

# Archived Information

## Section 1

### General Program Information

This section starts out with a description of each SFA program, followed by a listing of statutes and regulations that apply to each SFA program. Finally, this section mentions several types of non-SFA assistance programs for students and provides information on other useful Department publications. In general, students apply for federal student aid by completing the *Free Application for Federal Student Aid* (FAFSA). Once the student applies he or she will receive a *Student Aid Report* (SAR), which contains the Expected Family Contribution (EFC). The application process is described in detail in the *Counselor's Handbook for Postsecondary Schools*.

The SFA Programs provide postsecondary students with need-based grants, loans, and work-study. Requirements differ somewhat for each program, depending on the type of aid provided and the manner in which funds are delivered to students. The SFA programs are described below.

**Program requirements differ**

#### SFA PROGRAM SUMMARIES

##### **Federal Pell Grant Program**

The Federal Pell Grant is usually considered the first source of student assistance. The Pell Grant is "portable" in that an eligible student may submit the SAR to any participating school and be assured payment. Students who apply electronically through the school will receive a SAR Information Acknowledgment. Electronic schools will receive an Institutional Student Information Report (ISIR). The ISIR and SAR contain the same processed student information in different formats. Pell Grant payments are not limited to the available funds at the school. ED provides an initial authorization for all participating schools and can increase the school's authorization when necessary. Consequently, the school is able to pay awards to all eligible students attending the school during a given award year.

The Pell Grant amount a student can receive is based on the student's EFC and cost of attendance. For the 1997-98 award year, the maximum Pell Grant is \$2,700, but this amount alone rarely meets a student's

**Maximum  
award**

financial need. Therefore, additional funds are often available from other federal, private, or institutional sources.

**William D. Ford Federal Direct Loan Program**

The William D. Ford Federal Direct Loan (Direct Loan) Program provides student and parent loans. Under the Direct Loan Program the federal government provides the loan principal; private lenders are not involved. (Flexible repayment options and Consolidation Loans are also available.) Currently, over 1500 schools are eligible to participate in the Direct Loan Program. See Chapter 11 for more details about this program, or call the Direct Loan Task Force at 202-708-9951.

**Direct Loan  
approval  
procedure**

Under the Direct Loan Program, the school certifies a student's eligibility for the loan, and ED sends the loan funds directly to the school for delivery to the borrower. Direct Subsidized Loans, for student borrowers, are subsidized (that is, the federal government pays the accruing interest on the loan while the student is in school, during the grace period, and during deferment periods). An independent student in need of additional aid (or, in some cases, a dependent student whose parents cannot receive a PLUS Loan) may receive a Direct Unsubsidized Loan. (Interest accrues from the date that the first installment is disbursed and is the responsibility of the borrower.) For both types of loans, the borrower is not required to make payments until the he or she has left school and the grace period has expired.

**Direct Loans  
for parents**

The parent of a dependent student may borrow a Federal Direct PLUS Loan as long as the student is otherwise eligible for aid and the PLUS borrower meets other eligibility requirements found in 34 CFR Part 685.200 (b). This type of loan is also unsubsidized, so parent borrowers are responsible for accruing interest from the date the first installment is disbursed. Repayment begins as soon as the loan is fully disbursed, and there is no grace period.

**Federal Family Education Loan (FFEL) Program**

Under the FFEL Program, private lenders provide loan principal for Federal Stafford Loans (for student borrowers) and Federal PLUS Loans (for parent borrowers). The federal government guarantees the loan through a state guaranty agency. (Some schools act as lenders, and in some cases, the guaranty agency may act as a "lender of last resort.") If the student or parent borrower defaults on the loan (or if the loan is canceled), the lender can be reimbursed by the federal government.

The school certifies a student's eligibility for the loan, and then the guaranty agency and lender approve the loan. Then, the lender sends

the loan amount to the school, which then disburses the proceeds to the student or—in the case of a PLUS Loan—to the parent.

Most Federal Stafford Loans are “subsidized” (that is, the federal government pays the accruing interest on the loan while the student is in school and during certain deferment periods). Throughout the life of the loan, the federal government also pays the lender a special allowance to cover the difference between the Stafford interest rate and the prevailing market rate. Repayment of loan principal does not begin until the student has left school and the grace period has expired.

An independent student in need of additional aid may also receive an unsubsidized Federal Stafford Loan. For these unsubsidized loans, however, interest accrues from the date of loan origination and is the responsibility of the borrower. Repayment of loan principal does not begin until the student has left school and the grace period has expired.

