

# Packaging Aid

*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 (Need = Cost of Attendance minus the EFC). 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, FSA 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 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 EDEExpress. 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 EDEExpress or software from a commercial vendor. You are not required to use EDEExpress to package FSA awards, and you do not have to report the student's aid package to the Common Origination and Disbursement system.

## CHAPTER HIGHLIGHTS:

- Related software: EDEExpress Packaging Module  
→ Available at [www.fsadownload.ed.gov](http://www.fsadownload.ed.gov)
- Packaging principles
  - Pell Grants packaged first; not reduced for other aid.
  - Campus-Based and subsidized Stafford Loans based on Pell, eligibility, EFC, and estimated financial assistance.
  - Subsidized Stafford Loans based on Pell eligibility, EFC, and estimated financial assistance.
  - Unsubsidized Stafford Loans and PLUS based on Pell eligibility 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

$$\frac{\text{Cost of Attendance} - \text{EFC}}{\text{Financial Need}}$$

## 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.

### Some key points from Chapter 5 (Calculating Stafford/PLUS Awards)

- Before you originate a Stafford Loan, you must determine the student's eligibility for a Pell Grant.
- You may originate a subsidized Stafford Loan only for the amount of 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 subsidized and unsubsidized Stafford 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 unsubsidized Stafford amounts.
- Unsubsidized Stafford Loans and 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.
- PLUS Loans are available to graduate and professional students
- Graduate/professional students may not receive subsidized Stafford loans for loan periods that start on or after July 1, 2012. **NEW** →

### 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 funds can't be used to pay back the loan—a loan repayment isn't an educational expense.

### 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.

### Prohibition on originating Stafford for school charges only

HEA Sec. 479(A)(c)

34 CFR 685.301(a)(8)

DCL GEN-11-07

Your school cannot engage in a practice of originating Stafford Loans only in the amount needed to cover the school charges, or to limit unsubsidized Stafford borrowing by independent students. See Chapter 5 of this volume for further information on originating loan amounts.

## PELL GRANTS AS FIRST SOURCE OF AID

Pell Grants are considered to be the first source of aid to the student, and packaging FSA 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 FSA 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 FSA 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 FSA 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.

## ESTIMATED FINANCIAL ASSISTANCE (EFA)

In contrast to Pell and Iraq and Afghanistan Service Grants (IASG), you must take other aid into account when awarding TEACH Grant funds, Campus-Based aid, Stafford or PLUS Loans. As noted earlier, the other aid that must be considered is called “estimated financial assistance” (EFA). The term *estimated financial assistance* is used in the same way for Stafford/PLUS 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, the term *estimated financial assistance, as defined for the Campus-Based programs and TEACH grants*, refers to aid from the FSA 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. EFA does *not* include non-FSA aid if that aid offsets all or a portion of a component of a student’s COA and that amount is excluded from COA as well. 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 Stafford or PLUS Loan. As noted in Chapter 1, it’s usually best to originate a Stafford or PLUS Loan for a period that matches the academic year or other period that you’re using to award funds from other FSA programs.

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 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 in income on the tax return will also be included on the appropriate line of item 43 or 91 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.

### 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 (IASG) is not considered EFA.

### Estimated Financial Assistance provided by a State

HEA Sec. 480(j)

If the assistance is provided by a State is not considered FSA 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. See Volume 1, Chapter 7 for determining whether State grants are considered FSA assistance.

## Examples of Estimated Financial Assistance

### Estimated Financial Assistance

Includes any educational benefits paid because of enrollment in postsecondary education, such as:

- the student’s Pell Grant eligibility;
- unsubsidized and subsidized Stafford and PLUS (Federal Family Education Loans and Direct 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; and
- AmeriCorps funds (except when packaging subsidized Stafford);
- McNair Postbaccalaureate Achievement Program
- TEACH Grant funds.

### NOTE:

- The Iraq & Afghanistan Service Grant is NOT considered EFA.
- Veterans education benefits are not considered EFA.
- When awarding Campus-Based funds, you may exclude from EFA: funds up to the amount of any subsidized DL 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.

### Packaging Iraq & Afghanistan Service Grants

July 30, 2010 E-Announcement

February 11, 2011 E-Announcement

An IASG 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 IASG that **by itself** exceeds the student's cost of attendance is an overaward. All of these IASG overawards must be corrected (for more detail on how to resolve overawards, see Volume 5, Chapter 1 of the FSA Handbook).

