

# 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.

### Chapter 7 Highlights

- Related software: EDEXpress Packaging Module
  - Available on IFAP (see the **Software and Other Tools link on the IFAP home page; it's no longer on FSA Download**).
- 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

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) system.

#### *Prohibition on originating Direct Loans for school charges only*

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. For more details, see HEA Sec. 479A(c), 34 CFR 685.301(a)(8), and DCL GEN-11-07.

#### *Prior year charges and Title IV aid*

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. For more details, see 34 CFR 668.164(d)(2) and DCL GEN-09-11.

## DIRECT/DIRECT PLUS LOAN PACKAGING CONSIDERATIONS

- 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 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.

### *Requirements for arrangements with private lenders*

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. See 34 CFR 601 for more on requirements for arrangements with private lenders.

### *FSA Loan Assessments*

For a guide to reviewing and evaluating your procedures regarding Direct Loans, see the Direct Loans module of FSA Assessments:

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

## 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.

#### *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.

## PACKAGING RULES

### *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.

### *Packaging Iraq & Afghanistan Service Grants*

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*). For more details, see the EAs of July 30, 2010 and February 11, 2011.

### *Pell and Iraq & Afghanistan Service Grant Lifetime Eligibility Used*

You must check the COD common record or COD Web 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 PGLEXXOP, 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).

### *NCAA Considerations*

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 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 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.

## **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

## 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 (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;
- Net income from need-based employment such as FWS;
- 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.
- Wages from non-need based employment are not 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.

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 wages for employment but is not based on need, then it is not EFA and it remains in income.

### *Prepaid tuition plans*

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."

### *Estimated Financial Assistance provided by a state*

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. For more detail, see HEA Sec. 480(j).

**Estimated Financial Assistance**

34 CFR 673.5(c)

HEA: Sec. 428(a)(2)(C)(ii)

DL: 34 CFR 685.102(b)

**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***

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. Additionally, as the Iraq & Afghanistan Service Grant is not considered EFA, it does not affect other aid in the student's Title IV

**IASG packaging example**

EFC 8,000	
Cost = \$9,000	IASG \$6,195
	Direct Loan \$3,500

Joe is a freshman dependent student, enrolled at Bohannon College. Joe's cost of attendance is \$9,000, and his EFC for the current year is 8,000. Due to his parent's death in service in Iraq and his non-Pell-eligible EFC, Joe is eligible to receive an IASG. The packaging process begins with a \$6,195 IASG. Bohannon can then award Joe a \$3,500 Direct Loan. Although the amount of IASG and Direct Loan combine to exceed Joe's COA, the IASG is not EFA, and thus does not affect Joe's other aid in his Title IV aid package. No overaward is created, and neither form of aid must be reduced.

aid package. In the rare instance where an IASG, by itself, would exceed the student's FSA cost of attendance for a period of enrollment, the total amount of the of the IASG paid to the student must be reduced to the COA for the period of enrollment (reduce each payment for each payment period by an equal amount).

### PACKAGING WHEN CHOOSING NOT TO BORROW SUBSIDIZED OR UNSUBSIDIZED DIRECT LOANS

If a graduate Direct PLUS borrower does not request the maximum Direct Unsubsidized Loan amount for which he/she is eligible, you must:

- Notify the borrower of his/her maximum Direct Unsubsidized Loan eligibility;
- Provide the borrower with a comparison of the maximum interest rates for Direct Unsubsidized Loans and Direct PLUS Loans;
- Explain when a Direct Unsubsidized Loan enters repayment and when a Direct PLUS Loan enters repayment; and
- Give the borrower the opportunity to request the maximum Direct Unsubsidized 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 a Direct Unsubsidized Loan but chooses to borrow only a Direct PLUS Loan.

### 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:*

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. 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.

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*).

## 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.

---

### Requirement to consider grants and subsidized loans first

34 CFR 685.200(a)(iii)

### 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, or 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.

---

### 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
	EFC 2,500

**\$12,500 Cost**  
**- 2,500 EFC**  
**\$10,000 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 \$5,855
	Pell + scholarship \$4,145
	EFC 2,500

**\$12,500 Cost**  
**- 2,500 EFC**  
**- 3,745 Pell Grant**  
**- 400 Scholarship**  
**\$ 5,855 Remaining Need**

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 \$3,745 Pell Grant and a \$400 outside scholarship.

Cost=\$12,500	EFC 2,500
	Pell + Sch. \$4,145
	C-B Aid \$2,600
	unmet need \$3,255

**\$12,500 Cost**  
**- 2,500 EFC**  
**- 3,745 Pell Grant**  
**- 400 Scholarship**  
**- 800 FSEOG**  
**- 1,800 FWS**  
**\$ 3,255 Remaining Need**

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, leaving him with \$3,255 in remaining need.

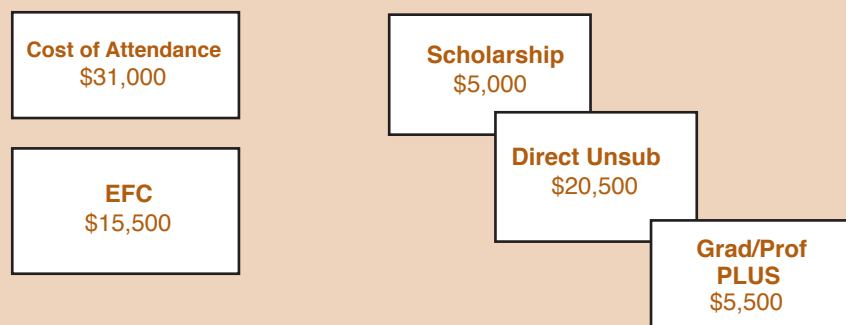
Cost=\$12,500	EFC 2,500
	Pell + Sch. \$4,145
	C-B Aid \$2,600
	Direct Sub \$3,255
	unmet need \$0

