

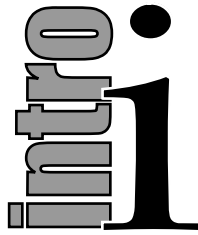
# Archived Information

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### CHAPTER 5 CAMPUS-BASED PROGRAMS: COMMON ELEMENTS

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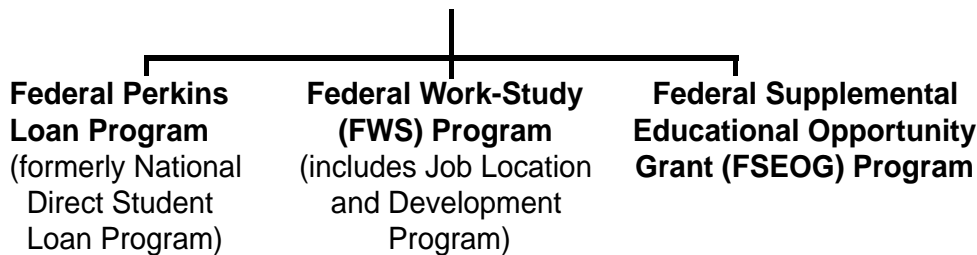
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## Introduction

The Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) programs are called “campus-based” programs because each school is responsible for administering them on its own campus. A school applies for and receives program funds directly from the U.S. Department of Education by submitting an application, the *Fiscal Operations Report and Application to Participate* (FISAP), each award year. (See page 5-5.) The school’s financial aid administrator is responsible for ensuring that eligible students at the school receive program funds according to the provisions of the law, the regulations, the Program Participation Agreement (PPA) signed by both the Secretary of Education and the school’s chief administrative officer, and other criteria the Department may establish.

### CAMPUS-BASED PROGRAMS



This chapter covers provisions common to the Perkins Loan, FSEOG, and FWS programs. Chapters 6, 7, and 8 discuss these programs individually.

The Perkins Loan Program encourages schools to make low-interest, long-term loans to needy undergraduate and graduate students to help pay for their cost of education. The FSEOG Program encourages schools to provide grants to exceptionally needy undergraduate student to help pay for their cost of education. The FWS Program encourages the part-time employment of needy undergraduate and graduate students to help pay for their cost of education and encourages FWS recipients to participate in community service activities. A school may use part of its FWS funds for the Job Location and Development (JLD) Program to locate and develop jobs for students, including community service jobs. JLD is discussed in Chapter 7, Section 6. An eligible school that meets the regulatory definition of “work-college” may also use its FWS and/or Perkins Loan allocation to meet the cost of a Work-Colleges Program, discussed in Chapter 7.

**Purpose of each program—  
34CFR 673.1**

**Work-college definition—  
34CFR 675.41**



## RECENT CHANGES TO THE CAMPUS-BASED PROGRAMS

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### **Campus-based general provisions— new Part 673 of 34CFR**

A new Part 673 of 34CFR is added to the regulations as “Part 673—General Provisions for the Federal Perkins Loan Program, Federal Work-Study Program, and Federal Supplemental Educational Opportunity Grant Program,” published in the **Federal Register** (Part IV) on November 27, 1996. The regulations, which are effective July 1, 1997,

- ◇ consolidate common provisions of the campus-based programs (formerly found in Parts 674, 675, and 676 of 34CFR), and eliminate duplicate provisions for each program;
- ◇ include the following consolidated common provisions: Purpose (34CFR 673.1), Application (34CFR 673.3), Allocation and reallocation (34CFR 673.4), Overaward (34CFR 673.5), Coordination with Bureau of Indian Affairs (BIA) grants (34CFR 673.6), and Administrative cost allowance (34CFR 673.7); and
- ◇ require schools to administer the programs according to provisions in 34CFR Parts 673, 674, 675, and 676, under the provisions of new 34CFR 673.2, “Applicability of regulations.”

The purpose of each program is discussed on the previous page. Consolidated provisions for applying for program funds and for allocation and reallocation are discussed on page 5-5. Consolidated provisions that apply to campus-based overawards are discussed in Section 2 of this chapter (a detailed discussion of the treatment of overawards in all Student Financial Assistance [SFA] programs is included in Chapter 2, Section 3 of this handbook). Consolidated provisions for coordination of campus-based aid with BIA grants are discussed in Section 2 of this chapter, and consolidated provisions of the Administrative Cost Allowance are discussed in Section 3 of this chapter.

### **100% federal share of FWS wages for reading tutors**

The final regulations published in the **Federal Register** (Part IV) November 27, 1996 also add a new provision in Part 675 of 34CFR, as 34CFR 675.26(d)(2), authorizing a 100% federal share of FWS wages earned by a student who is employed as a reading tutor for children who are in preschool through elementary school; the work performed by the student must be for the school itself, for a federal, state or local public agency, or for a private nonprofit organization (refer to Chapter 7, Section 5).