### Pell and IASG Lifetime eligibility used

Check the COD common records and the ISIR / NSLDS records to make sure students close to the 600% lifetime limit on Pell/Iraq & Afghanistan Service Grant are not packaged in such a way as to go over 600% of a Scheduled Award; to do so would be to overaward the student. The Department will also provide weekly reports in the Pell Grants Reporting Newsbox on the COD website for your school's 2012-13 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/IASG Lifetime Eligibility Used.

## PACKAGING AID FOR CHILDREN OF IRAQ & AFGHANISTAN SOLDIERS

As noted 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 Federal Student 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 FSA 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 and Afghanistan Service Grant.

### Packaging Iraq & Afghanistan Service Grants

The amount of the Iraq and Afghanistan Service Grant is determined by enrollment status only (see Chapter 3), without respect to the student's cost of attendance or EFC. For students receiving Grants, you include the student's normally calculated EFC when packaging other FSA aid. The Grant is not based on need and is not considered EFA (for purposes of awarding aid from other FSA programs). 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).

## CONSIDERING GRANTS AND SUBSIDIZED LOANS FIRST

The law requires aid administrators to find out whether the student is eligible for certain other FSA 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 subsidized or unsubsidized Stafford Loan for that student. In addition, you may not originate an unsubsidized Stafford Loan without first determining the student's need for a subsidized Stafford Loan. (The difference between subsidized and unsubsidized Stafford Loans is explained in *Chapter 5* of this volume.) However, if the amount of the subsidized Stafford is \$200 or less and the amount can be included as part of an unsubsidized Stafford 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 subsidized Stafford 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 unsubsidized Stafford eligibility before the student applies for PLUS.

## 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 subsidized Stafford Loans before unsubsidized loans; as such, treatment of unsubsidized loans only becomes a factor when awarding unsubsidized Stafford and PLUS Loans. When awarding Stafford/PLUS Loans, unsubsidized loan amounts are only counted in *estimated financial assistance* if they exceed the EFC.

### Requirement to consider grants and subsidized loans first

34 CFR 685.200(a)

### Packaging when choosing not to borrow Stafford

If a graduate PLUS borrower does not request the maximum Stafford Loan amount for which he/she is eligible, you must notify the borrower of his/her maximum Stafford Loan eligibility, the loan interest rate for Stafford and PLUS, the grace periods and repayment time-frames of Stafford and PLUS, and give them the opportunity to request the maximum Stafford for which the borrower is eligible.

If the student for whom a parent is borrowing a PLUS Loan chooses not to apply for a Stafford Loan, the Stafford Loan amount that the student would have been eligible to receive is **not** counted as estimated financial assistance when determining the amount of the PLUS Loan. The same principle applies when a graduate/professional student is eligible for Stafford, but chooses to borrow only PLUS.

### Packaging Graduate/Professional PLUS

A PLUS Loan does not count against a graduate/professional student's unsubsidized Stafford 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 - Campus-Based Awards).

### Substituting for the EFC

34 CFR 686.21(d)

34 CFR 685.200(e)

34 CFR 668.52

## Basic packaging example

Cost=\$12,500	unmet need 10,000	<b>\$12,500</b> Cost
	EFC \$2,500	<b>- 2,500</b> EFC
		<b>\$10,000</b> Need

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 \$7,000	<b>\$12,500</b> Cost
	Pell, WCF \$3,000	<b>- 2,500</b> EFC
	EFC \$2,500	<b>- 1,600</b> Pell Grant
		<b>- 1,400</b> Scholarship
		<b>\$ 7,000</b> Remaining Need

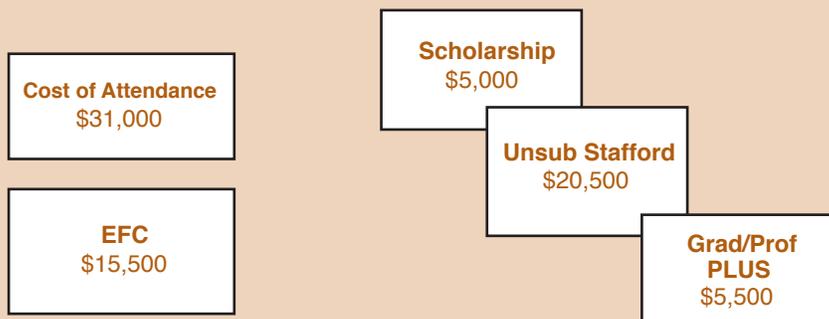
The aid administrator at Dwight College begins by awarding Pell Grants and applying the outside scholarship before awarding Campus-Based aid. Ricki's Estimated Financial Assistance is a \$1,600 Pell and a \$1,400 outside scholarship from the Wildwood Conservation Fund, so he has sufficient need for the maximum awards that the aid administrator can make under Dwight's policy for Campus-Based funds: \$800 FSEOG, a \$900 Perkins Loan, and \$1,800 in FWS employment.

