

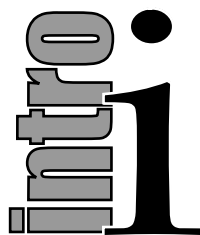
Archived Information

CONTENTS

CHAPTER 4 FEDERAL PELL GRANT PROGRAM

INTRODUCTION	1
Updates	1
SECTION 1: STUDENT ELIGIBILITY	3
General Eligibility Requirements	3
Undergraduate Student	4
Incarcerated Students	5
The EFC and Federal Pell Grant Eligibility	5
Documenting the Student's Eligibility for Payment	6
SECTION 2: CALCULATING THE FEDERAL PELL GRANT	9
Basic Concepts	9
Choosing a Formula	11
Determining Enrollment Status	14
Calculating the Cost of Attendance	19
Determining the Annual Award	23
Determining the Payment Periods	24
Calculating the Payment for a Payment Period	29
Checking Remaining Eligibility: Crossover Payment Periods	37
Summer Terms	38
Checking Remaining Eligibility: Transfer Students	41
Two Mathematical Notes	44
SECTION 3: SPECIAL PROGRAM CONSIDERATIONS	45
Consortium Agreements (Between Eligible Schools)	45
Cooperative Education	48
Correspondence Study	49
Correspondence Study Combined with Regular Study	52
Foreign Study	53
Job Training (JTPA) Programs	53
Remedial Coursework	54
Terms with Clock Hours	54

SECTION 4: DISBURSING FEDERAL PELL GRANT AWARDS	57
School Certification and Student Eligibility	57
Methods of Disbursement	58
First Payment Options	59
Timing of Payments	59
Students Who Withdraw and Later Return	62
SECTION 5: RECALCULATING FEDERAL PELL GRANT AWARDS	65
Change in the EFC	65
Change in Enrollment Status	66
Change in Cost of Attendance	67
SECTION 6: OVERPAYMENTS AND OVERAWARDS	69
Overpayments	69
Financial Aid Transcripts	70
Reporting Overpayments Collected	71
Problems in Collecting Overpayments	71
Preventing Overawards	72
SECTION 7: REPORTING DISBURSEMENTS	75
Reporting Methods	76
Payment Data	77
Specific Payment Data Items	78
Reporting Deadlines	81
Processed Payment Data	83
Reporting Changes	85
Student Payment Summary	87
Administrative Cost Allowance	90
Requesting Funds	90
APPENDIX A: CALCULATION SUMMARIES BY FORMULA	91
APPENDIX B: DESCRIPTION OF THE STUDENT PAYMENT SUMMARY	101
APPENDIX C: STUDENTS APPEARING MORE THAN ONCE ON THE SPS	109
APPENDIX D: RECONCILING STUDENT PAYMENT DATA	113
APPENDIX E: 1997-98 PELL PAYMENT AND DISBURSEMENT SCHEDULES	117



Introduction

This chapter of *The Federal Student Financial Aid Handbook* describes how a school calculates and pays Federal Pell Grant (Pell) awards to eligible students and how it reports those payments to the U.S. Department of Education (the Department).

The discussion covers what the school must do to process an eligible student's Pell award after the school has received documentation of the student's eligibility. This chapter covers the basic steps in the Pell award process at the school: confirming student eligibility, calculating the award, making a disbursement, recalculating the award, collecting overpayments, and reporting expenditures to the Department.

UPDATES

Some changes affecting the Federal Pell Grant Program are

- ◇ The maximum Pell has been increased to \$2,700. Note that students at schools with tuition charges of less than \$150 may have a reduced maximum award, as explained in "Dear Colleague" Letter POL-97-1 (see Appendix E). Schools may need to use Alternate Payment and Disbursement Schedules in such cases. The Alternate Disbursement Schedule for half-time students included in "Dear Colleague" Letter POL-97-1 had an error in two cells; a corrected version is included in Appendix E.
- ◇ Schools may keep documents such as a signed FAFSA (for a student applying electronically) or the SAR in formats other than the original hard copy (see page 4-7, and Chapter 3, Section 7.)
- ◇ The cash management regulations published on 11/29/96 provide a common definition of payment period for all the programs, which replaces the definition in the Pell regulations. There are minor changes from the previous payment period definition (see Section 2 of this chapter). Schools can use the old payment period definition for certain crossover payment periods in 1997 (see page 4-25).

- ◇ A school cannot allow excused absences of more than 10% of the clock hours in a payment period (see page 4-28).
- ◇ The cash management regulations published on 11/29/96 provide a common procedure for disbursements after the student's enrollment has ended (see page 4-61).
- ◇ The Department expects to replace the ED Payment Management System (ED/PMS) with Education's Central Automated Processing System (EDCAPS) during the 1997-98 award year. Schools will receive more information on the new system as it is implemented.
- ◇ The Department has provided revised guidance on schools' policies for recalculating awards when a student's enrollment status changes during a payment period (see page 4-67).

Section 1

Student Eligibility

Unlike the student's eligibility for the campus-based programs (see chapters 5 through 8), a student's eligibility for Pell does not depend on the availability of funds at the school. The Department provides funds to each participating school to pay eligible students based on the Payment Data the school submits to the Department. (See Section 7 of this chapter for more on the funding process.)

Because the Department pays Pell awards to all eligible students, the school is not responsible for selecting recipients. However, the school must ensure that each recipient meets the eligibility requirements for the Federal Pell Grant Program, as discussed below, and that each eligible student is paid the amount for which he or she is eligible.

GENERAL ELIGIBILITY REQUIREMENTS

Most of the student eligibility requirements for the Federal Pell Grant Program are common to all the Student Financial Assistance (SFA) Programs. General SFA eligibility requirements are discussed in greater detail in Chapter 2, Section 1. Briefly, for a student to be eligible to receive assistance from the SFA Programs, he or she must

- ◇ be either a U.S. citizen or an eligible noncitizen;
- ◇ have a high school diploma or its recognized equivalent (such as a General Education Development [GED] certificate). (See Chapter 2, Section 1 for a complete description of alternatives);
- ◇ be meeting satisfactory academic progress standards in his or her course of study; and
- ◇ file a Statement of Educational Purpose and a Certification Statement on Overpayments and Defaults (see Chapter 2, Section 1).