### **Cash management regulations**

Amendments to the Student Assistance General Provisions regulations (Part 668 of 34CFR) were published in the **Federal Register** on November 29, 1996, which add a new definition of “payment period” in 34CFR 668.4 (discussed in Chapter 3, Section 3) and revise the cash management

regulations in 34CFR 668.161 - 668.167. The regulations are effective July 1, 1997. The November 29 regulations are discussed in detail in Chapter 3, Section 3. Special provisions or exceptions that apply to the campus-based programs are the following :

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>◇ Schools must disburse SFA program funds on a payment period basis, with the exception of FWS payments to students—34CFR 668.164(b). FWS payment provisions remain in 34CFR 675.16, discussed in Chapter 7, Section 3 of this Handbook.</li> </ul>  | <p><b><i>Disbursement on payment period basis, except FWS</i></b></p>                     |
| <ul style="list-style-type: none"> <li>◇ A new definition of “payment period,” applicable to all SFA programs, is added as 34CFR 668.4; previous definitions of “payment period” are removed from 34CFR 668.162, 674.2, 675.2, and 676.2; the definition is discussed in Chapter 3, Section 3 of this Handbook.</li> </ul>  | <p><b><i>Definition of payment period</i></b></p>   |
| <ul style="list-style-type: none"> <li>◇ A new definition of “disbursement,” applicable to all SFA programs, is added in 34CFR 668.164(a), discussed in detail in Chapter 3, Section 3 of this Handbook.</li> </ul>   | <p><b><i>Definition of disbursement</i></b></p>   |
| <ul style="list-style-type: none"> <li>◇ Regulations regarding late disbursements of a Perkins Loan and FSEOG were removed from 34CFR 674.16 (g) and 34CFR 676.16(e), respectively, and revised regulations are now in 34CFR 668.164(g), discussed in Section 3 of this chapter.</li> </ul>   | <p><b><i>Late disbursement</i></b></p>  |
| <ul style="list-style-type: none"> <li>◇ Under the provisions of 34CFR 668.163(c), schools must maintain the Perkins Loan Program Fund in an interest-bearing bank account or investment account. (Refer to Section 3 of this chapter).</li> </ul>  | <p><b><i>Interest-bearing account for Perkins Fund</i></b></p>                            |
| <ul style="list-style-type: none"> <li>◇ Schools must also maintain FSEOG, and FWS program funds in an interest-bearing bank account or investment account as described in 34CFR 668.163(c), unless the school meets certain criteria, discussed in Section 3 of this chapter.</li> </ul>   | <p><b><i>FSEOG &amp; FWS funds</i></b></p>  |
| <ul style="list-style-type: none"> <li>◇ A school that maintains program funds for the Direct Loan, Federal Pell Grant, FSEOG, and FWS programs in an interest-bearing or investment account may keep the first \$250 it earns on those funds during an award year under the provisions of 34CFR 668.163(c)(4), but the school must remit any earnings over \$250 to the Department by June 30 of that award year.</li> </ul> | <p><b><i>Disposition of interest earned</i></b></p>                                       |
| <ul style="list-style-type: none"> <li>◇ If a school credits a student’s account at the school with Perkins Loan funds, the school must notify the student of the date and amount of the disbursement, the student’s right to cancel all or a portion of that loan and his or her right to have the funds returned to the school’s Perkins fund, under the provisions of</li> </ul>   | <p><b><i>Notification of right to cancel a loan credited to student’s account</i></b></p> |

34CFR 668.165(a); a detailed discussion of these provisions is in Section 3 of this chapter.

**Maintaining records—668.24 and 674.19, 675.19, & 676.19**

New recordkeeping regulations were published in the **Federal Register** (Part IX) November 27, 1996, revising 34CFR 668.24 of the Student Assistance General Provisions, and amending 34CFR 674.19, 675.19, and 676.19 of the campus-based regulations. The regulations are effective July 1, 1997. The recordkeeping requirements for all SFA program records are discussed in detail in Chapter 3, Section 8. For campus-based records, schools must follow the new records retention and examination requirements in 34CFR 668.24 and those in 34CFR 674.19, 675.19, and 676.19, as amended.

**Availability of records for review**

- ◇ A school must make its records readily available for review by the Department or its authorized representative at an institutional location designated by the Department or its representative, as provided by 34CFR 668.24(d).

**List of records school must keep**

- ◇ A noncomprehensive list of records a school must maintain for all SFA programs is provided in 34CFR 668.24(c), discussed in detail in Chapter 3, Section 8 of this Handbook. Campus-based records a school must maintain are discussed in Section 3 of this chapter.

**Perkins Loan repayment history**

- ◇ Schools must continue to follow the procedures previously established in 34CFR 674.19 for documentation of a student's Perkins Loan repayment history (discussed in Section 3 of this chapter). Schools must also continue to follow the procedures previously established in 34CFR 675.19 for documenting a student's FWS work, earnings, and payroll transactions (discussed in Section 3 of this chapter).

**Required FWS records**

**Requirement to keep records 3 years**

- ◇ Generally, a school must keep records relating to the school's administration of a campus-based or Pell Grant program for three years after the end of an award year for which the aid was awarded and disbursed under those programs. However, there are some important exceptions. (See the discussion in Section 3 of this chapter.)
- ◇ A school must keep its campus-based program records in one of the formats discussed in Section 3 of this chapter.

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**PROGRAM PARTICIPATION AGREEMENT**

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**Formats for recordkeeping**

A school that wants to participate in any SFA program must sign a PPA with the Department. The agreement must be signed by the school official legally authorized to assume, on the school's behalf, the

agreement's obligations. (For more information on this agreement, see Chapter3, Section2.)

