

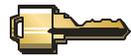
Chapter

1

The Student Financial Aid Programs

Summary

This chapter provides an overview of federally funded student financial aid programs. The chapter begins with a discussion of Title IV of the Higher Education Act, the legislation that created these federal programs. The chapter also discusses an institutional fiscal year and explains the terms “academic year” and “award year.”



Key Terms*

academic year	gift aid
administrative cost allowance (ACA)	Higher Education Act of 1965 as amended (HEA)
award year	Institutional Student Information Record (ISIR)
campus-based programs	master calendar
<i>Code of Federal Regulations</i> (CFR)	personal identification numbers (PINs)
cost of attendance (COA)	reauthorization
delivery system	SAR Information Acknowledgement
Expected Family Contribution (EFC)	self-help aid
Federal Pell Grant Program	Student Aid Report (SAR)
<i>Federal Register</i>	Title IV programs
Fiscal Operations Report and Application to Participate (FISAP)	
Free Application for Federal Student Aid (FAFSA)	

*Key terms are in boldface type when they first appear in the text.

1.1 Title IV of the Higher Education Act of 1965 and Federal Regulations

Title IV of the **Higher Education Act of 1965, as amended (HEA)**, authorizes the following programs:

- ◆ Federal Pell Grant,
- ◆ William D. Ford Federal Direct Loan (Direct Loan),

- ◆ Federal Family Education Loan (FFEL),
- ◆ Federal Supplemental Educational Opportunity Grant (FSEOG),
- ◆ Federal Work-Study (FWS), *and*
- ◆ Federal Perkins Loan.

These programs are collectively known as **Title IV programs**. They are administered by the U.S. Department of Education (ED) and provide some \$50 billion annually in financial assistance to eligible students enrolled in eligible postsecondary programs of study. Title IV programs are governed by the HEA and by policies and regulations published by ED.

Reauthorizing and Amending the HEA

Approximately every six years, Congress reviews all the Title IV programs authorized by the HEA to ensure that they are serving the purposes for which they are intended. After reviewing the programs, Congress decides whether to reauthorize them (that is, allow the programs to continue) and, if so, what changes should be enacted to serve students and taxpayers properly and efficiently.

Congress also can make changes to (or amend) the HEA between these periodic **reauthorizations**. This happens when Congress modifies particular HEA provisions rather than the entire law.

Title 34 of the Code of Federal Regulations

ED implements the HEA through regulations. Title IV regulations supplement the HEA; however, regulations cannot supersede any part of the law. Regulations affecting Title IV programs are contained in Title 34 of the **Code of Federal Regulations (CFR)**. The sections of Title 34 that most frequently affect how schools administer federal financial aid programs are in Parts 600 and higher. When ED issues regulations, they are published in the **Federal Register**. ED posts the regulations on its Information for Financial Aid Professionals (IFAP) Web site. ED also publishes an annual compilation of current regulations called the *Compilation of Student Financial Aid Regulations*. Additions or supplements to the *Compilation* are published and posted to IFAP quarterly, as needed.



Reference:

- <http://ifap.ed.gov>



Reference:

- *Compilation of Student Financial Aid Regulations (latest version)*

1.2 Family Contribution, Financial Aid Application, and Delivery System

Expected Family Contribution (EFC)

The basic premise underlying Title IV programs is that a student and the student's family have primary responsibility for paying for the student's postsecondary education. Because the programs are intended to help students with financial need, eligibility for financial assistance from most of the programs is need based. Congress developed an **Expected Family Contribution (EFC)** formula to determine the financial strength of a student's family and the student's need for Title IV assistance.

Free Application for Federal Student Aid (FAFSA)

To apply for Title IV financial aid funds, students must submit a **Free Application for Federal Student Aid (FAFSA)**. Most continuing postsecondary students may file a condensed Renewal FAFSA. The FAFSA and Renewal FAFSA collect financial and other information from the student and the student's spouse for independent students. They also collect information from a dependent student and his or her parent(s). This information is used to calculate the student's EFC. The EFC represents the amount of money a student's family is expected to contribute toward the cost of the student's postsecondary education. The EFC is used with the school's **cost of attendance (COA)** in determining an eligible student's need and the amount of aid that the student receives from each of the Title IV aid programs.

The EFC is sent to the student on the **Student Aid Report (SAR)** or the **SAR Information Acknowledgement**. Schools receive an electronic version of the same information, called the **Institutional Student Information Record (ISIR)**.