A student is **not** eligible for any SFA funds if he or she

- ◇ is enrolled in an elementary or secondary school,
- ◇ is in default on an SFA loan or owes a repayment or is liable for an overpayment on an SFA grant, or
- ◇ has borrowed in excess of the annual or aggregate loan limits for the SFA loan programs.

In most cases, if a student is a member of a religious order, he or she is eligible **only** for unsubsidized loans (see Chapter 2, Section 1).

Financial aid history

If a student transfers from one postsecondary school to another, the new school must get a financial aid history for the student. The school may use the National Student Loan Data System (NSLDS) to receive the financial aid history, or may request a financial aid transcript from the previous school (see Chapter 2, Section 2). However, there are some limits on the use of NSLDS for midyear transfer students (see Section 2).

UNDERGRADUATE STUDENT

A student must be an undergraduate to receive a Pell. The regulations define an undergraduate as one who is enrolled in an undergraduate course of study and who has not earned a baccalaureate degree or its equivalent or a first professional degree.¹ (“Professional degree” means a degree offered by professional programs such as pharmacy, dentistry, or veterinary programs.)

Length of undergraduate study

An undergraduate course of study under this definition is one that usually does not exceed 4 academic years or is a program of 4 to 5 academic years designed to lead to a baccalaureate or first professional degree. If the program is longer than 5 years (for example, a 6-year pharmacy program), then students enrolled in that program are considered undergraduate students only for the first 4 academic years of the program.

Foreign, unaccredited degrees

It does not matter if the baccalaureate or professional degree is from an unaccredited or foreign school, or is not accepted or recognized by the school at which the student is enrolled. A student who has earned such a degree is still ineligible for Pell.

¹ Occasionally, a student will complete the requirements for a bachelor’s degree but will continue taking undergraduate courses without accepting the degree. The school must decide at what point it considers the student to have completed the baccalaureate course of study—when the student completes the requirements for the degree, or when the student actually receives the degree. If the school considers the student to have completed the baccalaureate course of study, the student is no longer eligible to receive a Pell.

Note that a student who has already received an associate degree, but who enrolls in another undergraduate program, would continue to be considered an undergraduate student until he or she has completed the academic curriculum requirements for a first bachelor's degree. (This is true for **any** student who has received a certificate or diploma below the baccalaureate level.)

If a student who is an undergraduate incorrectly reported on the *Free Application for Federal Student Aid* (FAFSA) that he or she will be a graduate student or has a bachelor's degree, this information **must** be corrected. Because the application information indicated that the student was not an undergraduate, the Department's records will show that he or she is ineligible for Pell. If the application information is not corrected, **the school will be unable to receive Pell funds** from the Department for that student.

INCARCERATED STUDENTS

The Violent Crime Control and Law Enforcement Act of 1994 amended the HEA to provide that students incarcerated in federal and state institutions are not eligible for Pell. However, students incarcerated in local penal institutions may still receive Pell. Students incarcerated by jurisdictions defined as a state in the law (such as the District of Columbia) are considered to be incarcerated in a state institution and are not eligible for Pell. A student is not considered incarcerated if he or she is in a half-way house or home detention, or is sentenced to serve only on weekends.

Allowable costs of attendance for incarcerated students are limited to tuition and fees and only those books and supplies related to the student's course of study.

THE EFC AND FEDERAL PELL GRANT ELIGIBILITY

The Expected Family Contribution (EFC) formula is the standard formula used in determining financial need for the SFA Programs. The formula produces an EFC number. To be eligible for a Pell for 1997-98, a student must have a nine-month EFC of 2500 or less.

The less the student and family can contribute to education costs, the greater the Pell the student may receive. Thus, the neediest students will have an EFC of 0 and may be eligible for the maximum Pell award (\$2,700 for 1997-98) if their cost of education (also known as cost of attendance) will be at least \$2,700 and if they will be attending full time for a full academic year.

***Degrees
below the
baccalaureate
level***

***Federal, state
prisoners not
eligible—
"Dear
Colleague"
Letter P-94-7***

1997-98 Scheduled Awards based on a cost of attendance of at least \$2,700.

(Example only—do not use to make awards)

<i>EFC</i>	0	300	600	900	1200	1500
<i>Award</i>	2700	2450	2150	1850	1550	1250

As the EFC increases, the Scheduled Award decreases.

As the EFC increases, the amount of the award decreases; after the maximum EFC eligibility (2500 for 1997-98), the award becomes 0.

The EFC is computed by the Central Processing System (CPS) and is based on the information the student reported on the FAFSA. The EFC is included along with

the student's application information on a *Student Aid Report (SAR)* or *Institutional Student Information Record (ISIR)*. (See *A Guide to 1997-98 SARs and ISIRs* for more information.)

Professional judgment

The financial aid administrator, through professional judgment, may adjust one or more of the data elements used to calculate the EFC. The adjustment must be based on a student's individual circumstances and must be documented in the student's file. Note that aid administrators may not adjust the EFC number or the formula. If the financial aid administrator makes an adjustment for the Federal Pell Grant Program, the same adjustment must be used when awarding campus-based aid, subsidized Federal Stafford Loans, and subsidized Direct Stafford Loans. For more information on adjusting the EFC, see the *1997-98 Counselor's Handbook for Postsecondary Schools*.