Cost=\$12,500	unmet need \$3,500	<b>\$12,500</b> Cost
	C-B Aid \$3,500	<b>- 2,500</b> EFC
	Pell & WCF \$3,000	<b>- 1,600</b> Pell Grant
	EFC \$2,500	<b>- 1,400</b> Scholarship
		<b>- 800</b> FSEOG
	<b>- 900</b> Perkins	
	<b>- 1,800</b> FWS	
		<b>\$ 3,500</b> Remaining Need

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 subsidized Stafford Loan limit is \$4,500. Because his remaining need is \$3,500, he can receive that amount as a subsidized Stafford Loan. If he chooses, he can borrow up to \$3,500 unsubsidized Stafford to partially cover the EFC (the remaining eligibility under his annual loan limit). Since he is a dependent student, his parents can borrow up to the remaining amount of the EFC in the form of a PLUS Loan. As an alternative to Ricki borrowing an additional \$3,500 in unsubsidized Stafford, his parents could borrow that full amount in a PLUS.

## Graduate/Professional PLUS Packaging Example NEW

Kent enrolls in a graduate-level program at McCausland University with a total Cost of Attendance \$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 subsidized Stafford Loan. McCausland awards Kent a \$20,500 unsubsidized Stafford loan. Kent now has \$5,500 in remaining need. Kent can receive a PLUS Loan for \$5,500 to satisfy his remaining need, partially replacing the EFC (minus the scholarship and unsubsidized Stafford loans, which count as EFA).



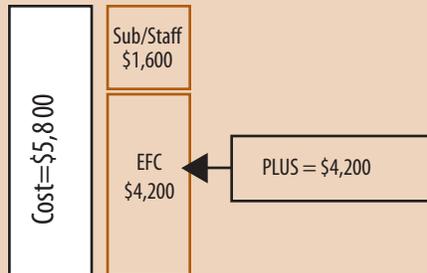
## Using Loan Funds to Replace the EFC: Dependent example

Nichelle is a first-year dependent student at Sandberg Community College. His cost of attendance is \$5,800 and his ISIR shows that he has an EFC of 4,200, so his financial need is \$1,600. Nichelle’s EFC makes him ineligible for a Pell Grant, and Sandberg does not participate in the Campus-Based programs. The Stafford annual loan limit for a first-year dependent student is \$3,500. Nichelle qualifies for a \$1,600 subsidized Stafford Loan and has no remaining need.

Since an unsubsidized Stafford Loan can replace the EFC and Nichelle hasn’t reached the Stafford annual loan limit, he can borrow an additional \$1,900 in the form of an unsubsidized Stafford Loan to cover part of the EFC (\$3,500 Stafford annual loan limit - \$1,600 subsidized Stafford Loan = \$1,900 unsubsidized Stafford eligibility). Nichelle could borrow \$1,900 in unsubsidized Stafford to partially cover the EFC. His parents could then borrow \$2,300 in PLUS to cover the remaining EFC. Alternately, his parents could borrow up to \$4,200 in the form of a PLUS Loan.

\$ 5,800	Cost
- 4,200	EFC
\$ 1,600	Need

\$ 5,800	Cost
- 1,600	Sub Stafford
- 1,900	Unsub Stafford
- 2,300	PLUS
\$ 0	Need



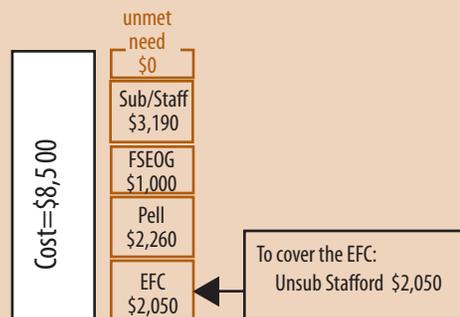
## Using Loan Funds to Replace the EFC: Independent example

Jesse enrolls in Trice Technical College as a 1st-year independent student with an \$8,500 cost of attendance, and TTC has received an ISIR for her with an EFC of 2,050. She is eligible for a \$2,260 Pell Grant and TTC also awards her a \$1,000 FSEOG. Her remaining need is \$3,190, so she can receive that amount in a subsidized Stafford Loan (the maximum subsidized Stafford Loan for a 1st-year student is \$3,500).