Reference:

- <http://fafsa.ed.gov>

All students (undergraduate and graduate) can complete a paper or Web-based version of the FAFSA. FAFSA on the Web is a dedicated Web site where students can apply using the Internet. Schools can also transmit students' FAFSAs through ED's Electronic Data Exchange (EDE). Students who have previously applied for federal financial aid may use the condensed Renewal FAFSA to file. The Renewal FAFSA can be completed on paper or by using Renewal FAFSA on the Web.

Federal law mandates that the FAFSA be developed according to the timeline established in the **master calendar**.^{*} This ensures that delivery of federal student aid is accomplished in a timely way.

^{*}See section 1.10 of this chapter for more information.

Delivery System

The “**delivery system**” refers to the process by which students apply for federal financial aid, are awarded federal funds, and use those funds to pay the costs of attendance they incur when they enroll in an eligible program of study.

Title IV programs may be categorized as either “**gift aid**” or “**self-help aid.**” Gift aid consists of grants and scholarships that are given to students; it does not have to be repaid. Self-help aid takes the form of loans (which must be repaid) and work-study (which pays students wages for hours worked at jobs provided on campus or off campus).

Sections 1.3 through 1.7 of this chapter provide a brief overview of ED’s federal financial aid programs. For more complete information, please refer to the *Student Financial Aid Handbook*.

Personal Identification Numbers (PINs)

Students who apply for Title IV federal financial aid are eligible to obtain **personal identification numbers (PINs)**. PINs are used to electronically identify individual aid applicants online, and they also can be used to create electronic signatures.

Students who use FAFSA on the Web to apply for federal aid and are first-time FAFSA filers are automatically sent PINs. A student can also request a PIN by accessing ED’s PIN Web site. PINs are sent to students through the U.S. Postal Service.

ED’s PIN Web site can also be used to request an additional copy of the student’s PIN, change the student’s PIN mailing address, request to be assigned a new PIN, and obtain general information about PINs.

With a PIN, a student can:

- ◆ electronically sign a FAFSA or Renewal FAFSA,
- ◆ make online corrections to his or her FAFSA data,
- ◆ obtain up-to-date Direct Loan account information,
- ◆ access his or her Access America for Students* account, *and*
- ◆ obtain current, reported information from the National Student Loan Data System (NSLDS) about his or her federal student aid history.



Reference:

- <http://pin.ed.gov>

*Access America for Students was a pilot program during the 1999-2000 school year. The pilot has been discontinued.

**Reference:**

- *Student Financial Aid Handbook, Volume 3: Pell Grant Program*
- HEA, Part A, Section 401
- 34 CFR Part 690

*The Higher Education Amendments of 1998 include a provision for a reasonable allowance for the documented purchase or rental of a personal computer.

**Reference:**

- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*
- 34 CFR Part 673

**Reference:**

- HEA, Part E
- 34 CFR Part 674

1.3 Federal Pell Grant Program

Federal Pell Grants are gift aid and are available to eligible undergraduate students who have not yet received a bachelor's degree or professional degree, are enrolled in a degree or certificate program, and meet other program eligibility requirements, including financial need.

ED, on a case-by-case basis, can provide Federal Pell Grants to students who have bachelor's degrees. Those students must be enrolled:

- ◆ at least half time at a school that doesn't offer a bachelor's degree in education,
- ◆ in a post-baccalaureate program not leading to a graduate degree, *and*
- ◆ in state-required courses to obtain an *initial* professional certification or licensing credential required to teach in that state.

Various components determine the amount of a student's award, including EFC; COA (tuition, fees, room and board, books and supplies,* and so forth); enrollment status; and the length of the program of study. Funds that an eligible student receives from this program do not have to be repaid. Each participating institution receives an **administrative cost allowance (ACA)** for administering the **Federal Pell Grant Program** unless the school declines it.

1.4 The Campus-Based Programs

The Federal Perkins Loan, Federal Work-Study (FWS), and Federal Supplemental Educational Opportunity Grant (FSEOG) Programs are referred to as **campus-based programs** because ED allocates these funds to participating institutions on the basis of their **Fiscal Operations Reports and Applications to Participate (FISAPs)**. The schools then manage the programs and award funds to students on behalf of ED. Students must complete a FAFSA or Renewal FAFSA each year to apply for these funds. Schools award the funds to eligible students according to federal laws and regulations. Each participating institution may claim an ACA for administering each campus-based program.

Federal Perkins Loan Program

Federal Perkins Loans are low-interest (5 percent) student loans that participating schools make to eligible undergraduate and graduate students. No interest accrues on a loan while a student is enrolled at least half time in an eligible program at an eligible school. A school must give priority to students who demonstrate exceptional financial need as defined by the school.