EFC change affecting award reprocessed through CPS

Note that any change in the EFC that results in a change in the student's Pell award must be submitted through the CPS to establish the student's eligibility for Pell payment. Resubmission is not a requirement for EFC changes that do not affect the Pell award; however, if the school does not submit these changes for reprocessing, it must be sure that the EFC it submits on its payment record to the Department for the Federal Pell Grant Program matches the EFC calculated by the CPS. A school is never required to resubmit corrections or adjustments for recalculation of the EFC for the campus-based programs, the Federal Family Education Loan Program, or the Direct Loan Program.

DOCUMENTING THE STUDENT'S ELIGIBILITY FOR PAYMENT

Output documents

The SAR is a paper document sent to the student by the application processor. An ISIR is a computer-generated electronic record sent to a school by the CPS. These output documents (SARs and ISIRs) contain the student's application information, the EFC, and the results of the database matches. To pay a student his or her Pell award, a school must have

received a valid output document containing an eligible nine-month EFC while the student is still enrolled and eligible. Once it is received, assuming all other eligibility requirements are met, the school **must** pay the student.

All applicants receive a SAR in the mail from the CPS. Students who apply through EDE receive a one part SAR, called a SAR Information Acknowledgement. The school is not required to provide these students with a copy of the ISIR it received from the CPS. For purposes of documenting the student's eligibility for payment, the SAR Information Acknowledgement is the same as a two part SAR: A school **must** pay an eligible student who submits a valid SAR Information Acknowledgement.

A valid output document is defined as one where all the information used to calculate the EFC is complete and accurate. The student is not required to sign an output document. Note that the student is still required to sign the statement on the FAFSA certifying that the information provided is correct. (See the 1997-98 *Counselor's Handbook for Postsecondary Schools* for more information on signature requirements.)

The school may store an electronic ISIR in its electronic format, rather than printing and storing paper. Schools must be careful to store the electronic record exactly as received from the CPS. If the student applies electronically through his or her school, the school must be sure that it keeps the signed FAFSA. In addition, the school must keep signed documentation of any corrections submitted electronically. Effective July 1, 1997, the school may keep the student's SAR or the signed FAFSA and correction documentation for students applying electronically in either the original hard copy format or an imaged format from which it can produce an accurate, legible copy of the original (see Chapter 3, Section 7).

The school must receive the valid SAR or ISIR no later than August 31 following the end of the award year, or the student's last day of enrollment, whichever comes first. As mentioned above, the student must still be enrolled and eligible for payment at the time the SAR or ISIR is received. If the student leaves school or completes the program and the school does not have a valid SAR or ISIR, the student is not eligible for a Pell.

The deadline above is extended for students undergoing verification. The verification extension allows the school to accept a student's revised SAR or ISIR up to **60 days after** the student's last day of enrollment. However, the extension cannot go beyond the August 31 deadline mentioned above. The school must have **already** received a SAR or ISIR with an eligible EFC while the student was enrolled and eligible for payment.

Signature requirements

**34 CFR
668.24(d)(3)**



**August 31/
last day of
enrollment
deadline**

**Verification
extension**

Section 2

Calculating the Federal Pell Grant

In this section, we will review the basic steps in calculating a Pell award. These steps, in effect, adjust the Pell award to take into account the student's cost of attendance (COA) for the academic year, the student's enrollment status, the ability to contribute to his or her education (EFC), the amount of coursework taken in the award year, and the length of the student's enrollment during the academic year.

Pell calculations for most programs can be performed by following the steps in this section. However, there are some situations that require further adjustments. These situations are discussed in Section 3, "Special Program Considerations." Check that section to see if these special considerations apply to any of the programs at your school.

See Section 3 for special considerations

BASIC CONCEPTS

A primary concept in the Federal Pell Grant Program is the "Scheduled Award," which is the amount a student receives during an academic year for a given COA and EFC, assuming the student is enrolled **full time** for a **full** academic year. For example, a student with a COA of \$6,000 for a full academic year and a nine-month EFC of 0 would have a Scheduled Award of \$2,700 (the maximum for 1997-98). A student will receive less than a full Scheduled Award if he or she is enrolled less than full time or is enrolled for less than a full academic year. For instance, if a student attends two semesters as a half-time student at a semester school, the student would receive half a Scheduled Award. Or, if the student enrolled full time in a program late in the award year and only completed half of an academic year in that program, he or she would receive no more than half of a Scheduled Award.

Scheduled Award

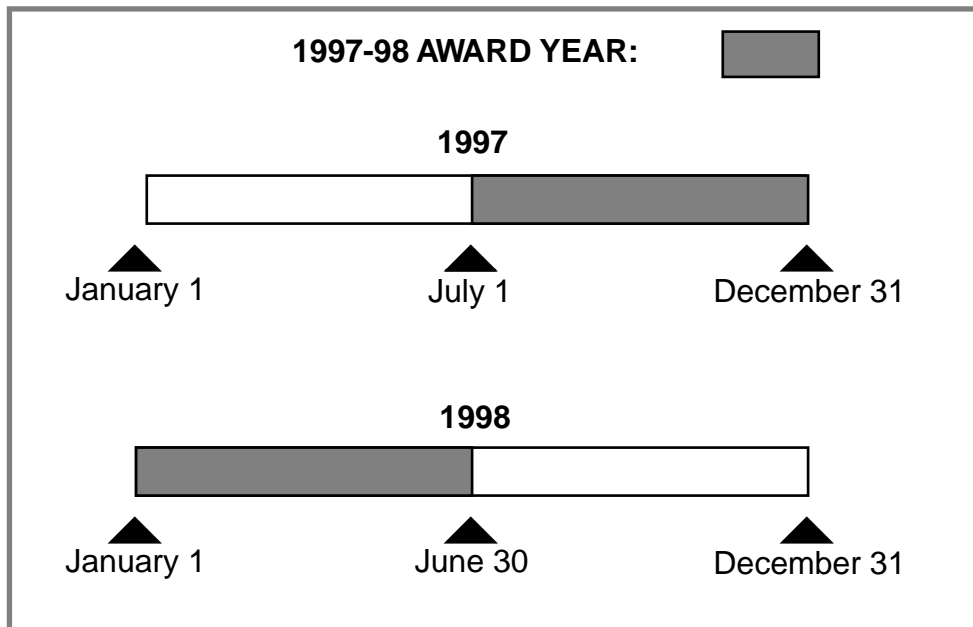
The concept of the Scheduled Award has always been important because it has limited the student to a maximum payment for an award year. The Scheduled Award cannot be exceeded, even if the student transfers to another school or attends for more than one academic year in the award year (for example, by attending a summer session).