Since Jesse is an independent student, she can take out an additional unsubsidized Stafford Loan to replace the EFC and as “self-help” to meet the EFC. Thus, TTC is able to award Jesse an additional \$2,050 in unsubsidized Stafford Loan funds.

\$ 8,500	Cost
- 2,050	EFC
\$ 6,450	Need

\$ 8,500	Cost
- 2,260	Pell Grant
- 1,000	FSEOG
- 3,190	Sub Stafford
- 2,050	Unsub Stafford
\$ 0	Need



## 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 FSA 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.

### Crossover period EFCs and FSA aid

In a crossover payment period, when using Pell from a different award year from other FSA 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 FSA programs.

### EFCs for periods other than 9 months

For detail on how to handle Direct Loans and Campus-Based Programs that are based on an enrollment period of other than 9 months, see Alternate EFCs in Chapter 3 of Volume 1 of the FSA Handbook.

### 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 of the FSA Handbook for more detail on the circumstances and limitations of this provision.

## Handling Crossover Periods for FSA Programs

FSA 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 aid from FSA?	Use funds from the same award year as EFC?	Choice of academic year for annual loan limit regardless of award year EFC used?
Pell Grant & Iraq & Afghan Service Grant	Payment period	Yes	No	Not applicable	Yes	Not applicable
Perkins	Payment period	Yes	No	Yes, except for Pell Grant	No	Yes, but it is an award year limit. Choice still applies, regardless of the disbursement award year
FWS	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
FSEOG	Payment period	Yes	No	Yes, except for Pell Grant	No	Not applicable
Direct Loans	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 e-mail, 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.

## 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 no longer 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 *subsidized* Stafford Loans. Note that this packaging exclusion does not affect any Campus-Based, or TEACH awards made to the student, because you may exclude the subsidized Stafford 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 *unsubsidized* Stafford Loans.

For example, a 2nd-year student has a COA of \$12,000 and is receiving \$4,000 in Pell and \$3,000 in AmeriCorps benefits. You package her with \$1,000 in FSEOG and \$2,000 in Perkins. You may award this student another \$3,500 in Stafford because the EFA for subsidized Stafford would not include the AmeriCorps benefits. Because there is a complementary exclusion Stafford 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.

### **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.

### **Yellow Ribbon Packaging**

August 13, 2009 E-Announcement

[http://gibill.va.gov/benefits/post\\_911\\_gibill/yellow\\_ribbon\\_program.html](http://gibill.va.gov/benefits/post_911_gibill/yellow_ribbon_program.html)

### **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.

### **Vocational rehabilitation packaging**

Adrian has \$4,000 in vocational rehabilitation aid for the 2011-12 academic year. At Friedman University, Adrian has a COA of \$5,000. He is eligible for a \$5,000 Perkins Loan. Although Friedman 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 Adrian's COA, and Adrian's vocational rehabilitation costs are also not included in his COA. Adrian has \$2,000 of disability costs that are not met by his vocational rehabilitation award, so \$2,000 may be added to his COA. Friedman decides to award Adrian a \$2,000 Direct Loan to cover his COA. This is not an overaward, since Adrian's original \$5,000 COA was increased by the \$2,000 in unmet disability costs not included in his COA.

### **Bureau of Indian Affairs Grants**

34 CFR 673.6

### **Packaging Byrd Scholarships with other FSA funds**

You must ensure that the total amount of federal financial aid awarded to the Byrd Scholar does not exceed the scholar's total cost of attendance. If any federal loans are part of the scholar's financial aid package, they must be reduced prior to reducing the Byrd Scholarship. In addition, a Pell Grant must not be reduced on the basis of the receipt of a Byrd Scholarship.

### **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).

### **Vocational rehabilitation funds**

If you have a student who qualifies for both FSA 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 FSA funds with BIA grants.

### **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.

## 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 Stafford/PLUS programs depends on whether the loans have been fully disbursed—if you discover that there's going to be an overaward before Stafford/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 Stafford funds have been disbursed to the borrower, there is no Stafford 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 Chapter 1 of *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 ESTIMATED FINANCIAL ASSISTANCE 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.