook, Volume 6, Chapters 3  
and 5

### *Disclosure of repayment information about Perkins loans*

**Due date:** Shortly before borrowers cease at least half-time study or during exit counseling

**Method of transmittal:** A written statement

**Recipient:** Student borrowers

**Description:** A school must provide repayment information in writing to Perkins borrowers during exit counseling or shortly before they cease at least half-time study. If a borrower enters repayment without the school's knowledge, it must provide the required disclosures in writing immediately upon discovery of that. The repayment information must include

1. the name and address of: the school to which the debt is owed and the official or servicing agent to whom communications should be sent;
2. the name and address of the party to which payments should be sent;
3. the estimated balance owed by the borrower as of the date on which the repayment period is scheduled to begin;
4. the stated interest rate on the loan;
5. the total amount the borrower will repay if he follows the repayment schedule provided;
6. the repayment schedule for all loans covered by the disclosure, including the date the first installment payment is due and the number, amount, and frequency of required payments;

7. an explanation of the available repayment options, including special options for forbearance, deferment, consolidation, and refinancing, as well as a statement that the borrower has the right to prepay all or part of the loan at any time without penalty;
8. The consequences of consolidating a Perkins loan;
9. a description of the charges imposed for failure of the borrower to pay all or part of an installment when due;
10. a description of any charges that may be imposed as a consequence of default, such as liability for expenses reasonably incurred in attempts by the Department or the school to collect on the loan;
11. the total interest charges the borrower will pay on the loan pursuant to the projected repayment schedule;
12. the contact information of a person who, upon request of the borrower, will provide the borrower with a copy of his or her signed promissory note; and
13. an explanation that if a borrower is required to make minimum monthly repayments and has received loans from more than one institution, the borrower must notify the institution if he or she wants the minimum monthly payment determination to be based on payments due to other institutions.

### ***Entrance counseling***

**Due date:** Prior to first disbursement

**Method of transmittal:** Must be in person, by audiovisual presentation, or by interactive electronic means.

**Recipient:** Student loan borrower

**Description:** An institution must provide to a first-time borrower

1. to the extent practicable, the effect of accepting the loan to be disbursed on the eligibility for other forms of student financial assistance;
2. an explanation of the use of the master promissory note;
3. information on how interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Secretary;
4. the option of the borrower to pay interest on a Direct Unsubsidized loan while the borrower is in school;
5. an explanation of the importance of contacting the appropriate offices if the borrower withdraws prior to completing their program of study so the institution can provide exit counseling;
6. sample monthly repayment amounts based on a range of indebtedness or the average indebtedness of other borrowers in the same program;
7. the obligation of the borrower to repay the full amount of the loan, regardless of whether the borrower completes or does not complete the program, does not complete the program within the regular time for program completion, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student borrower purchased from the school;
8. the likely consequences of default on the loan, including adverse credit reports, delinquent debt collection procedures, and litigation;
9. information on NSLDS and how the borrower can access the borrower's records;
10. the name of and contact information for the individual the borrower may contact if the borrower has any questions about the borrower's rights and responsibilities;
11. an emphasis on the seriousness and importance of the repayment obligation the student borrower is assuming;
12. the definition of half-time enrollment at the school, during regular terms and summer school, if applicable, and the consequences of not maintaining half-time enrollment;

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### **Entrance counseling**

HEA Sec. 463A(a), 485(l)

34 CFR 674.16(a), 685.304(a)

FSA Handbook Volume 2, Chapter 6

13. the limitation on eligibility for Direct Subsidized loans and possible borrower responsibility for accruing interest, including the possible loss of eligibility for additional Direct Subsidized loans, how a borrower's maximum eligibility period, remaining eligibility period, and subsidized usage period are calculated, the possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized loans and the portion of a Direct Consolidation loan that repaid a Direct Subsidized loan during in-school status, the grace period, authorized periods of deferment, and certain periods under the Income-Based Repayment and Pay As You Earn Repayment plans; and the impact of borrower responsibility for accruing interest on the borrower's total debt.

For graduate or professional student Direct PLUS loan borrowers, an institution must provide information prior to disbursement that includes

1. a range of student levels or indebtedness of graduate or professional student PLUS loan borrowers, of student borrowers with Direct PLUS loans and Direct Subsidized or Direct Unsubsidized loans, depending on the types of loans the borrower has obtained, or the average indebtedness of other borrowers in the same program at the same school;
2. inform the borrower of the option to pay interest on a PLUS loan while the borrower is in school;
3. the maximum interest rate for a Direct PLUS loan, periods when interest accrues on a Direct PLUS loan, and the point at which a Direct PLUS loan enters repayment;
4. for a graduate or professional student Direct PLUS loan borrower who has not received a prior Direct Subsidized loan or Direct Unsubsidized loan, the information listed in the above section for first-time borrowers.