**Reference:**

- HEA, Part C
- 34 CFR Part 675

Federal Work-Study (FWS) Program

The Federal Work-Study (FWS) Program provides on-campus jobs and off-campus jobs for undergraduate and graduate students. Students can be employed in a variety of positions, including off-campus, community-service jobs. Students must be paid at least the current federal minimum wage and, in most cases, the institution or off-campus employer must pay a portion of their wages.

As of the 2000-01 award year, which began July 1, 2000, a school must use at least 7 percent of its total FWS allocation for an award year to pay students employed in community-service activities, unless ED approves a waiver. Further, at least one community-service project must be in reading tutoring or family literacy and must employ at least one FWS student.

America Reads Challenge

Schools are encouraged to place FWS students as reading tutors of preschool-age children and children in elementary school as part of their efforts to support the America Reads Challenge. For schools that participate, ED authorizes a 100 percent federal share of such students' FWS wages. Students must perform the work for the school itself; a federal, state, or local public agency; or a private, nonprofit organization.

America Counts

ED launched America Counts, which is similar to the America Reads Challenge, in July 1999. The program places FWS students as mathematics tutors for students in elementary school through ninth grade. The tutoring can be, but does not have to be, in a school setting. The program is another way for schools to meet FWS Program community-service expenditure requirements. For schools that participate, ED authorizes a 100 percent federal share of such students' FWS wages.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Federal Supplemental Educational Opportunity Grants (FSEOGs) are gift aid and do not have to be repaid. These funds are for undergraduate students with financial need who have not yet received a bachelor's degree or a first professional degree. When selecting FSEOG recipients, a school must make awards first to applicants with exceptional financial need and give priority to applicants who receive Federal Pell Grants.

**Reference:**

- HEA, Part A, Sections 413A-413E
- 34 CFR Part 676

1.5 Major Loan Programs

The largest amounts of Title IV funds come from the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program.

William D. Ford Federal Direct Loan Program

The William D. Ford Federal Direct Loan Program (usually referred to as the Direct Loan Program) consists of:

- ◆ the Direct Stafford/Ford Loan (Direct Subsidized Loan) Program,
- ◆ the Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan) Program,
- ◆ the Direct PLUS (Direct PLUS Loan) Program (for parents of eligible dependent students), *and*
- ◆ the Direct Consolidation Loan (Direct Consolidation Loan) Program.

Eligible students may borrow Direct Subsidized Loans and Direct Unsubsidized Loans, while parents of eligible dependent students may borrow Direct PLUS Loans. Direct Consolidation Loans are available to both student and parent borrowers.

The federal government makes Direct Loans to eligible undergraduate and graduate students and parents of dependent undergraduate students through financial aid offices at participating schools. Direct Subsidized Loans and Direct Unsubsidized Loans are made to eligible undergraduate and graduate students enrolled at least half time in an eligible program of study, and Direct PLUS Loans are made to eligible parents of dependent undergraduate students enrolled at least half time in an eligible program of study. The loans can also be used to pay for course work necessary as a prerequisite to enroll in an eligible program or for teacher certification programs.

Interest Subsidy

Borrowers are not charged interest on Direct Subsidized Loans during certain periods, such as when they are enrolled at least half time and during grace periods and deferment periods.*

Because the federal government subsidizes the interest on students' Direct Subsidized Loans, students must show financial need to qualify for these loans. The student's COA, EFC, and the amount of other aid the student is receiving determine the loan amount.

Eligibility for *unsubsidized* loans (Direct Unsubsidized Loans and Direct PLUS Loans) is not determined on the basis of financial need. All or a portion of a



Reference:

- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- HEA, Part D
- 34 CFR Part 685

***In some cases, a student may be charged interest on a subsidized loan while enrolled half time at an eligible school. An example would be when a student's loan has entered repayment and the student returns to school, but the student does not receive an in-school deferment on the loan.**

**Reference:**

- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

***Certain health professions students may be eligible for higher annual and aggregate loan limits.**

Direct Unsubsidized Loan or Direct PLUS Loan can replace a student's EFC and/or the parent's portion of the EFC. Student borrowers are charged interest on Direct Unsubsidized Loans and parent borrowers are charged interest on Direct PLUS Loans throughout the lives of the loans.

Every student borrower is subject to annual and aggregate loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans. The amount of the annual and/or aggregate limit is determined by the student's grade level in college and his or her dependency status.* A parent may borrow a Direct PLUS Loan up to the dependent student's cost of attendance *minus* estimated financial aid (from all other resources, including other loan programs).