The agreement provides that the school must use the funds it receives for a program solely for the purposes specified in the regulations for that program and that the school must administer each program in accordance with the Higher Education Act (HEA) of 1965, as amended, and the General Provisions regulations. See Chapter3 of this handbook for information on the General Provisions. Each of the campus-based programs has additional requirements that are part of the PPA and that are specific to the individual program; these requirements are found in the regulations for each program and in the HEA. Each program's specific requirements are discussed in the chapter for that program.

### ***APPLICATION FOR FUNDS***

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To receive funds from the Department for one or more of the campus-based programs, a school must submit a FISAP each award year. All schools are required to file the FISAP data through the electronic FISAP process (by mailing diskettes, transmitting data by modem, or mailing a magnetic tape). The Department no longer provides or accepts paper FISAP forms. Thus, a school must use the electronic FISAP process to be eligible to participate (request/receive a funding allocation) in the campus-based programs.

Each July, the Department distributes the electronic FISAP packages and instructions for schools to use in applying for funds for the subsequent award year. The information reported must be accurate and verifiable. The Department will distribute the materials essential for the preparation and submission of the *1996-97 Fiscal Operations Report and 1998-99 Application to Participate* to schools in a "Dear Colleague" letter in July1997. The deadline for submitting (mailing or transmitting) the completed FISAP to the Department by means of one of the electronic procedures listed above is October 1, 1997.

A school that has applied to participate in the campus-based programs for the first time should submit a FISAP by the deadline even if the school has not been certified to participate in the programs. The Department will calculate a funding level for the school and put the funding on "hold" status until the school has been approved to participate.

See page 5-20 for information on whom to contact if you have questions about the FISAP.

***General Provisions—  
34CFR 668***

***Campus-based regulations—  
34CFR 674.8,  
675.8, and  
676.8***

***Electronic FISAP requirement***

***Deadline for returning FISAP***

***School with pending application to participate***

## ALLOCATION OF FUNDS

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The Department allocates funds directly to schools according to the statutory formulas. The allocation (or authorization) for each program is the amount of funding the school is authorized to receive from the Department for an award year. This amount is based on the allocation formulas in the law as well as on the funds appropriated by Congress for the program. A school will not, however, receive an allocation that is in excess of its request.

### **Notification of allocation**

The Department notifies schools of their final allocation for each campus-based program in late March each year by sending *The Official Notice of Funding*.

### **Release of unexpended funds to the Department**

If a school does not use its total allocation of funds for SFA campus-based programs, the school must release unexpended amounts to the Department. In June each year, the Department sends schools a "Dear Colleague" letter advising them that they must release funds not spent by June 30 of that year and asking them to estimate the amount of funds they expect to have used by that date. Later, a school also must determine the actual amounts spent as of the end of the award year and report those amounts on the ED/PMS 272 Report (refer to "Dear Colleague" letter CB-96-20(LD), dated September 1996).

### **Reduction in allocation for returning funds**

If a school returns more than 10% of its allocated funds for a given award year under any one of the three campus-based programs, the Department will reduce the school's allocation for the second succeeding award year by the dollar amount returned unless this provision is waived by the Department. For example, if the school returned more than 10% of its 1995-96 allocation, its 1997-98 allocation was reduced by the dollar amount returned for 1995-96.

### **Waiver of reduction in allocation**

The Department may waive this provision for a specific school if it finds that enforcement would be contrary to the interests of the program. The Department considers enforcement to be contrary to the interest of the program only if the school returned more than 10% of its allocation due to circumstances that are beyond the school's control and are not expected to recur. To request a waiver, a school must submit a written explanation of the circumstances along with supporting documentation. The request for a waiver for the 1997-98 award year had to be postmarked by February 14, 1997. (See "Dear Colleague" Letter SYS-97-1, dated January 1997.) By February 1998, the Department will issue a "Dear Colleague" letter explaining the process a school must use to request a waiver for the 1998-99 award year.

After schools release their unexpended allocations, the Department reallocates the funds to schools that have met the criteria for receiving a supplemental allocation. Criteria for distributing these funds for each program are established in accordance with the HEA and the campus-based program regulations.

**CERTIFICATIONS A SCHOOL MUST SUBMIT TO THE DEPARTMENT**

Included in the FISAP package the Department distributes to schools annually is the Department Form 80-0013, *Certifications Regarding Lobbying; Debarment, Suspension, and Other Responsibility Matters; and Drug-Free Workplace Requirements* and Standard Form LLL, *Disclosure of Lobbying Activities*. To participate in the campus-based programs each award year, a school's chief executive officer, or another person who has the authority to sign on behalf of the entire school, is required to complete, sign, date, and submit (mail or transmit) to the Department the above certification forms with the school's completed FISAP by the established deadline. A detailed discussion of the certification requirements is in Chapter3, Section2 of this handbook.





# Section 1

## **Selecting Recipients**

### **GENERAL ELIGIBILITY REQUIREMENTS**

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All students receiving campus-based aid must meet the general eligibility requirements listed in Chapter 2, Section 1. Additional student eligibility requirements under each campus-based program are discussed in Chapters 6 through 8.