The parent(s) of a dependent student may also borrow a Federal PLUS Loan, provided the student is otherwise eligible for aid. PLUS loans are unsubsidized, so parent borrowers are responsible for accruing interest from the date of loan origination. Repayment begins while the student is still in school. There is no grace period.

FFEL Consolidation Loans are also available. Loan consolidation enables a borrower with loans from different lenders to obtain one loan with one interest rate and repayment schedule. The lender pays off the existing loans and makes one Federal Consolidation Loan to replace them.

### **Campus-based Programs**

There are three campus-based programs: Federal Supplemental Educational Opportunity Grants, Federal Work Study, and Federal Perkins Loans. They are called “campus based” because they are managed at the campus level. These programs provide grants (FSEOG), part-time employment administered through the school (FWS), and low-interest loans (Perkins). In the fall preceding the award year, the school submits to ED a fiscal report for the past year and an application for funds for the coming year (the report and application are jointly known as the FISAP). For Example, during the 1997-98 year, the school submits its fiscal report for 1996-97 and its application for funds for 1998-99.

Each year, participating schools are allocated funds based on the anticipated financial need of its student body. (The funds are allocated based on the FISAP data.) The school must decide on the campus-based aid recipients and award amounts within certain regulatory parameters. There is a statutory limit on the amount of aid an individual may receive under the FSEOG and Perkins Loan programs. For the FWS, the sum of

***FFEL loan approval procedure***

***FFEL loans for parents***

***School decides on award amounts***

the student's FWS award plus other resources may not exceed his or her financial need. Most campus-based aid recipients who have remaining unmet need will be eligible for aid from other federal, private, or institutional sources.

***Not all schools participate***

Some schools that participate in other SFA Programs choose not to participate in the campus-based programs because of the increased administrative responsibility. For instance, when a school acts as a lender in the Federal Perkins Loan Program or as an employer in the FWS Program, the school must comply with many of the same legal requirements (such as the Fair Debt Collection Practices Act and the Fair Labor Standards Act) that apply to banks and businesses.

### **State Grants and Scholarships**

ED also provides state agencies with funds for other grant and scholarships programs. The State Student Incentive Grant (SSIG), for instance, is a matching-funds program intended to assist states in providing grants to eligible students. Many of the eligibility criteria are established by the state agency, although SSIG recipients must also meet the same basic eligibility criteria applicable to the other SFA Programs.

***Robert C. Byrd Honors Scholarship Program***

Eligibility criteria for the Robert C. Byrd Honors Scholarship (Byrd Scholarship) Program differs from other SFA Programs. Byrd Scholarships are based on merit, not on financial need. Federal requirements for this program are described in Chapter 9. For information about student eligibility, program eligibility, and funding procedures, students should refer to materials provided by the Byrd agency in their state of residence.

***Paul Douglas Teacher Scholarship Program***

Funding for the Paul Douglas Teacher Scholarship Program was not authorized for 1997-98. However, any student who has received a Douglas Scholarship in the past and has not yet fulfilled the terms of that scholarship agreement must continue to fulfill those terms. Chapter 9, Section 3 covers the Douglas Scholarship Agreement in detail.

***National Early Intervention Scholarship & Partnership Program***

Under the National Early Intervention Scholarship and Partnership (NEISP) Program, the Secretary of Education provides states with grants for early intervention and scholarship assistance.

## *STATUTES AND REGULATIONS*

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The statutory authority for the SFA Programs is found in Title IV of the Higher Education Act of 1965, as amended. The programs were most recently reauthorized by the Higher Education Amendments of 1992 (HEA) and the Higher Education Technical Amendments of 1993 (HETA). The Omnibus Reconciliation Act of 1993 (OBRA) also affected certain aspects of the SFA Programs, as did the Improving America's Schools Act of 1994 (IASA).