ED's Direct Loan Servicing Center (DLSC) services all Direct Loans and collects payments from borrowers.

[Direct Consolidation Loan](#)

A Direct Consolidation Loan is designed to help student and parent borrowers simplify loan repayment by consolidating their federal education loans so that they make only one payment each month. The Direct Loan Consolidation Program offers a number of repayment options. Borrowers may consolidate subsidized and/or unsubsidized Direct Loans, Direct PLUS Loans, as well as most other federal student loans including loans received under the Federal Family Education Loan (FFEL) Program and the Federal Perkins Loan Program.

Federal Family Education Loan (FFEL) Program

The Federal Family Education Loan (FFEL) Program consists of subsidized and unsubsidized Federal Stafford Loans (for students), Federal PLUS Loans (for parents), and FFEL Consolidation Loans (for both students and parents). Participating lending institutions, such as banks and credit unions, make these loans, which are guaranteed by state or national guaranty agencies and insured by the federal government. FFEL Program loans are made to eligible undergraduate and graduate students enrolled at least half time in an eligible program or, in the case of Federal PLUS Loans, to the eligible parents of dependent undergraduate students enrolled at least half time in an eligible program.

[Interest Subsidy](#)

The federal government pays the interest on *subsidized* Federal Stafford Loans during certain periods, such as when a borrower is enrolled in school, during a deferment,** and during a borrower's grace period preceding repayment. A borrower makes payments to his or her lender (or to a servicing agent employed by the lender), unless the lender sells the borrower's loan to a secondary market. Then, the secondary market becomes the holder of the loan, and the borrower makes his or her payments to the new loan holder.

**Reference:**

- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- HEA, Part B
- 34 CFR Part 682

****In some cases, a student may be charged interest on a subsidized loan while enrolled half time at an eligible school. An example would be when a student's loan has entered repayment and the student returns to school, but the student does not receive an in-school deferment on the loan.**

Because the federal government pays the interest on *subsidized* Federal Stafford Loans, students must show financial need to qualify for these loans. The student's COA, EFC, and the amount of other aid the student is receiving determine the loan amount.

Eligibility for *unsubsidized* loans (unsubsidized Federal Stafford Loans and Federal PLUS Loans) is not determined on the basis of need, and all or a portion of these loans can replace a student's EFC. A borrower is responsible for paying all interest on an unsubsidized Federal Stafford Loan or a Federal PLUS Loan, with interest beginning to accrue on the date the loan is disbursed.

Every student borrower is subject to annual and aggregate loan limits for subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans. The amount of the annual and/or aggregate limit is determined by the student's grade level in college and his or her dependency status.* A parent may borrow a Federal PLUS Loan up to the dependent student's cost of attendance *minus* estimated financial aid (from all other resources, including other loan programs).

FFEL Consolidation Loan

A FFEL Consolidation Loan is designed to help student and parent borrowers consolidate several types of federal student loans with various repayment schedules into one loan. Borrowers make only one payment a month for all loans that were consolidated in the FFEL Consolidation Loan. Students can consolidate subsidized and unsubsidized Stafford loans and parents can consolidate PLUS loans as well as most other federal student loans. Borrowers can only receive one consolidation loan. Those loans that were subsidized retain their eligibility for subsidies.

1.6 Other Title IV Programs

Leveraging Educational Assistance Partnership (LEAP) Program (formerly State Student Incentive Grant [SSIG] Program)

The Leveraging Educational Assistance Partnership (LEAP) Program assists states in providing grants to eligible students who attend postsecondary schools and who have financial need. Each state receives an annual allocation of federal LEAP funds that must be matched with a certain amount of state funds. The name of the program, amount of funds available, application procedures, and other aspects of the LEAP Program may vary from state to state. For specific information about the LEAP Program in your state, contact your state education agency. The LEAP Program formerly was the State Student Incentive Grant (SSIG) Program.