A student enrolled as an undergraduate, graduate, or professional student is eligible to receive assistance from the Federal Perkins Loan and Federal Work-Study (FWS) programs. Only undergraduate students are eligible to receive Federal Supplemental Educational Opportunity Grants (FSEOGs).

In choosing its aid recipients, a school must develop written selection procedures that are uniformly applied and that are kept on file at the school. A school must make campus-based funds reasonably available—to the extent of available funds—to all eligible students who demonstrate financial need. (Two of the campus-based programs, the Federal Perkins Loan and FSEOG programs, require eligible students to have **exceptional** financial need.) A school is reminded that no payment of a campus-based award can be made if the student did not receive an official Expected Family Contribution (EFC).

**Written  
selection  
procedures**

### **FURTHER UNDERGRADUATE DEGREE**

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A student who has earned a bachelor's or first professional degree is eligible to receive aid from the Federal Perkins Loan or FWS program to pursue an **additional** undergraduate degree. However, a student who has earned a bachelor's or first professional degree is **not** eligible to receive an FSEOG to pursue another undergraduate degree.

### **TEACHER CERTIFICATION PROGRAMS**

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A school may award a Federal Perkins Loan and/or FWS to a student who is enrolled or accepted for enrollment at an eligible school on at least a half-time basis in a program that is required by a state for a professional

credential or certificate for employment as an elementary or secondary teacher in that state. A student is not allowed to receive aid to cover optional courses that he or she may elect to take for professional recognition or advancement or additional optional courses recommended or required by the school. The school should document that the courses the student enrolls in are required by the state for teacher certification.

A student enrolled in a teacher certification program may be considered either an undergraduate or graduate student, depending on the school's policy. That decision is left to the school. Information about Perkins Loan limits for students in teacher certification programs is included in Chapter 6, Section 2.

### ***LESS-THAN-FULL-TIME AND INDEPENDENT STUDENTS***

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If a school's FSEOG allocation, FWS authorization, or Federal Perkins Loan federal capital contribution (FCC) is directly or indirectly based in part on the financial need of less-than-full-time or independent students and if the need of all of these students exceeds 5% of the total need of all students at the school, then the school must **offer** to those students at least 5% of that allotment for FSEOG, 5% of the authorization for FWS, or 5% of the dollar amount of the loans made under the Federal Perkins Loan Program.

Determining whether a school must offer at least 5% of the allotment, grant, or dollar amount of the loans for the 1997-98 award year to these students is based on eligible aid applicant data filed for the 1995-96 award year. For subsequent award years, this requirement will be governed by data filed for the award year that precedes the application year by two years.

#### ***Correspondence students***

Part-time students include correspondence students. To be considered enrolled in a program of correspondence study, the student must be enrolled in a degree-seeking program and must have completed and submitted the first lesson. A school that offers funds to part-time students on the home campus must also offer funds to part-time students on its eligible branch campuses.

#### ***Exceptions to requirement of offering aid***

A school is not required to offer aid to less-than-full-time or independent students

- ◇ under the Federal Perkins Loan Program if the school is not receiving any FCC for 1997-98 or
- ◇ under any campus-based program for which the school received a 1997-98 allocation of \$5,000 or less.

If a school's allocation for the 1997-98 award year is **not** based on the need of less-than-full-time or independent students, the school **may** offer part of each allotment to those students but is not required to do so.

### ***SPECIAL SESSIONS***

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A student who enrolls as a regular student in an eligible program during a special session, such as summer school, may receive campus-based aid if he or she meets the same general eligibility requirements that apply to a student enrolled in a regular session. General eligibility requirements are discussed in Chapter 2 and in 34CFR 668.32.

If a student is **not** enrolled during the special session, the student is not eligible to receive campus-based aid during the period of **nonattendance**, except in the case of an FWS job, which may be awarded only if the student attended the school during the preceding term or has been accepted by the school for the subsequent term. (Refer to Chapter 7, Section 4, under "FWS Employment During Periods of Nonattendance.")

### ***LATE PAYMENT TO A STUDENT WHO DROPS OUT***

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Regulations regarding late disbursements of Perkins Loans and FSEOGs have been revised. A school may make a late disbursement of a Perkins Loan and/or an FSEOG to an ineligible student if the student became ineligible solely because the student is no longer enrolled at the school for the award year. Before the student dropped out, the school must have received a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) for the student with an official EFC and have awarded the student the Perkins Loan or FSEOG. The school may make that late disbursement only if the funds are used to pay for educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible, and the school must make the late disbursement no later than 90 days after the date the student became ineligible because he or she was no longer enrolled.

If a student drops out **after** receiving an award from the Federal Perkins Loan Program or the FSEOG Program, but before the end of the payment period, the school determines the amount of any refund and repayment as discussed in Chapter 3, Section 4.

***Periods of nonattendance***

***Late disbursement regulations removed from 34CFR 674.16 (g) and 34CFR 676.16(e)—revised regulations in 34CFR 668.164(g)***

***Refunds and repayments***



# Section 2

## Resources and Overawards

### NEED-ANALYSIS FORMULAS

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The Higher Education Act of 1965 (HEA), as amended, provides a single methodology for determining the Expected Family Contribution (EFC) and cost of attendance (COA) for all Student Financial Assistance (SFA) programs. Need-analysis and COA are discussed in Chapter 2, Section 3. If the student's COA exceeds his or her EFC, the student has need.