SFA Program requirements are specified in Department regulations. The most recent final regulations were published in December 1996 and are effective for the 1997-98 award year. The SFA-related sections of the Code of Federal Regulations (CFR) are

- ◇ 34 CFR Part 600, Institutional Eligibility
- ◇ 34 CFR Part 602, Recognition of Accrediting Agencies
- ◇ 34 CFR Part 653, Paul Douglas Teacher Scholarship Program
- ◇ 34 CFR Part 654, Robert C. Byrd Honors Scholarship Program
- ◇ 34 CFR Part 668, Student Assistance General Provisions
- ◇ 34 CFR Part 673, Common Provisions for Campus-based Programs
- ◇ 34 CFR Part 674, 675, 676, Campus-based Programs
- ◇ 34 CFR Part 682, FFEL Program
- ◇ 34 CFR Part 685, William D. Ford Federal Direct Loan Program
- ◇ 34 CFR Part 690, Federal Pell Grant Program
- ◇ 34 CFR Part 692, SSIG
- ◇ 34 CFR Part 693, National Early Intervention Scholarship and Partnership Program

The following margin marker alerts the reader to major regulatory changes and to new guidance:



## *FUNDING OF SFA PROGRAMS*

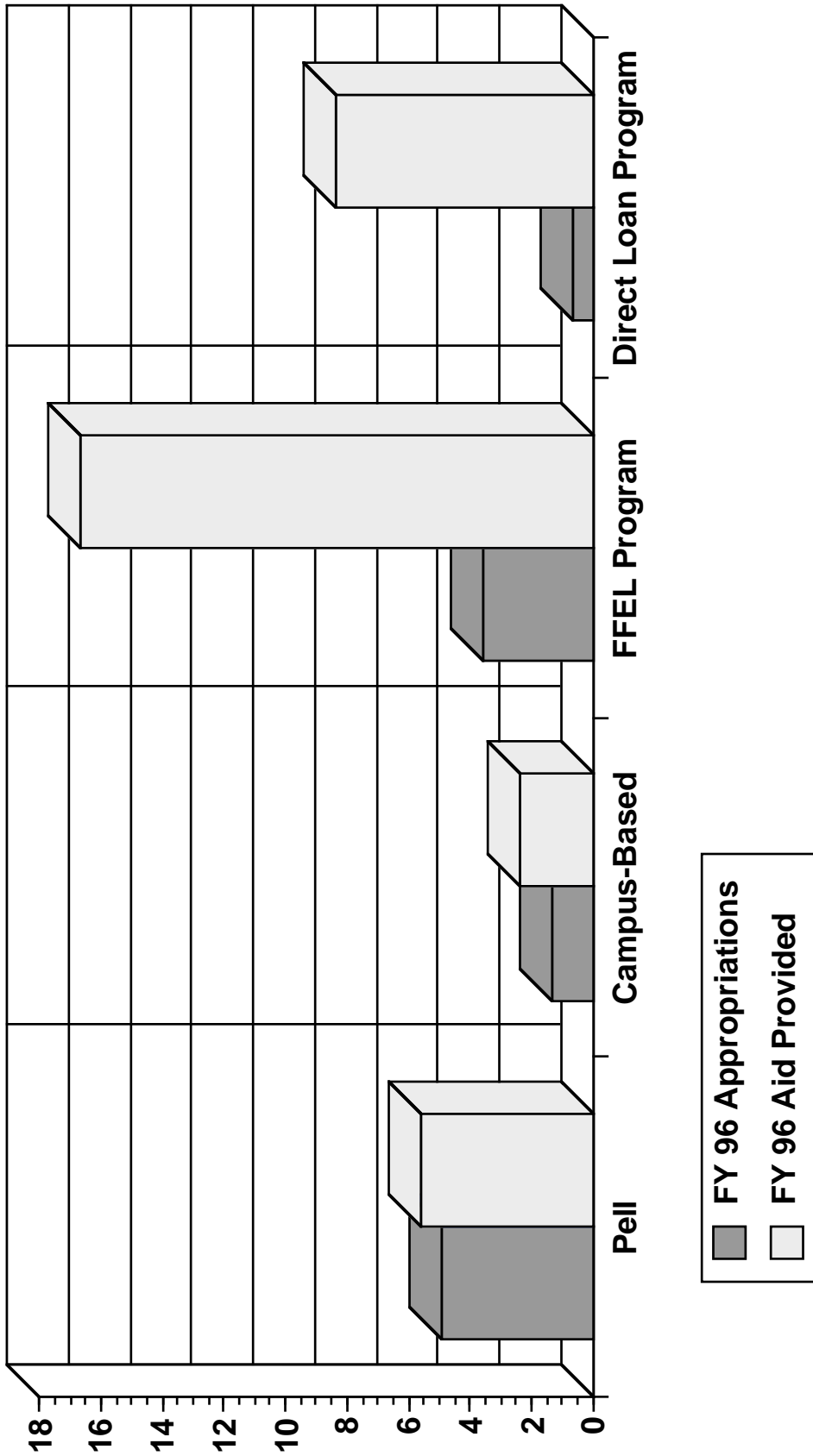
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The federal government has a substantial interest in and commitment to federal student aid programs for students at the postsecondary level. Each year, the Administration and both Houses of Congress labor to adequately fund the student aid programs. The chart on page 11 shows the federal funding (and the amount actually provided to students) for each program for the 1996 fiscal year. The chart shows that in each case the federal appropriation does not represent the total amount of aid actually provided to students.