Annual award

The annual award is the maximum amount (from the appropriate Payment or Disbursement Schedule) a student would receive during a full academic year for a given enrollment status, EFC, and COA. Note that for a full-time student, the annual award will be the same as the Scheduled Award.

Award year

The award year begins on July 1 of one year and ends on June 30 of the next year.



As already noted, a student cannot be paid more than one Scheduled Award for an award year. The regulations provide that students may receive up to a second Scheduled Award during a single award year if the Department determines that sufficient funds are available. There is no funding for payment of a second Scheduled Award for 1997-98; therefore, students will not be able to receive more than one Scheduled Award for the 1997-98 award year.

Academic year

The academic year is used to measure the amount of coursework the student will complete during the award year. The school must define the academic year for each program of study; once it has defined the academic year for that program, it must use that definition for all SFA purposes. A school's defined academic year must contain at least 30 weeks of instructional time; within the weeks of the academic year, a full-time student must be expected to complete at least 24 semester or trimester hours or 36 quarter hours at a school measuring program length in credit hours, or at least 900 clock hours at a school measuring program length in clock hours. The General Provisions regulations provide a definition of academic year and allow schools to apply for a waiver of the 30 week minimum. (See Chapter 3, Section 1 for more information on the definition of academic year.)

Note that for the Pell calculations, the school will need to determine how many weeks of instructional time are in the program or academic year, or in each term if the school uses terms. In some cases, the weeks of instructional time will not be the same as the number of calendar weeks. Chapter 3 explains how to determine weeks of instructional time. A school should be careful not to use calendar weeks when it should be using weeks of instructional time.

Depending on the academic nature of the programs involved, a school may define an academic year differently for different programs of study. For instance, it may set an academic year of 900 clock hours and 30 weeks in one program and 1,200 clock hours and 40 weeks in another. The school may even use a different academic year for an evening program, as opposed to a day version of the same program, as long as each academic year meets the minimum requirements established for an academic year. If the school establishes separate versions of a program, with different academic years, but allows individual students to take courses in both versions, the school must be able to determine which program the student is actually enrolled in.

Term-based schools may have either standard terms or nonstandard terms. **Standard terms** are semesters, trimesters, or quarters, as these terms are traditionally used. In traditional usage, an individual semester or trimester provides approximately 15 weeks of instruction and full-time is defined as at least 12 semester or trimester hours; the program's academic calendar generally consists of three terms, one each in fall, spring, and summer. In traditional usage of the term quarter, an individual quarter provides approximately 10 to 12 weeks of instruction and full-time is defined as at least 12 quarter hours; the program's academic calendar generally includes three quarters in the fall, winter, and spring and often a summer quarter as well. Any other type of term is a **nonstandard term**. Nonstandard term has sometimes been used to refer only to terms of unequal length, but under this definition terms of equal length may be nonstandard terms.

CHOOSING A FORMULA

The regulations specify five different formulas for calculating Pell's; the formula the school uses depends on the type of program. However, each formula has the same basic steps. Once the school chooses a formula, the school must use that same formula for all students in the same program of study for the entire award year.

Calendar weeks vs. weeks of instructional time

Different academic year for different programs

Standard term and nonstandard term

34 CFR 690.63(a)

**Formula 4
or 5**

Three of the formulas (Formulas 1, 2, and 3) are used for credit-hour, term-based programs. Of the remaining two formulas, Formula 4 is used for all clock-hour programs and for nonterm credit-hour programs, and Formula 5 is used for students enrolled only in correspondence courses (not including residential components of correspondence programs). Calculations for correspondence programs are discussed separately in Section 3 of this chapter.

Formula 3

A school can use Formula 3 to calculate Pell's for any credit-hour, term-based program. However, if the program meets certain requirements, Formula 1 or 2 may also be used. If the program meets the requirements for more than one formula, the school may choose which formula to use.

**Formula 1
or 2**

To qualify for Formula 1 or 2, the program must

- ◇ be offered in semesters, trimesters, or quarters (standard terms);
- ◇ use an academic calendar that includes two semesters or trimesters or three quarters;
- ◇ not have overlapping terms; and
- ◇ define full-time enrollment for each term as at least 12 credit hours.

If the program provides at least the statutory minimum of weeks for an academic year (30 weeks of instructional time, unless the school has received a waiver from the Department) in the fall through spring terms, Formula 1 may be used. If it does not provide this minimum in the fall through spring terms, Formula 2 may be used. Note that in both cases the school may decide to use Formula 3.

**Combining
terms**

A school may combine terms to allow a program to qualify for Formula 1 or 2. For example, a school with several summer terms for which full-time enrollment is less than 12 credit hours may combine these terms into a single term for which full-time enrollment is 12 credit hours so that Pell's for students in the program can be calculated under Formula 1. A school may also combine a short term with a semester in order to have two semesters as required for Formulas 1 and 2, as the following example shows.

In addition to programs using standard semesters, Hart University offers a separate degree program in education with a short 4-week term between two 15-week terms. The terms do not overlap.