Before awarding aid from campus-based programs, the financial aid administrator must take into account aid the student will receive from other SFA Programs. The administrator must also take into account other resources that the school makes available to its students, resources about which he or she knows, or resources that the administrator can reasonably anticipate at the time aid is awarded to the student. An aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need.

$$\text{Maximum aid from campus-based programs} = \text{Financial need} - \text{Aid from other SFA programs \& resources}$$

If, at any time during the award period, the student receives additional resources that were not considered in calculating the student's eligibility for campus-based aid and if these resources 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.

### RESOURCES

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Resources, as defined by the campus-based regulations, include but are not limited to

- ◇ funds a student is entitled to receive from a Federal Pell Grant,
- ◇ William D. Ford Federal Direct Loans (Direct Loans),
- ◇ Federal Family Education Loans (FFELs),

- ◇ long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be a resource),
- ◇ grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs), state grants, and ROTC living allowances,
- ◇ scholarships, including athletic scholarships and ROTC scholarships,
- ◇ waivers of tuition and fees,
- ◇ fellowships or assistantships,
- ◇ veterans educational benefits,
- ◇ income from insurance programs that pay for the student's education, and
- ◇ net income from need-based employment.

**Determine FWS net earnings**

To determine the net amount of a student's Federal Work-Study (FWS) earnings that will be available to help pay for his or her COA, the school must subtract estimated taxes and job-related costs from the student's gross FWS earnings (discussed in Chapter 7, Section 2).

Any portion of the above resources that is included in the calculation of the student's EFC is not considered to be a resource.

The school may treat a Federal PLUS Loan, Direct PLUS Loan, unsubsidized Federal Stafford Loan, Direct Unsubsidized Loan, state-sponsored loan, or a private loan as a substitute for a student's EFC. However, if the sum of the loan amounts received exceeds the student's EFC, the excess is a resource.

In the above list of resources, the term "need-based employment" means employment that is awarded by the school itself or by another entity to a student who demonstrates a financial need for those funds for the purpose of defraying educational costs of attendance for the award year. Only income from **need-based** employment may be considered as a resource.

**Treatment of non-need-based earnings**

**Non-need-based** earnings are not to be considered as a resource 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 to calculate the EFC for that award year.

Veterans **educational** benefits are not included in the EFC formulas; therefore, these benefits must be treated as a resource when determining the amount of a student's financial need from the campus-based programs and must be treated as estimated financial assistance in the FFEL Program and the Direct Loan Program. The veterans educational benefits to be treated as a resource/estimated financial assistance are listed in Chapter 2, Section 3.

**Noneducational** veterans benefits are not counted as a resource or estimated financial assistance, as they are already counted in the EFC formula as nontaxable income. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits.

### **OVERAWARDS**

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A financial aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need. If a student who has already been awarded a financial aid package later receives additional resources that cause his or her financial aid package to exceed his or her need, the amount in excess of the student's need is considered an overaward. There is now a \$300 overaward threshold for all campus-based programs. The \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. The threshold does not allow a school to deliberately award campus-based aid that, in combination with other resources, exceeds the student's financial need.

### **STEPS TO TAKE IF THE RESOURCES EXCEED NEED**

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If a school learns that a student has received additional resources that were not included in calculating the student's eligibility for aid from the Perkins Loan, FWS, or FSEOG Program that would result in the student's total resources exceeding his or her financial need by more than \$300, the school must take the following steps:

1. If the student's aid package includes a loan under the FFEL or Direct Loan Program, the school must first follow the overaward requirements that are presented in Chapter 10 or Chapter 11, respectively. Also, a school may attempt to reduce or eliminate the overaward by changing the function of an unsubsidized loan (a Stafford Loan, a nonfederal loan, or the parents' PLUS Loan) from covering need to replacing the EFC.
2. If there is no FFEL or Direct Loan in the student's aid package or if the school eliminates the FFEL or Direct Loan overaward

**Treatment of veterans educational benefits**

**Consolidated overaward provisions—34CFR 673.5**

**Overaward with FFEL or Direct Loan in the aid package**



**Recalculate need**

and if, in either case, the student's total resources still exceed the student's need by more than \$300, the school must recalculate the student's need to determine whether he or she has increased need that was not anticipated when the school awarded aid to the student. If the student's need has increased and if the total resources do not exceed the increased need by more than \$300, the school is not required to take any additional action.

**If need has not increased**

3. If the school recalculates the student's need and determines that the student's need has **not** increased or that his or her need has increased but that the total resources still exceed his or her need by more than \$300, the school must cancel any loan or grant (other than a Pell Grant) that has not already been disbursed.
4. If the student's total resources still exceed his or her need by more than \$300 and his or her resources include a Perkins Loan and/or FSEOG, the amount that exceeds the student's need by more than \$300 is a Perkins Loan or FSEOG overpayment.