**\$12,500 Cost**  
**- 2,500 EFC**  
**- 3,745 Pell Grant**  
**- 400 Scholarship**  
**- 800 FSEOG**  
**- 1,800 FWS**  
**- 3,255 Direct Sub. Loan**  
**\$ 0 Remaining Need**

The aid administrator at Dwight College finishes the packaging process by awarding FSA loans available to meet Ricki's need. As a dependent 2nd-year student, Ricki's combined Direct Subsidized Loan and Direct Unsubsidized Loan limit is \$6,000 (maximum of \$4,500 subsidized). Ricki's financial aid package now fully covers his financial need of \$10,000. However, Ricki also would have the option to receive up to \$2,500 in Direct Unsubsidized Loan funds to replace the EFC and completely cover his cost of attendance.

## 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 combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year dependent student is \$5,500 (maximum \$3,500 subsidized). Nichelle qualifies for a \$1,600 Direct Subsidized Loan to fully cover her financial need.

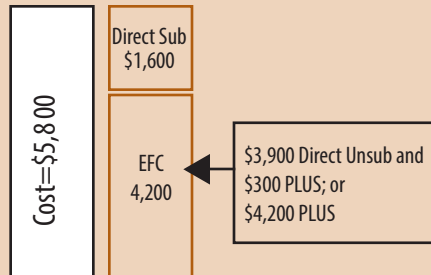
**\$ 5,800 Cost**  
**- 4,200 EFC**  
**\$ 1,600 Need**

Since a Direct Unsubsidized Loan can replace the EFC, Nichelle is eligible to borrow an additional \$3,900 in the form of a Direct Unsubsidized Loan to cover part of the EFC (\$5,500 combined subsidized/unsubsidized annual loan limit - \$1,600 Direct Subsidized Loan = \$3,900 Direct Unsubsidized loan eligibility). Nichelle cannot cover the full \$4,200 EFC with a Direct Unsubsidized Loan, because that amount, when combined with the \$1,600 Direct Unsubsidized Loan amount, would cause her to exceed the \$5,500 combined sub/unsub annual loan limit. However, her parents could then borrow \$300 in PLUS to cover the remaining portion of the EFC and fully cover her COA. As an alternative to Nichelle taking out a \$3,900 Direct Unsubsidized Loan, Nichelle's parents could borrow up to \$4,200 in the form of a PLUS Loan to fully cover the EFC.

**\$ 5,800 Cost**  
**- 1,600 Direct Sub**  
**- 3,900 Direct Unsub**  
**- 300 PLUS**  


---

**\$ 0 Need**



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

Allen enrolls in Aim College of Engineering and Animal Husbandry as a 1st-year independent student with an \$8,500 cost of attendance, and Aim has received an ISIR for him with an EFC of 2,050. He is eligible for a \$2,260 Pell Grant, and Aim also awards him a \$1,000 FSEOG. Allen's remaining need is \$3,190, so he can receive that amount in a Direct Subsidized Loan. The combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limit for a first-year independent student is \$9,500 (maximum \$3,500 subsidized). Allen's financial need is fully covered by the Pell Grant, FSEOG, and Direct Subsidized Loan.

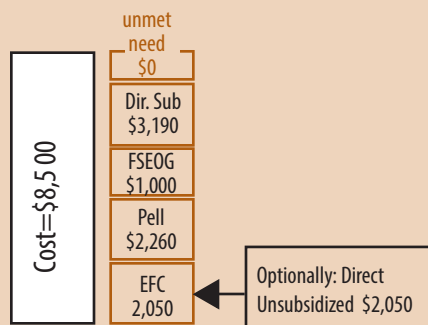
**\$ 8,500 Cost**  
**- 2,050 EFC**  
**\$ 6,450 Need**

Allen can also receive a Direct Unsubsidized Loan in the amount of \$2,050 to replace the EFC and fully cover his cost of attendance.

**Unmet Need + EFC**  
**\$ 8,500 Cost**  
**- 2,260 Pell Grant**  
**- 1,000 FSEOG**  
**- 3,190 Direct Subsidized**  
**- 2,050 Direct Unsubsidized**  


---

**\$ 0 Need**



## 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)).

### *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.

### *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.

### *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 a 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.

### *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 should 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.

### *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.



**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.

<b>Handling Crossover Periods for Title IV Programs</b>						
<b>Title IV Program</b>	<b>Applicable crossover period</b>	<b>Choice of award year EFC?</b>	<b>Use same award year EFC for all students in crossover period?</b>	<b>Use same award year, EFC, COA, and need to award a student other TIV aid?</b>	<b>Use funds from the same award year as EFC?</b>	<b>Choice of academic year for annual loan limit regardless of award year EFC used?</b>
<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.

**Financial Aid offers and notification requirements**

Many schools use a financial aid offer, in either paper or electronic format, to notify students of their proposed aid package. Whether you use a paper 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>

## 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.

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.

### *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.

### *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.

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. For more details on BIA Grants, see 34 CFR 673.6.

### *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 Direct 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.

---

### **Veterans benefits not EFA**

EA July 2, 2009, EA August 13, 2009

HEA 480(c)

Federal veterans benefits are excluded from the definition of EFA as of July 1, 2009.

---

### **Yellow Ribbon Packaging**

August 13, 2009 EA

## 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 *Volume 5* of the *FSA Handbook* for a full discussion of overawards for all programs.

For more on Pell Grant recalculations, including when they are optional and mandatory, see *Chapter 3* of this volume.

### *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.

For more on overawards, see *Volume 5 - Overawards, Overpayments, & Withdrawal Calculations*.

## APPENDIX A

### FEDERAL VETERANS 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