15 weeks	4 weeks	15 weeks
----------	---------	----------

Hart has defined the academic year for this program as 24 semester hours and 34 weeks of instructional time. Hart could combine the short term with one of the standard terms and calculate Pells using Formula 1 (assuming that full-time enrollment is at least 12 semester hours per term):

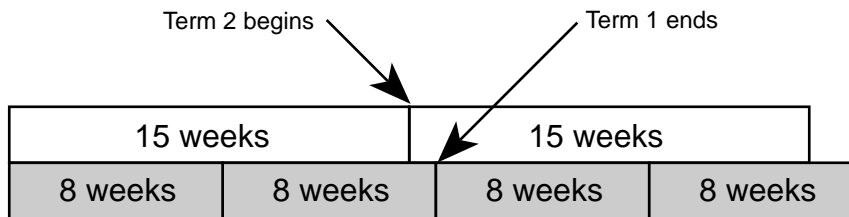
Term 1		Term 2	
15 weeks	4 weeks	15 weeks	

Hart may also choose not to combine the terms. In this case, the program would have a nonstandard term (the four week term) and would therefore not qualify for Formula 1. Hart would then be required to use Formula 3 to calculate Pells for students in this program.

Because the academic calendar for a program must fall within specific limits for the school to be able to use Formula 1 or 2, if the calendar for the program changes, the school may have to check again to see if it can still use Formula 1 or 2 for the program.

Calendar changes

Hart University decides to expand one of the programs it offers in standard semesters by also offering the coursework in four 8-week terms. Previously, Hart could calculate Pells for students in the program using Formula 1. Suppose Hart combines two 8-week terms with each semester, so the program still has two terms. The school now must use Formula 3, because the terms overlap:



The school must use Formula 3 even for students enrolled only in the semesters, because the program as a whole no longer qualifies for Formula 1.

The school may instead consider the program offered in 8-week terms to be a separate program, in which case it can still calculate Pells for students enrolled in the semester program using Formula 1. Hart would then calculate Pells for students enrolled in the four-term program using Formula 3. However, if it allows a student to enroll in both types of terms, it must have some way of determining which program the student is actually enrolled in.

No matter what formula is used, there are five basic steps to calculating a Pell award:

STEP 1: Determine Enrollment Status

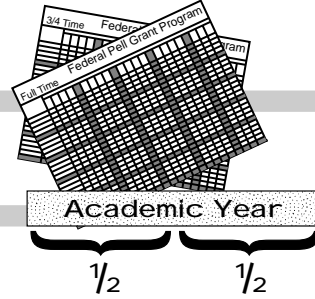
To be considered	A student must take at least —
Full-time	12 semester or quarter hours per term
Three-quarter-time	9 semester or quarter hours per term
Half-time	6 semester or quarter hours per term
Less than half-time	Less than half the workload of the minimum full-time requirement

$$\begin{array}{r} \text{Tuition +} \\ \text{Books + } X \\ \text{Supplies} \end{array} \frac{24}{36}$$

STEP 2: Calculate Cost of Attendance

STEP 3: Determine Annual Award

STEP 4: Determine Payment Periods



$$\frac{2200}{X} \frac{15}{30}$$

Annual award

weeks of instructional time in term

weeks of instructional time in AY

STEP 5: Calculate Payment for a Payment Period

We will now discuss each of these steps in more detail. Appendix A contains step-by-step summaries for each of the five formulas.

DETERMINING ENROLLMENT STATUS

To be considered	A student must take at least —
Full-time	12 semester or quarter hours per term
Three-quarter-time	9 semester or quarter hours per term
Half-time	6 semester or quarter hours per term
Less than half-time	Less than half the workload of the minimum full-time requirement

The student's enrollment status is based on the number of credit or clock hours for which the student enrolls. It determines which cost components are used to calculate the student's Pell COA and, for some programs, establishes which Payment or Disbursement Schedule is used to determine the student's annual award.

Enrollment status change during year

If a student's enrollment status changes during the year, the school may have to recalculate the student's Pell payment based on the student's new enrollment status. Section 5 of this chapter explains when a school is required to recalculate due to a change in enrollment status.

For credit-hour programs with terms, the school must determine whether the student is enrolled full time, three-quarter time, half time, or less than half time. This allows the school to determine which Payment or Disbursement Schedule it needs to use. For clock-hour programs and for credit-hour programs without terms, the school only needs to determine if the student is enrolled at least half time or less than half time, so that it can calculate the COA correctly.

Enrollment Status Minimum Requirements

Standard Term, Credit-Hour Programs

To be considered	A student must take at least
Full time	12 credit hours per term ¹
Three-quarter time	9 credit hours per term ¹
Half time	6 credit hours per term ¹
Less than half time	Less than half the workload of the minimum full-time requirement

For standard term-based programs, if a school's financial aid office establishes full-time status as greater than 12 credit hours, the financial aid office may still define a three-quarter-time enrollment status as 9 credit hours and a half-time enrollment status as 6 credit hours.

¹The school must use appropriate credit hours for the term, for example, semester hours for semesters, quarter hours for quarters.

Clock-Hour Programs or Nonstandard-Term or Nonterm Credit-Hour Programs

To be considered	A student must take at least
Full time	24 semester hours, 24 trimester hours, or 36 quarter hours per academic year, or prorated equivalent for program of less than an academic year <i>or</i> 24 clock hours per week
Less than half time	Less than half the workload of the minimum full-time requirement

If the school has standard terms (i.e., semesters, trimesters, or quarters), it may establish its own standards for determining enrollment status for each of its academic programs, provided its standards meet the minimum requirements defined in the regulations, as shown in the chart above. Note that the school's academic standard may differ from the enrollment standard used by the financial aid office for SFA purposes. For example, the school may define full time as six hours during the summer; however, the financial aid office uses 12 hours as full-time for all terms including the summer term. The school must apply its standards consistently to all students enrolled in the same program of study, for all SFA purposes.