**Treatment of FWS in aid package**

For a student employed under the FWS Program, if the school recalculates the student's need and determines that the student's need has increased and if the total resources do not exceed that increased need by more than \$300, the school may use FWS funds to pay the student until the FWS award has been earned or until the student's increased need has been met. In addition, the school may continue employing the student under FWS after the full amount of the FWS award has been earned and the student's financial need has been met; however, the school may pay the student with FWS funds only up to the time the income from **need-based** employment exceeds the student's financial need by more than \$300. At that point, FWS funds may no longer be used to pay the student. The school may continue to employ the student, but funds other than FWS funds must be used to pay the wages.

**OVERPAYMENTS**

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**Liability for Perkins Loan or FSEOG overpayment**

A student is liable for any overpayment of a Perkins Loan or FSEOG; the school is also liable for any overpayment that was caused by the failure of the school to follow the procedures in 34CFR Part 668, Part 673, Part 674, Part 675, or Part 676. If the school makes a Perkins Loan or FSEOG overpayment for which it is liable, it must restore an amount equal to the overpayment plus any administrative cost allowance claimed on that amount to its Perkins Loan fund for a Perkins Loan overpayment or to its FSEOG account for an FSEOG overpayment.

**Recovering overpayment of Perkins Loan advances or FSEOG**

If the school makes an overpayment of Perkins Loan advances or FSEOG for which it is not liable (for example, when a student has made a mistake on the application), the school must promptly attempt to recover the

overpayment by sending a written notice to the student requesting the repayment of the amount of the overpayment. The notice must state that, if the student fails to repay the overpayment, or fails to make arrangements satisfactory to the holder of the overpayment debt to repay the overpayment, the student is ineligible for additional SFA funds until final resolution of the overpayment.

If a student claims that the school has made a mistake in determining the Perkins Loan or FSEOG overpayment, the school must consider any information provided by the student and determine whether the objection is warranted.

If the school made an FSEOG overpayment for which it is not liable, and the federal share of an FSEOG overpayment is **\$25 or more**, the school may be required to refer the overpayment to the U.S. Department of Education for collection. A school must refer the FSEOG overpayment case to the Department's Student Receivables Division for collection if all of the following conditions apply to the overpayment:

- ◇ the school has sent the required notice to recover the overpayment,
- ◇ the school determines that the student's objection (if any) is not warranted,
- ◇ either the school has failed to collect the FSEOG overpayment or the student has failed to make arrangements satisfactory to the school to repay the overpayment, **and**
- ◇ the federal share of an FSEOG overpayment is **\$25 or more**.

If the school is required to refer the FSEOG overpayment to the Department for collection, the school must identify the Federal share of the overpayment; the student's name, most recent address, and telephone number; and other relevant information. See the *Verification Guide* for additional information. After referring the overpayment case to the Department for collection, the school is not required to make any further attempt to collect the FSEOG overpayment. If the school is unable to collect the overpayment and the federal share is **less than** \$25, the school is not required to make any further attempt to collect the overpayment.

### ***COORDINATION WITH BUREAU OF INDIAN AFFAIRS GRANTS***

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Regulations that apply to the coordination of campus-based aid with Bureau of Indian Affairs (BIA) grants, formerly in 34CFR 674.15, 675.15,

***Collecting an  
FSEOG  
overpayment***

and 676.15, are now consolidated in the new 34CFR 673.6. To determine the amount of campus-based aid for a student who is or may be eligible for a BIA grant, a school 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, the school must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (The school may **not** reduce a Pell Grant or BIA grant.) The school may alter this sequence of reductions upon the student’s request if the school believes the change would benefit the student. In determining the amount of financial need for a student eligible for a BIA grant, a financial aid administrator is encouraged to consult with area officials in charge of BIA postsecondary financial aid.

# Section 3

## ***Fiscal Procedures and Record Requirements***

For information on general fiscal procedures and records requirements for all Student Financial Assistance (SFA) programs, refer to Section 2 of Chapter 3, the current edition of the *Blue Book*, and 34CFR 668. Additional fiscal procedures required for each campus-based program are discussed in the handbook chapter covering that program.

### ***FISCAL OPERATIONS REPORT***

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As discussed in the introduction to this chapter, a school must submit an application (*Fiscal Operations Report and Application to Participate* [FISAP]) for each award year to receive federal funds under the campus-based programs. The school uses the *Fiscal Operations Report* portion of the FISAP to report its expenditures under the campus-based programs in the previous award year. All schools are required to file the FISAP data through the electronic FISAP process (that is, by mailing diskettes, transmitting data by modem, or mailing a magnetic tape).

Each July, the U.S. Department of Education distributes the electronic FISAP packages and instructions for schools to use in applying for funds for the subsequent award year and in reporting expenditures for the previous award year. Materials essential for the preparation and submission of the *1995-96 Fiscal Operations Report and 1997-98 Application to Participate* were distributed to schools in "Dear Colleague" Letter CB-96-13, dated July 1996. Schools that sent the FISAP to the Department by the October 1, 1996 deadline received their tentative 1997-98 funding notifications in "Dear Colleague" Letter SYS-97-1, dated January 1997. Final 1997-98 funding notifications were sent to schools in March 1997.