For Perkins loans, entrance counseling is not required, though it is recommended. However, every year prior to the first disbursement a school must inform the student in writing of his rights and responsibilities; it must remind the student that the loan may be used only for educational expenses, that the loan must be repaid, and that the school holds the MPN. The school must also give the following information to the student:

1. the name of the institution of higher education and the address to which communications and payments should be sent;
2. the principal amount of the loan;
3. the amount of any charges collected by the institution at or prior to the disbursal of the loan and whether those charges are deducted from the proceeds of the loan or are paid separately by the borrower;
4. the stated interest rate of the loan;
5. the yearly and cumulative maximum amounts that may be borrowed;
6. an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;
7. a statement as to the minimum and maximum repayment term which the institution may impose and the minimum monthly payment required by law, as well as a description of any penalty imposed as a result of default;
8. a statement of the total cumulative balance, including the loan applied for, owed by the student to that lender, and an estimate of the projected monthly payment, given such cumulative balances;
9. an explanation of any special options the borrower may have for loan consolidation or other refinancing;
10. a statement that the borrower has the right to prepay all or part of the loan, at any time, without a penalty, a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans on the basis of military service;

11. a definition of default and the consequences to the borrower if the borrower defaults, together with the a statement that the disbursement of, and the default of a loan shall be reported to a consumer reporting agency;
12. to the extent practicable, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and
13. an explanation of any cost the borrower may incur in the making or collection of the loan.

### ***Exit counseling***

**Due date:** Shortly before student borrower ceases at least half-time study at the school.

**Method of transmittal:** Must be in person, by audiovisual presentation, or by interactive electronic means.

**Recipient:** Student loan borrower

**Description:** An institution must provide information to borrowers before they cease half-time enrollment at the institution. Information shall include

1. a description of the repayment plans available, the features of each plan, and the average anticipated monthly payments and the difference in interest paid and total payments under each plan;
2. debt management strategies that help with repayment;
3. an explanation that the borrower has the options to prepay each loan, pay each loan on a shorter schedule, and change repayment plans;
4. a general description of the terms and conditions under which the borrower may obtain full or partial forgiveness or cancellation of the principal and interest;
5. a general description of the terms and conditions under which the borrower may defer repayment of principal or interest or be granted forbearance;
6. the consequences of defaulting on a loan, including adverse credit reports, delinquent debt collection procedures and litigation;
7. information on the effects of using a consolidation loan, such as the effects on total interest to be paid, fees to be paid, and length of repayment, effects on grace periods, loan forgiveness, cancellation, and deferment opportunities, the options to prepay the loan and change repayment plans, and that benefits may vary among different lenders;
8. as with entrance counseling, an explanation of the MPN and an emphasis to borrowers on the importance of the obligation to repay the student loan and to repay the full amount of the loan even if they do not complete the program, do not complete it within the regular time frame, are unable to obtain employment upon completion, are otherwise dissatisfied with the school, or did not receive the educational or other services that they purchased from the school;
9. a general description of the types of tax benefits that may be available to borrowers;
10. information on the availability of the Department’s Student Loan Ombudsman’s office;
11. a notice about NSLDS and how the system can be used by borrowers to get information on the status of their loan;
12. information on how to contact the party servicing student borrowers’ Direct loans;
13. a copy, either in print or electronically, of the information the Department makes available pursuant to section 485(d) of the HEA;
14. an explanation to first-time borrowers
  - a. how the maximum eligibility period, remaining eligibility period, and subsidized usage periods are determined,
  - b. about the sum of the borrowers’ subsidized usage periods at the time of the exit counseling,

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### **Exit counseling**

HEA Sec. 485(b)(1)(A)

34 CFR 668.42(c)(6), 674.42(b),

682.604(a), 685.304(b)

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- c. about the consequences of continued borrowing or enrollment, including the possible loss of eligibility for additional Direct Subsidized loans and the possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized loans and the portion of a Direct Consolidation loan that repaid a Direct Subsidized loan during in-school status, the grace period, authorized periods of deferment and certain periods under the IBR and PAYE plans,
  - d. about the impact of the borrower becoming responsible for accruing interest on total student debt,
  - e. that the Secretary will inform student borrowers whether they are responsible for accruing interest on any Direct Subsidized loans,
  - f. that borrowers can access NSLDS to determine if they are responsible for accruing interest on any Direct Subsidized loans; and
15. a requirement that student borrowers provide current information on name, address, Social Security number, references, driver's license number and state of issuance, expected address, the address of their next of kin, and the name and address of their expected employer.