School defines full-time enrollment

**Enrollment
status for
nonstandard
terms—34
CFR
690.63(d)(1)(ii)**

If a school's academic calendar contains nonstandard terms, the school must determine the student's enrollment status for each nonstandard term. To determine enrollment status for a nonstandard term, the school must first determine the number of credit hours required for full-time enrollment status using the following formula:

$$\text{Credit hours in the academic year} \times \frac{\text{Weeks of instructional time in the nonstandard term}}{\text{Weeks of instructional time in program's definition of academic year}}$$

If the resulting number is not a whole number, it is rounded up to the next whole number. After the school has determined the number of credit hours required for full-time enrollment, the school can then determine the less-than-full-time status for the nonstandard term using the following formula:

$$\frac{\text{Credit hours student takes in the nonstandard term}}{\text{Credit hours required for full-time status in the nonstandard term}}$$

The resulting fraction is then matched with the appropriate less-than-full-time status classification. The fraction must equal or exceed the enrollment status classification. For example, two-thirds would correspond to a half-time enrollment status. The following examples illustrate how the enrollment status for a nonstandard term is determined.

Nonstandard term examples

Anner enrolls in a two year program at Bylsma Conservatory. Bylsma Conservatory's academic calendar consists of four terms, each of which provides 8 weeks of instructional time. The school has defined the academic year for Anner's program as 40 quarter hours and 32 weeks of instructional time. Anner enrolls for 6 quarter hours in the first term and 10 quarter hours in the remaining three terms.

Bylsma determines the number of credit hours required for full-time enrollment in the term as follows:

$$40 \text{ quarter hours} \times \frac{8 \text{ weeks instructional time in term}}{32 \text{ weeks instructional time in academic year}} = 10 \text{ quarter hours}$$

Therefore, a student must complete 10 quarter hours each term to be a full-time student. For the first term, Bylsma must determine Anner's enrollment status as follows:

$$6 \text{ quarter hours} \div 10 \text{ quarter hours} = .6$$

Because .6 is less than three-quarters (.75) but more than one-half (.5), Anner's enrollment status in the first term is half time. Anner is enrolled full time (10 hours) in the remaining terms.

Owen enrolls in the education program at Hart University that has a short 4-week term between two 15-week terms. Hart does not combine the 4-week term with one of the longer terms for purposes of the Pell calculation. The academic year for the program is 34 weeks of instructional time and 24 semester hours. Owen enrolls for 6 hours in the first and third terms and 3 hours in the second term.

Hart must determine the number of credit hours required for full-time enrollment in the first and third term as follows:

$$24 \text{ semester hours} \times \frac{15 \text{ weeks instructional time in term}}{34 \text{ weeks instructional time in academic year}} = 10.58$$

A student must enroll in 11 semester hours (rounded up from 10.58) in the first and third terms to be full-time. The requirement for full-time enrollment for the second term is determined as follows:

$$24 \text{ semester hours} \times \frac{4 \text{ weeks instructional time in term}}{34 \text{ weeks instructional time in academic year}} = 2.82$$

A student must enroll in 3 semester hours (rounded up from 2.82) in the second term to be full-time.

Note that Owen is enrolled full-time in the second term. To determine Owen's enrollment status for the other two terms, the school must compare the number of hours he is enrolled with the number required for full-time enrollment:

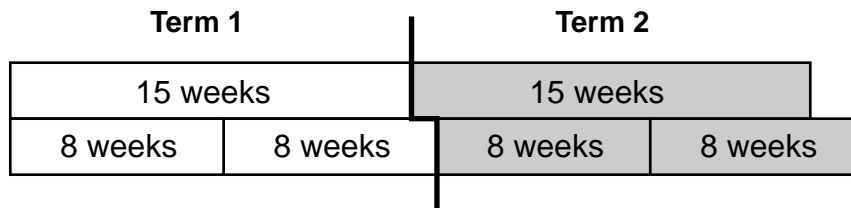
$$6 \text{ semester hours} \div 11 \text{ semester hours} = .54$$

Because .54 is less than three-quarters (.75) and greater than one-half (.5), Owen is enrolled half-time in the first and third terms.

If the school has combined two or more terms into a single term for purposes of the Pell calculation, the student's enrollment status is based on the combined number of hours the student is enrolled in for all the component terms of the combined term. Note that if the student later does not begin attendance in one of the parts of the combined term, the school must recalculate the student's award (see Section 5 for more on recalculations).

Combined term example

Eddy enrolls in the program that Hart University offers in both 15-week semesters and 8-week terms. Hart has combined two 8-week terms with each semester; each of the combined terms provides 16 weeks of instructional time:



Hart continues to define the academic year for Eddy's program as 24 semester hours and 30 weeks of instructional time, as it did before adding the 8-week terms. In addition, because the combined terms can still be considered semesters, the requirement for full-time enrollment in each term is 12 semester hours.

In the first term, Eddy enrolls for 4 semester hours in the 15-week component of the term and 3 semester hours in each of the 8-week components. Therefore, he is enrolled for a total of 10 semester hours in the first term, and his enrollment status is three-quarter time. In the second term, he enrolls for 12 semester hours in the 15-week component, and no hours in either of the 8-week components. Because he is enrolled for 12 semester hours total in this second term, his enrollment status for the second term is full time.

Step 1 summary by formula

STEP 1: Determine Enrollment Status

Formula 1, Formula 2, Formula 3:

Full time, three-quarter time, half time, or less than half time

Formula 4:

At least half time or less than half time

<i>To be considered</i>	<i>A student must take at least –</i>
<i>Full time</i>	<i>12 semester or quarter hours per term</i>
<i>Three-quarter time</i>	<i>9 semester or quarter hours per term</i>
<i>Half time</i>	<i>6 semester or quarter hours per term</i>
<i>Less than half time</i>	<i>Less than half the workload of the minimum full-time requirement</i>

CALCULATING THE COST OF ATTENDANCE



The components used to calculate a student's Pell COA are the same as those used to calculate the COA for the other SFA Programs. (See Section 3 of Chapter 2 for a list of these components.)

Although schools must use the same components for calculating a student's cost for the Federal Pell Grant Program as for the other SFA Programs, the Pell COA is always based on costs for a **full-time student for a full academic year**. That is, the amount of each component must always be a full-time, full academic year cost.