The Department will distribute electronic FISAP packages to schools in July 1997 to be completed by schools applying for funds for the 1998-99 award year. Proposed new data collection requirements for the *1998-99 Application to Participate* were discussed in "Dear Colleague" Letter CB-97-1, dated February 1997. Questions concerning the preparation of the FISAP should be referred to the appropriate campus-based state representative under the Department's Student Financial Assistance Programs, Accounting and Financial Management Service, Institutional

**FISAP  
requirement—  
34CFR 673.3**

**Questions  
about the  
FISAP**

Financial Management Division. The representatives and their telephone numbers are listed in Chapter 1, Section 2, of this handbook. Questions about the data entry or submission of a FISAP should be referred to an Electronic FISAP Administrator on 301/565-0032 or 202/708-6726.

## ***FISCAL PROCEDURES***

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### ***Cash management regulations***

Requirements for maintaining and accounting for SFA program funds are included in regulations published in the **Federal Register** November 29, 1996 and become effective July 1, 1997. The new provisions that apply to all SFA programs are discussed in detail in Chapter 3, Section 3. The new cash management requirements that apply specifically to the campus-based programs are discussed here:

### ***Interest-bearing account for Perkins Fund***

- ◇ A school must maintain its Perkins Loan Program Fund in an interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities, such as obligations issued or guaranteed by the United States, under the provisions of 34CFR 668.163(c); interest or income earned on Fund proceeds are retained by the school as part of the Fund.

### ***Payment period exception for FWS***

- ◇ 34CFR 668.164(b) requires schools to disburse SFA program funds on a payment period basis, with the exception of FWS payments to students. FWS payment provisions remain in 34CFR 675.16, discussed in Chapter 7, Section 3.

### ***Late disbursement of a Perkins Loan or FSEOG—34CFR 668.164(g)***

- ◇ Regulations regarding late disbursements of Federal Perkins Loans and FSEOGs were removed from 34CFR 674.16 (g) and 34CFR 676.16(e), respectively, and revised regulations are now in 34CFR 668.164(g). A school may make a late disbursement of a Perkins Loan and/or FSEOG to an ineligible student if the student became ineligible solely because the student is no longer enrolled at the school for the award year. Before the student dropped out, the school must have received a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) for the student with an official EFC and have awarded the student the Perkins Loan or FSEOG. The school may make that late disbursement only if the funds are used to pay for educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible, and the school must make the late disbursement no later than 90 days after the date the student became ineligible because he or she was no longer enrolled.
- ◇ If a school credits a student's account at the school with Perkins Loan funds, the school must notify the student of the date and amount of the disbursement, the student's right to cancel all or a

portion of that loan and his or her right to have the funds returned to the school's Perkins fund, under the provisions of 34CFR 668.165(a).

- ◇ The school must send the above notice, either in writing or electronically, within 30 days of the date the school credits the student's account at the school. If the school sends the notice electronically, the school must require the student to confirm receipt of the notice, and must keep a copy of the confirmation.
- ◇ The school must return the Perkins Loan proceeds, cancel the loan, or do both
  - if the school receives a loan cancellation request within 14 days after the school sends the notice to the student, or,
  - if the school sends the notice more than 14 days before the first day of the payment period, and the school receives a loan cancellation request by the first day of the payment period.
- ◇ If the school does not receive the cancellation request within the time period described above, the school may return the loan proceeds, cancel the loan, or do both, but is not required to do so. The school must notify the student in writing or electronically of the school's decision. Additional notification requirements that apply to the disbursement of all SFA program funds are discussed in detail in Chapter 3, Section 3.

***Requirement to send notice within 30 days***

***Procedures if student requests loan cancellation***

***Procedures if school fails to receive request in 30 days***

### ***CAMPUS-BASED PROGRAM RECORDS***

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A school must keep financial records that reflect all campus-based program transactions and must keep all records supporting the school's application for campus-based funds. This documentation includes the applications and records of all students who applied for campus-based assistance for a specific award year and were included on the school's FISAP for that award year. The school must also retain applications and records of students who applied for but did not receive aid either because the school had no more funds to award or because the school determined that the student did not need funds. The school must keep general ledger control accounts and related accounts that identify each program transaction and must separate those transactions from all other institutional financial activity. Fiscal records must be reconciled at least monthly.

New recordkeeping requirements for all SFA programs were published in the **Federal Register** November 27, 1996 and become effective July 1, 1997.

These regulations specify the length of time records must be kept and the formats in which they must be kept. These new requirements as they apply in general to all SFA programs are discussed in Chapter 3, Section 7. In addition to following meeting those requirements, a school must meet certain campus-based program recordkeeping requirements.

***Types of records the school must keep***

The campus-based records a school must maintain include but are not limited to

- ◇ the SAR or ISIR used to determine a student's eligibility for campus-based program funds;
- ◇ application data submitted to the Department or the school on behalf of the student;
- ◇ documentation of each student's eligibility for campus-based program funds;
- ◇ documentation of the amount of a Perkins Loan, FSEOG or FWS award, its payment period, and the calculations used to determine the amount of the loan, grant, or FWS award;
- ◇ documentation of each disbursement of FSEOG or Perkins Loan funds, and the date and amount of each payment of FWS wages;
- ◇ documentation of the school's calculation of any refunds or overpayments due to or on behalf of the student and the amount, date, and basis of the school's calculation;
- ◇ documentation of the payment of any refund or overpayment to the SFA program fund or the Department;
- ◇ information collected at initial and exit loan counseling required by Perkins Loan regulations; and
- ◇ reports and forms used by the school in its participation in a campus-based program, and any records needed to verify data that appear in those reports and forms.