Reference:

- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

***Certain health professions students may be eligible for higher annual and aggregate loan limits.**



Reference:

- *Student Financial Aid Handbook, Volume 9: State Grant Programs*
- HEA, Part A, Section 415
- 34 CFR Part 692
- DCL GEN-98-28
- SPL LEAP-00-01
- DPL LEAP-00-02

Special Leveraging Educational Assistance Partnership (SLEAP) Program

When Congress appropriates amounts in excess of \$30 million for the LEAP Program, those excess funds must be applied to the Special Leveraging Educational Assistance Partnership (SLEAP) Program. The SLEAP Program authorizes states to use the funds for any or all of the following eight activities:

- ◆ increasing the dollar amount of grants under the LEAP Program;
- ◆ carrying out transition programs from secondary school to postsecondary education for needy students;
- ◆ carrying out a financial aid program for needy students who wish to enter careers in information technology or other fields determined by the state to be critical to its workforce needs;
- ◆ making funds available for community service work-study activities for needy students;
- ◆ creating a scholarship program for needy students who wish to be teachers;
- ◆ creating a scholarship program for needy students who plan to major in mathematics, computer science, or engineering;
- ◆ carrying out early intervention, mentoring, and career education programs for needy preschool, elementary-school, or secondary-school students; *and*
- ◆ awarding merit or academic scholarships to needy students.

Postsecondary students receiving aid through a SLEAP program must meet general student eligibility requirements and demonstrate financial need.

The maximum amount the federal government contributes (the federal share) under the SLEAP Program is $33\frac{1}{3}$ percent. Funds are allocated to states in the same manner as LEAP, and these funds pay the federal share of costs for any or all of those authorized program activities. States are required to assure ED that they are meeting the nonfederal-share matching terms according to program requirements.

Robert C. Byrd Honors Scholarship Program

This program provides federal grants to states so that scholarships may be made to exceptionally able students for postsecondary study. The purpose of the program is to promote academic excellence and achievement. Each state establishes its own application procedures for Byrd Scholarships. For specific information about how the Byrd Scholarship Program is administered in your state, contact your state education agency.



Reference:

- *Student Financial Aid Handbook: Volume 9 State Grant Programs*
- HEA, Part A, Section 419 A-K
- 34 CFR Part 654

**Reference:**

- HEA, Part A, Section 404 A-H

***Please note that the former NEISP provisions make up only a small part of the GEAR UP provisions.**

Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP)

Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP) replaced the National Early Intervention Partnership and Scholarship Program (NEISP).*

GEAR UP provides a range of early-intervention services to middle schools serving a high percentage of low-income students. Partnerships are required to include:

- ◆ a degree-granting institution of higher education,
- ◆ a middle school in which 50 percent of the students are eligible for free or reduced-cost lunch,
- ◆ high schools where these students will ultimately enroll, *and*
- ◆ at least two community organizations.

Certain GEAR UP provisions allow states to receive grants that:

- ◆ provide or maintain a guaranteed amount of financial assistance necessary to permit eligible, low-income students who obtain high school diplomas or the equivalent to attend institutions of higher education;
- ◆ provide financial incentives in cooperation with local educational agencies, institutions of higher education, community organizations, and businesses; and
- ◆ provide a variety of early-intervention services.

Academic Achievement Incentive Scholarship Program

The purpose of the Academic Achievement Incentive Scholarship Program is to help financially needy students who have demonstrated their academic abilities. The scholarships are for students who are eligible for Federal Pell Grants and graduate after May 1, 2000 in the top 10 percent of their high school graduating class. The maximum scholarship a student can receive is equal to the amount of the student's eligibility for a Federal Pell Grant, which can result in doubling the student's grant amount. This program is unfunded for the 2000-01 award year.

1.7 Other Federal Student Aid Programs

In addition to the Title IV programs described previously, there are other federal financial assistance programs for students.

**Reference:**

- HEA, Part A, Sections 406A-407E

**Reference:**

- <http://americorps.org>

AmeriCorps

AmeriCorps, a program of national and community service, provides education awards of up to \$4,725 a year. Education awards vary depending on whether the student participates on a full-time or part-time basis. Students participating in AmeriCorps usually receive a living allowance on a regular basis. This living allowance is not considered an hourly wage or salary.

Living allowances are taxable by the Internal Revenue Service (IRS) but are an exclusion from the income used to calculate a student's EFC for purposes of awarding Title IV aid. If the stipend is included in the student's AGI, it is to be included on Worksheet C of the 2002-2003 FAFSA. Also, a student participating in the Federal Work-Study Program (FWS) is ineligible to receive a living allowance.

Wages earned from FWS will be reported on the appropriate worksheet and excluded from the AGI need analysis calculation. In most cases, according to the IRS, educational awards are subject to income taxes in the calendar year in which they are used. This taxable amount is reported on form 1099. When the student files a FAFSA for the following year, the amount of the AmeriCorps award received in the base year (2001 calendar year for the 2002-2003 FAFSA) and included in that year's AGI is to be excluded from the need analysis calculation and included on line 4 of Worksheet C of the 2002-2003 FAFSA.