For Perkins Loans, exit counseling must

1. inform the student as to the average anticipated monthly repayment amount based on the student's indebtedness or the average indebtedness of students who have obtained Perkins loans for attendance at the institution or in the borrower's program of study;
2. explain to the borrower the options to prepay each loan and pay each loan on a shorter schedule;
3. review for the borrower the options to consolidate a Perkins loan, as well as the consequences of consolidating a Perkins loan, including the effects on total interest and fees to be paid and length of repayment, the effects on the borrower's underlying loan benefits, including grace periods, loan forgiveness, cancellation, and deferment opportunities, the options of the borrower to prepay the loan or to change repayment plans, and that borrower benefit programs may vary among different lenders;
4. include debt management strategies designed to facilitate repayment;
5. explain the use of a master promissory note;
6. emphasize the seriousness and importance of the repayment obligations the borrower is assuming;
7. describe the likely consequences of default, including adverse credit reports, delinquent debt collection procedures, and litigation;
8. emphasize that the borrower is obligated to repay the full amount of the loan even if the borrower has not completed the program, is unable to obtain employment after completion, or is otherwise dissatisfied with their education;
9. provide a general description of the terms under which a borrower may obtain full or partial forgiveness or cancellation of principal and interest, defer repayment of principal or interest, or be granted an extension of the repayment period or a forbearance;
10. require the borrower to provide current information concerning name, address, social security number, references, driver's license number, the borrower's expected permanent address, the address of the borrower's next of kin, and the name and address of the borrower's expected employer;
11. review the borrower information on the availability of the Student Loan Ombudsman's office;
12. inform the borrower about NSLDS and how NSLDS can be used to obtain title-IV loan status information, and
13. describe the types of tax benefits that may be available to borrowers.

**Preferred lender disclosures**

**Due date:** Annually updated

**Method of transmittal:** Website, electronic media, publications, or mailings

A preferred lender list and associated information must be made available to the public and provided to students attending or planning to attend the institution.

**Recipient:** Students, prospective students, and their families

**Description:** An institution that maintains a list of lenders that it recommends, promotes, or endorses in accordance with a preferred lender arrangement must make the list available. The list must include:

1. not less than the information required to be disclosed under section 153(a)(2) (A) of the HEA;
2. specific indication for each listed lender whether it is an affiliate of any other lender on the list, and if there is an affiliation, describes the details of such;
3. the methods and criteria used to select preferred lenders, to ensure that selection is on the basis of the best interests of borrowers, including payment of origination or other fees on behalf of the borrower, highly competitive interest rates, high-quality servicing, or additional benefits beyond the standard terms and conditions;
4. why the institution participates in a preferred lender arrangement with each lender, including why the terms, conditions and provisions of each type of education loan are beneficial for students attending the institution; and
5. a notice that a family does not have to borrow from a lender on the list. At minimum a list must have at least two private education lenders.

The school must also disclose the following on its website and in all informational materials that are distributed to current and prospective students and families and that describe or discuss the financial aid opportunities and education loans available to students: the maximum amount of federal grant and loan aid under HEA title IV, and required information from the Truth in Lending Act for each type of private education loan offered through a preferred lending arrangement.

**Private loan disclosures**

**Due date:** Prior to borrowing. Upon request for self-certification form

**Method of transmittal:** Website, electronic media, publications, or mailings

**Recipient:** Prospective borrowers

**Description:** Institutions that provide information on private education loans must provide to prospective borrowers: (1) information required under section 128(e)(1) of the Truth in Lending Act (15 U.S.C. 1638(e)(1)); (2) a notice that they may qualify for loans and other financial aid under Title IV of the HEA; and (3) a notice that the terms and conditions of Title IV, HEA loans may be more favorable than those of private loans. Institutions must ensure that information regarding private education loans is presented so as to be distinct from information regarding Title IV, HEA program loans.

Institutions must also provide the self-certification form for private education loans on paper or electronically to any student who requests the form.

**State grant assistance**

**Due date:** By point of application

**Method of transmittal:** Not specified

**Recipient:** Loan borrowers

**Description:** An institution must inform all eligible borrowers about the availability of, and their eligibility for, state grant aid from the state in which the institution is located. It will inform such borrowers from another state of the source for further information concerning grant aid from that state.

**Preferred lender disclosures**

HEA Sec. 152, 153, 487(a)(27) and (h)

34 CFR 601.10, 668.14(b)(28)

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**Private loan disclosures**

HEA Sec. 152(a)(1)(B), 155, 487(a)(28)

34 CFR 601.11, 601.30, 668.14(b)(29)

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**State grant assistance**

HEA Sec. 487(a)(9)



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Following are the sections of the Higher Education Act of 1965 (HEA), as amended, and the corresponding U.S. Code sections. The U.S. Code and the Code of Federal Regulations (CFR) can be found on the [Federal Digital System website](#) of the Government Printing Office. For a more up-to-date version of the U.S. Code, see the [Office of the Law Revision Counsel website](#) of the U.S. House of Representatives. Private companies and educational institutions, such as law schools, also provide online access to the U.S. Code and the CFR. You can search for these online or contact a law library.

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