A school must continue to follow the procedures previously established in 34CFR 674.19 for documentation of a student's Perkins Loan repayment history. The school must maintain a repayment history for each borrower that shows

- ◇ the date and amount of each repayment during the life of the loan;

- ◇ the amount of each repayment credited to principal, interest, collection costs, and either penalty or late charges;
- ◇ the date, nature, and result of each contact with the borrower (or endorser for loans made prior to July 23, 1992) in the collection of an overdue loan; and
- ◇ copies of all correspondence to or from the borrower (and endorser for loans made prior to July 23, 1992), except for bills, routine overdue notices, and routine form letters (demand letters, notices of intent to accelerate, and the like are not considered to be routine form letters).

Schools must also continue to follow the procedures previously established in 34CFR 675.19 for documenting a student’s FWS work, earnings, and payroll transactions. These procedures are discussed in Chapter 7, Section 3.

Generally, a school must keep records relating to the school’s administration of a campus-based program or the Pell Grant Program for three years after the end of an award year for which the aid was awarded and disbursed under that program, except that

- ◇ The school must keep the FISAP in the Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and FWS Programs and any records necessary to support the data contained in the FISAP, including “income grid information,” for three years after the end of the award year in which the FISAP is submitted.
- ◇ The school must keep repayment records for Perkins Loans, including records relating to cancellation and deferment requests for at least three years from the date a loan is assigned to the Department, canceled, or repaid.
- ◇ Records questioned in an audit or program review must be kept until the questions are resolved or until the end of the retention period applicable to the records, whichever is later.

A school must keep its campus-based program records in one of the following formats:

- ◇ Original signed promissory notes and signed repayment schedules for Perkins Loans, National Direct Student Loans (NDSLs), or National Defense Student Loans (Defense Loans) must be kept in a locked fireproof container until the loan is repaid or until the school needs the originals in order to

**Perkins Loan  
repayment  
records—  
34CFR  
674.19(e)(3)**

**Records  
under  
question—  
34CFR  
668.24(e)(3)**

**Format of  
records—  
34CFR  
668.24(d)**



**Records  
necessary to  
enforce loan  
collection—  
34CFR  
674.19(e)(4)**

enforce collection of the loan. If a loan is assigned to the Department, the school must send the original promissory note or a certified copy of the note, as well as a copy of the original deferment or cancellation form(s). The school may not send computer-generated form(s) or microform(s). (Refer to Chapter6, Section3.)

- ◇ A school may keep other required records in hard copy or in microform, computer file, optical disk, CD-ROM, or other media formats, but all record information must be retrievable in a coherent hard copy format or in other media formats acceptable to the Department except that
  - a student’s SAR or ISIR used to determine eligibility for SFA program funds must be kept in the format in which the school received it, except that the SAR may be kept in an “imaged media format;” and
  - any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be kept in its original hard copy or in an imaged media format.
- ◇ Any “imaged media format” used to keep required records must be capable of reproducing an accurate, legible, and complete copy of the original document, and, when printed, this copy must be approximately the same size as the original document.

**ADMINISTRATIVE COST ALLOWANCE**

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A school participating in the campus-based programs is entitled to an allowance to help offset administrative costs, such as salaries, furniture, travel, supplies, and equipment. The allowance can also be used for service fees that banks charge for maintaining accounts. Computer costs associated with Perkins Loan billing may also be paid from this allowance. Schools may use the allowance to help pay the costs of administering not only the campus-based programs but the Federal Pell Grant Program as well. Administrative costs also cover expenses for carrying out the student consumer information services requirements.

A school may use up to 10% of the administrative cost allowance attributable to the school’s FWS Program expenditures to offset expenses incurred for its community service program.

Each school’s administrative cost allowance is based on its expenditures for all three programs, **excluding** the amount of Perkins Loans assigned to

the Department. The school calculates the total administrative cost allowance for the campus-based programs in Part VI of the FISAP by adding the following:

5% of the first \$2,750,000 of a school's expenditures under the campus-based programs
+
4% of expenditures greater than \$2,750,000 but less than \$5,500,000 under the campus-based programs
+
3% of expenditures greater than \$5,500,000 under the campus-based programs

When a school calculates its administrative cost allowance for the 1997-98 award year, the school is to include in its calculation the full amount of its FSEOG awards—both the 75% federal share and the required 25% nonfederal share. However, a school that chooses to provide more than a 25% institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25% in its FISAP or in the calculation of its administrative cost allowance. If the Department has granted a school a waiver of its required institutional share for the FSEOG Program or the FWS Program, that school's administrative cost allowance may be calculated only on the full federal portion of its awards for those programs.

The school takes the administrative cost allowance out of the annual authorizations the school receives for the FSEOG and FWS programs and from the available cash on hand in its Perkins Loan fund. It is not a separate allowance sent to the school. A school may draw its allowance from any combination of campus-based programs, or it may take the total allowance from only one program provided there are sufficient funds in that program. However, a school may not draw any part of its allowance from a campus-based program unless the school has disbursed funds to students from that program during the award year.

If a school charges any administrative cost allowance against its Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made.