Individuals may work before, during, or after their postsecondary education and can use the funds either to pay current or future education expenses or to repay federal student loans. Participants must be high school graduates, have GEDs, or be working toward their GEDs. For more information students can call 1-800-942-2677 or write to:

The Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Programs Funded by the U.S. Department of Health and Human Services (HHS)**Reference:**

- <http://www.hrsa.dhhs.gov/bhpr/dsa>

The U.S. Department of Health and Human Services (HHS) offers a variety of financial aid programs for students who are interested in becoming health professionals, such as physicians, nurses, and dentists. Some of the programs require students to make a commitment to work as a health care provider in an area of need, such as in a geographically underserved area.

1.8 Federal Education Tax Credits



Reference:

- 26 CFR, Part 1, 1.25A-3, of January 6, 1997, NPRM
- DCL ANN-98-16



Reference:

- <http://ed.gov/inits/hope>

The Hope Scholarship

The Hope Scholarship is really a federal tax credit authorized by Congress in the Taxpayer Relief Act of 1997. For families with students in the first two years of postsecondary school, taxpayers are eligible for a tax credit equal to 100 percent of the first \$1,000 of tuition and fees and 50 percent of the second \$1,000 (the amounts are indexed for inflation after 2001). The credit became available on a per-student basis for net tuition and fees (less grant aid) paid for college enrollment after December 31, 1997. The credit is phased out for joint filers who have between \$80,000 and \$100,000 of adjusted gross income and for single filers who have between \$40,000 and \$50,000 (indexed after 2001). The credit can be claimed in two taxable years (but not beyond the year when the student completes the first two years of college) for any individual enrolled on at least a half-time basis for any portion of the year.

Schools must report certain information to students and the Internal Revenue Service (IRS), such as students' tuition and fees. Specific institutional reporting requirements are published by IRS.

Lifetime Learning Credit

The Lifetime Learning Credit is also a federal tax credit authorized in the Taxpayer Relief Act of 1997. It is for students who have completed their first two years of college or are enrolled in classes part time to improve or upgrade their job skills. Families receive a 20 percent tax credit for the first \$5,000 of tuition and fees through 2002, and for the first \$10,000 thereafter. The credit is available for net tuition and fees (less grant aid) paid for postsecondary enrollment after June 30, 1998. The credit is available on a per-taxpayer (family) basis, and it is phased out at the same income levels as the Hope Scholarship.

Like the Hope Scholarship, schools must report certain information to students and the IRS, such as students' tuition and fees. Specific institutional reporting requirements are published by the IRS.

1.9 Coordination of Financial Aid Resources

A student receiving federal student aid can only receive financial assistance, from all available resources, up to his or her COA. Financial assistance can be received from a variety of resources, including veteran's education benefits, scholarships from outside sources, and nonfederal student loans.

Students who receive outside sources of financial assistance are required to report the receipt of that aid to the financial aid office. This is to ensure that the student does not receive more Title IV assistance than allowed under federal law.

For this same reason, it's important that the financial aid office and the fiscal office coordinate information on funds received for financial assistance.

1.10 The Fiscal Activity Calendar

Fiscal activities managed by postsecondary institutions occur at various points during the academic year, the award year, and the fiscal year.

The Academic Year

The HEA establishes the definition of an **academic year**. ED regulations guide schools in complying with the definition.

Every eligible school program, including graduate programs, must have a defined academic year that contains a minimum of 30 weeks of instructional time. In addition, for undergraduate programs, an academic year must contain 30 weeks of instructional time during which a full-time undergraduate student must be expected to complete at least 24 semester or trimester hours, 36 quarter hours, or 900 clock hours, as appropriate. A school may determine the amount of course work a full-time graduate or professional student is expected to complete over an academic year.

To determine the number of weeks of instructional time, a school must count the period that begins on the first day of classes and ends on the last day of classes or examinations.

Reduction of Academic Year

ED may grant waivers of the 30-week requirement for schools that provide two-year or four-year programs of study for which they award associate or baccalaureate degrees. ED may grant a reduction in the length of an academic year.

- ◆ If a reduction is approved, a school is permitted to have an academic year of less than 30 weeks of instructional time (but not less than 26 weeks) without reducing the amount of Title IV funds that a student enrolled in an eligible program is eligible to receive for an entire academic year.

A reduction is available to schools that want to begin or continue to operate with a reduced academic year on a long-term basis. This reduction must be renewed each time a school is required to apply for recertification to award federal financial aid.