For students who are less than half time, COA can include only:

- ◇ tuition and fees;
- ◇ an allowance for books and supplies;
- ◇ transportation (but not miscellaneous expenses); and
- ◇ an allowance for dependent care expenses

If the student is enrolled less than half time, the aid administrator can include in the Pell COA only those cost components allowable for less-than-half-time enrollment. (See Chapter 2 for more information, and for other restrictions on COA components.)

The major difference between the COA for Pell and for other SFA

Programs is that under Pell, costs for programs or enrollment periods longer or shorter than an academic year must be prorated so that they apply to one full academic year.¹ This is true for both components of the academic year definition, the number of weeks and the number of clock/credit hours: If the program or period of enrollment differs from the defined academic year in either component, the costs must be prorated to determine the Pell COA.

Schools may choose between two proration methods. A school may either prorate the entire cost using one fraction, or split the COA into credit or clock hour costs and week costs, and prorate the two types of costs separately. A school may use whichever method it prefers.

Cost for full time for full academic year

Less than half time

Two proration methods

¹ Note that in many cases prorating the COA will not affect the amount of Pell the student receives. However, you must enter accurate amounts when reporting disbursements (see Section 7).

**Single
fraction
method**

To prorate the COA by one fraction, the school must compare two fractions and multiply the COA by the lesser of the two. There is one fraction for each component of the academic year definition. One fraction is calculated by dividing the number of credit or clock hours in the program's academic year by the hours for which the costs apply; the other by dividing the number of weeks in the program's academic year by the weeks for which the costs apply:

$$\frac{\text{Credit/clock hours in program's definition of academic year}}{\text{Credit/clock hours for which costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time for which costs apply}}$$

The COA is multiplied by the lesser of these two fractions to determine the student's Pell COA. This Pell COA must be used when determining the amount of the student's annual award. Note that in some cases the prorated COA calculated by this method will be the same as the original, nonprorated COA: If for one of the components of the academic year the program or period of enrollment for which costs apply is the same as the academic year, one of the fractions will be equal to one.

Following are some examples showing how to determine full-time, full-year costs.

Example 1

Woodhouse College has fall and spring semesters, each of which provides 14 weeks of instructional time. Thus, the two semesters provide 28 weeks of instructional time, shorter than the statutory requirement for an academic year. Woodhouse has defined the academic year as 24 semester hours and 30 weeks of instructional time. The average costs for a full-time student attending both semesters are as follows:

Tuition and Fees	\$2,600
Room and Board	2,700
Books, Supplies, Transportation, Miscellaneous Expenses	880
<u>Loan Fees</u>	<u>100</u>
TOTAL	\$6,280

Because the two semesters do not provide a full 30 weeks of instructional time, the cost for a full-time student to attend both semesters must be prorated to determine a full academic year COA.

Woodhouse compares the two fractions:

$\frac{24 \text{ semester hours in}}{\text{academic year definition}}$	$\frac{30 \text{ weeks instructional time in}}{\text{academic year definition}}$
$\frac{24 \text{ semester hours in fall}}{\text{through spring terms}}$	$\frac{28 \text{ weeks instructional time in}}{\text{fall through spring terms}}$

Because the credit hour fraction (24/24) is the lesser of the two, it would be used to prorate the cost; since it is equal to 1 the Pell COA for the program is the same as the non-prorated COA: \$6,280.

Example 2

Bylsma Conservatory offers a two year program; the academic calendar for this program consists of four 8-week terms. The school has defined the academic year for this program as 40 quarter hours and 32 weeks of instructional time. Bylsma charges the student for the entire program when he or she begins. The average cost for a full-time student for the entire program is:

Tuition and Fees	\$8,900
Room and Board	8,600
Books, Supplies, Transportation Miscellaneous Expenses	4,540
<u>Loan Fees</u>	<u>240</u>
TOTAL	\$22,280

Because the cost is for longer than an academic year, Bylsma must determine the cost for an academic year by prorating the full cost. The school compares the two fractions:

$\frac{40 \text{ quarter hours in}}{\text{academic year}}$	$\frac{32 \text{ weeks instructional}}{\text{time in academic year}}$
$\frac{80 \text{ quarter hours in}}{\text{program}}$	$\frac{64 \text{ weeks instructional}}{\text{time in program}}$

The credit-hour fraction and the week fraction are both equal to one-half. Therefore, the school may prorate the entire cost using either fraction. Multiplying \$22,280 by one-half, the school ends up with a prorated cost of \$11,140.

Example 3

Miranda has enrolled as a less-than-half-time student in a 650 clock hour, 28 week program at Sarven Technical Institute. Sarven has defined the academic year for the program as 900 clock hours and 30 weeks of instructional time. The average costs for the entire program are as follows:

Tuition and Fees	\$1,800
Room and Board	2,500
Books and Supplies	100
Transportation	100
Miscellaneous Expenses	200
<u>TOTAL</u>	<u>\$4,700</u>

Because the program is shorter than an academic year in length, the costs for the program must be prorated to determine the costs for an academic year. Also, because Miranda is attending less than half time, the COA cannot include all components. The cost using only the components allowed for a half-time student (tuition and fees, books and supplies, and transportation) is \$2,000. Sarven compares the two fractions:

$\frac{900 \text{ clock hours in academic year}}{650 \text{ clock hours in program}}$	$\frac{30 \text{ weeks instructional time in academic year}}{28 \text{ weeks instructional time in program}}$
---	---

Of the two fractions, the smaller is $\frac{30}{28}$

Sarven multiplies the full cost (using only the components allowed for a less-than-half-time student) by this fraction:

$$\$2,000 \times \frac{30 \text{ weeks instructional time in academic year}}{28 \text{ weeks instructional time in program}} = \$2,143$$

Therefore, Miranda's Pell COA is \$2,143.