Under the Pell Grant Program, the additional .7 billion represents a surplus from previous funding. Each participating school in the FWS and FSEOG programs contributes a share of its own funds to the amounts it receives from the Department. Under the FFEL Program, private lenders provide the capital for the FFEL Program loans, in addition to the federal funds spent on the program (which cover interest and special allowance payments, and other maintenance costs). For the Direct Loan Program, the capital used to provide loans to borrowers is provided through the U.S. Treasury Department through its regular Treasury bill auctions and through the receipt of loan repayments. The FY appropriation for the Direct Loan Program covers the operational costs of the program.

***FFEL provided largest amount of aid to parents and students***

For FY 96, the FFEL Program was the largest SFA program in terms of actual aid provided to students. As the chart on page 11 shows, 16.7 billion was provided to students and their parents.



## ***OTHER ASSISTANCE PROGRAMS FOR STUDENTS***

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The SFA programs office is contained within the Office of Postsecondary Education (OPE). While the SFA programs provide students with aid directly, other offices within OPE and within the Department provide grants to states and to local education agencies that in turn administer those funds for education programs. Within OPE, one example of such a program is the Robert C. Byrd Scholarship Program, which is covered in Chapter 9 of this handbook. Examples of federal assistance outside of OPE include grants provided for aid to handicapped students through the Office of Special Education and Rehabilitative Services (OSERS) and grants provided for adult education and literacy through the Office of Vocational and Adult Education (OVAE). This aid is administered (under federal guidelines) by state agencies, local education agencies, or other state or local organizations, and students must meet designated eligibility criteria. More information on vocational rehabilitation programs, for example, may be available at local or state vocational rehabilitation offices.

### ***Specific aid targeting particular groups of students***

Several other federal agencies provide student financial aid that targets certain groups of students. Consider, for example, the financial aid offered through veterans educational benefits; tuition assistance payments through the Job Training and Partnership Act (JTPA) Program administered by the department of Labor; and the health loans and nursing scholarships from the Public Health Service (within the Department of Health and Human Services). For more information on these programs, contact the appropriate agency or the administering state agency.

## ***OTHER USEFUL DEPARTMENT PUBLICATIONS***

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The handbook summarizes regulatory and statutory requirements related to SFA Program administration. Nonetheless, schools may find useful other Department publications that address special topics of interest to financial aid administrators. For instance, *The Counselor's Handbook* (the high school version and the postsecondary school version) discusses the application process and explains how to make corrections or other changes to application information. *The EFC Formula Book* offers a detailed description of the statutory formula used to calculate a student's Expected Family Contribution (EFC). The *Verification Guide* describes the procedures for verifying a student's application data. These publications are usually published in the late fall preceding the beginning of an award year.



Other SFA Program reference materials include a compilation of regulations affecting these programs and various publication indexes. While the handbook and related publications serve as comprehensive reference documents for financial aid administrators, additional resources may serve more specialized needs. Schools that use SFA Program automated data systems will automatically receive manuals and other materials describing the operating procedures for the Recipient Data Exchange (RDE), the Electronic Data Exchange (EDE), the electronic FISAP (report and application for campus-based program funds), and the electronic DRAP (default reduction assistance for Perkins/NDSL).

ED also provides special publications for fiscal officers and auditors. *The Blue Book* describes accounting, recordkeeping, and reporting procedures for schools participating in the SFA Programs. ED's Payment Management System issues a *User's Manual* for the Automated Clearinghouse/Electronic Funds Transfer system—the direct deposit system that provides participating schools with SFA funds. The Office of Inspector General (OIG) publishes the *Audit Guide*, which identifies federal program compliance areas that must be reviewed by the auditor.

Throughout the award year, ED informs the financial aid community of policy and procedure changes via “Dear Colleague” letters.

***Publications  
for auditors  
and fiscal  
officers***