When evaluating a school's application to reduce the length of an academic year, ED will consider such factors as:

- ◆ any unique circumstances that justify granting the request,



Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA, Part G, Section 481
- 34 CFR 668.2(b)(1)



Reference:

- 34 CFR 668.3



Reference:

- 34 CFR 668.3(c)(1)(i-iv)

- ◆ the school's compliance with procedures for awarding aid and disbursement based on the academic-year requirements of the HEA,
- ◆ the approval of the academic year by the school's accrediting agency or state agency, *and*
- ◆ the hours of attendance and other course work that a full-time student is required to complete in the academic year.

ED has granted this waiver to very few schools. Schools can request the waiver by two methods. One method is for a school to submit its request to either of the following addresses:

By U.S. Postal Service: U.S. Department of Education
Case Management and Oversight Service
P.O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

By commercial overnight mail or courier delivery:

U.S. Department of Education
Case Management and Oversight Service
7th and D Streets, SW
GSA Building, Room 5643
Washington, DC 20407



Reference:

- <http://eligcert.ed.gov>

The other method is for a school to submit its request electronically through the World Wide Web at <http://eligcert.ed.gov>. At the Web site, the school must complete questions 1 and 69 *and* the signature page.



Reference:

- See Appendix D for further details on Case Management Teams.

With either method, the school must submit documentation supporting its request for the waiver. If a school has questions about the waiver, the school should contact the Case Management Team that serves its state.

A school may have different academic years for different programs, but must use the same academic year definition for:

- ◆ calculating all Title IV awards for students enrolled in a particular program *and*
- ◆ all other Title IV program purposes, such as certifying loan deferments.

Clock-Hour and Term-Based Programs

For educational programs using semesters, trimesters, or quarters *or* clock hours, a week of instructional time is defined as any consecutive seven-day period in which at least one day of regularly scheduled instruction, examinations, or preparation for examinations occurs.



Reference:

- 34 CFR 668.8(b)(3)(i)



Reference:

- 34 CFR 668.8(b)(3)(ii)



Reference:

- *Student Financial Aid Handbook: Volume 2 Institutional Eligibility*
- HEA, Part G, Section 481

Nonterm Credit-Hour Programs

For educational programs measured in credit hours without standard terms (semesters, trimesters, or quarters), a week of instructional time is defined as any consecutive seven-day period in which at least 12 hours of instruction, examinations, or preparation for examination occurs.

The Award Year

Funds are appropriated by Congress for a specific financial aid **award year**. That year is the 12-month period during which postsecondary institutions disburse Title IV aid and other federal financial aid funds to students. The award year runs from July 1 of one calendar year to June 30 of the next calendar year.

For example, the 2001-02 award year begins on July 1, 2001 and ends on June 30, 2002. Immediately following the end of the award year, schools must file reports on that award year's activities.

For any award year, financial aid application processing begins on January 1 of the calendar year in which the award year begins; financial aid payment processing ends on September 30 of the calendar year in which the award year ends.

- ◆ For example, for the 2001-02 award year, processing begins on January 1, 2001 and ends on September 30, 2002.

The Fiscal Year

The fiscal year is defined by the institution. Examples of commonly used fiscal year periods are:

- ◆ January 1 to December 31 (the calendar year),
- ◆ July 1 to June 30 (the financial aid award year), *and*
- ◆ October 1 to September 30 (the federal fiscal year).

For many institutions, the school fiscal year differs from the federal fiscal year.

The Federal Master Calendar

To ensure timely delivery of Title IV funds to students, federal law requires that ED adhere to a master calendar when developing required publications, communicating with postsecondary institutions, issuing regulations, and performing other activities necessary to both ED's and the institutions' administration of Title IV programs.

See page 1.18 for the mandated FAFSA development schedule and page 1.19 for the master allocation calendar for Federal Pell Grant and campus-based aid.



Reference:

- HEA, Part G, Section 482

The master calendar requires that regulations affecting a given award year be published by ED no later than November 1 of the preceding calendar year.

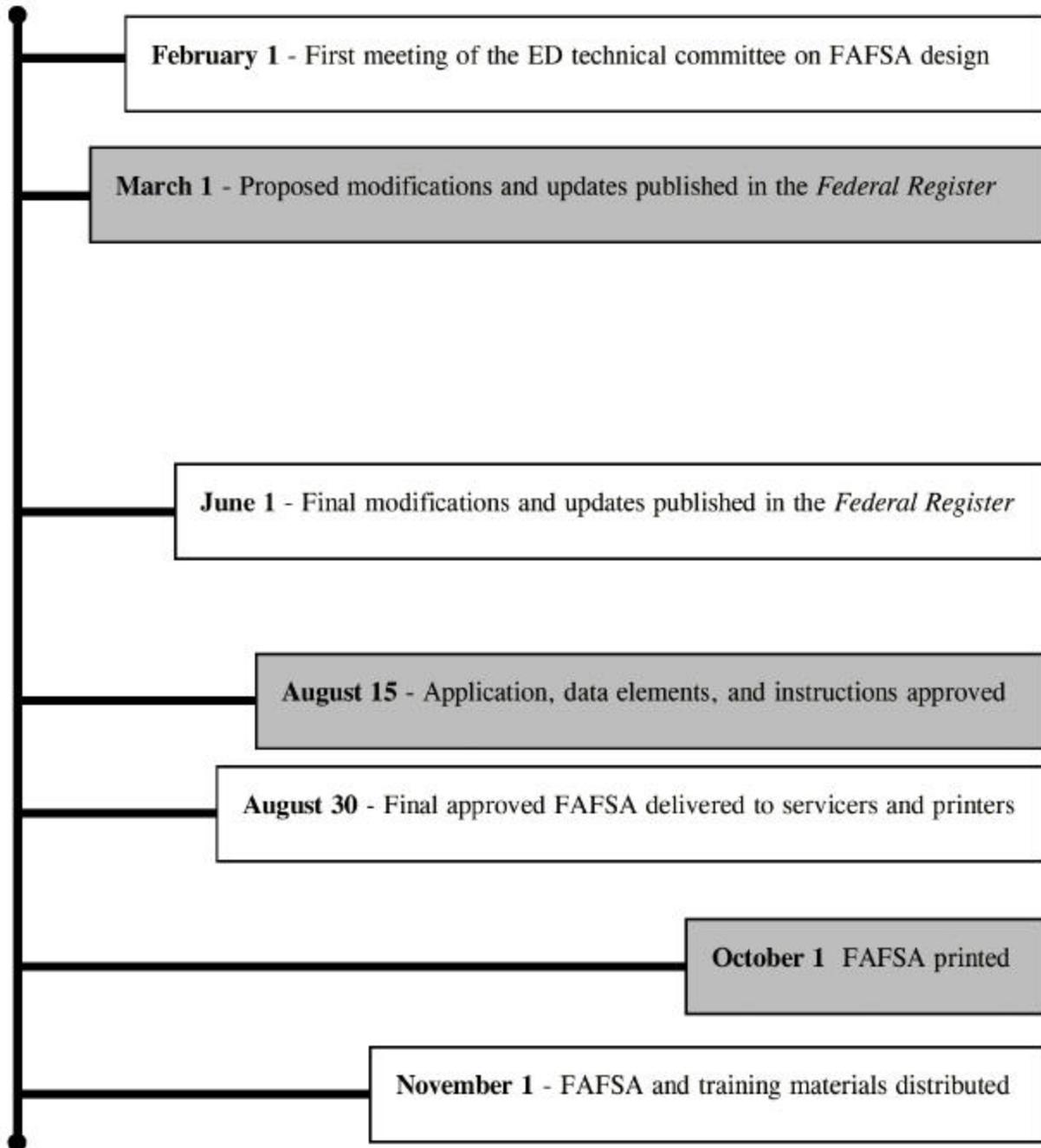
- ◆ For example, for the 2001-02 award year, all final regulations had to be issued on or before November 1, 2000. These regulations may take effect no earlier than July 1, 2001.*

***Please note, although it is generally true that the regulations will not take effect before July 1, 2001, on occasion there are exceptions.**

For allocations of Federal Pell Grant and other campus-based funds, the law also mandates that ED adhere to the following master calendar dates in the year preceding the award year.

- ◆ August 1—distribution of application for campus-based funds (Fiscal Operations Report and Application to Participate [FISAP]) to institutions
- ◆ October 1—final date for institutions to submit FISAP to ED
- ◆ November 15—ED sends FISAP edits to institutions
- ◆ December 1—appeal procedures received by institutions
- ◆ December 15—institutions return any FISAP edits to ED
- ◆ February 1—institutions receive tentative ED award levels for campus-based programs; institutions also receive final Federal Pell Grant Program Payment and Disbursement Schedule
- ◆ February 15—closing date for institutional appeals of campus-based awards to be received by ED
- ◆ March 1—appeals process completed
- ◆ April 1—final award notifications for campus-based programs sent to institutions by ED
- ◆ June 1—Federal Pell Grant Program initial authorization levels sent to schools using the advance payment method

FAFSA Development Schedule Mandated by the Federal Master Calendar



Master Allocation Calendar for Federal Pell Grant and Campus-Based Programs