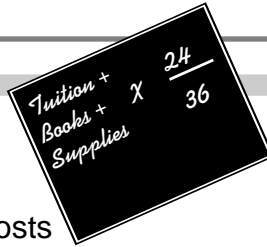
Split proration method

As mentioned earlier, the school may split the COA into two parts and prorate the two parts separately, if it chooses. The school multiplies costs associated with credit or clock hours (tuition and fees, books and supplies, loan fees) by the credit or clock hour fraction discussed previously, and multiplies costs associated with weeks of instructional time (room and board, miscellaneous expenses, disability expenses, transportation, dependent care, study abroad, reasonable costs associated with employment as part of a cooperative education program) by the week fraction discussed previously. The student's Pell COA is the sum of the two types of prorated costs.

Actual vs. average cost

While schools have the option of determining actual costs for individual students, most schools prefer to determine the COA by using an average cost for a group of similar students. (For example, a school may have different charges for different academic programs or different charges for in-state vs. out-of-state students.)

STEP 2: Calculate Pell COA



Formula 1:

Full-time, full academic-year costs

Formula 2:

Full-time, full academic-year costs

Cost for fall through spring terms prorated. If fall through spring terms provide the same number of credit hours as are in the academic year definition, prorated COA is the same as nonprorated COA.

Formula 3 and Formula 4:

Full-time, full academic-year costs

Cost for program or period not equal to academic year prorated. Two fractions compared:

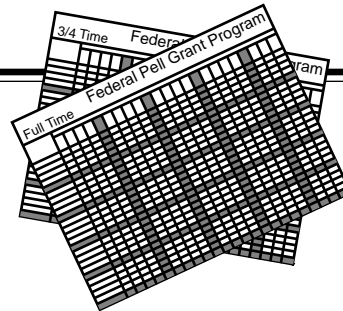
$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

**Step 2
summary by
formula**

DETERMINING THE ANNUAL AWARD



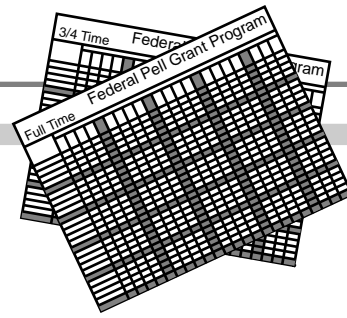
Once the school has figured the student's COA, the financial aid administrator can use the Payment Schedule or appropriate part-time Disbursement Schedule² to look up the student's annual award. As mentioned earlier, the annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. For students enrolled in clock-hour or nonterm credit-hour programs, the annual award is always determined from the full-time Payment Schedule, even if the student is attending less than half time.

Please remember that you do not have the discretion to refuse to pay an eligible part-time student.

² The Payment and Disbursement Schedules are mailed to all participating schools before the award year begins. Many schools and servicers have programmed the schedules, using the Department's specifications, for use on microcomputers or mainframes. For 1997-98, schools with very low tuition charges must follow the additional instructions accompanying the schedules to determine the student's annual award (see "Dear Colleague" Letter POL-97-1). Note that there were two incorrect amounts in the Alternate Disbursement Schedule for half-time students originally provided in the "Dear Colleague" Letter. A corrected version of the schedule is included as part of Appendix E.

**Step 3
summary by
formula**

STEP 3: Determine Annual Award



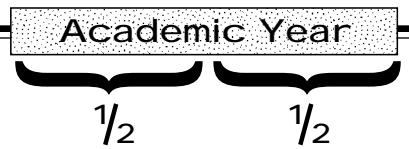
Formula 1, Formula 2, Formula 3:

If the student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

Formula 4:

Always taken from full-time Payment Schedule (equal to Scheduled Award)

DETERMINING THE PAYMENT PERIODS



The program's academic year must be divided into payment periods. Pell's must be paid in installments over the academic year to help meet the student's cost in each payment period. The payment period determines when Pell funds are disbursed and the exact amount to be disbursed. The cash management regulations published on 11/29/96 have provided a common definition of payment period for all the programs, which replaces the definition in the Pell regulations. We will note the changes below; these changes become effective for payment periods beginning on or after July 1, 1997.



**Credit-hour
term
programs**

For credit-hour term programs, the payment period is the term. Under the new definition of payment period, the payment period for a **clock-hour** term program is no longer a term. Instead, clock-hour term programs are treated exactly like nonterm programs.

**Nonterm or
clock-hour
programs—
34 CFR
668.4(b)**

For credit-hour nonterm programs and all clock-hour programs, the school must define, in writing, the payment periods as measured in clock or credit hours for each program. The regulations require at least two equal payment periods for programs that are shorter than or equal to an academic year or at least two equal payment periods in each full academic year for programs longer than an academic year.

Less than AY

If the program of study is shorter than an academic year, each payment period is the period of time in which the student completes half the credit or clock hours in the program. If the program of study is equal to or longer than an academic year, each payment period is the period of time

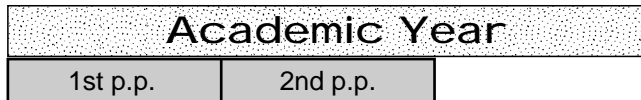
**Equal to or
longer than
AY**

in which the student completes half the credit or clock hours in the academic year.

Nonterm payment period examples

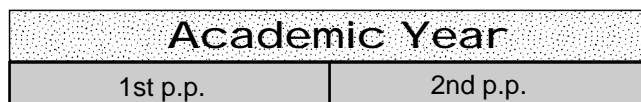
Less than an academic year

Laurel is enrolled in a 600-clock-hour program. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time. Because Laurel's program is shorter than an academic year, the two payment periods would be based on the length of her program (in clock hours). Each payment period is one-half the program, or 300 clock hours.



Equal to an academic year

Eric is enrolled in a 900-clock-hour program. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time. Because Eric's program is equal to an academic year, the two payment periods are based on the length of the academic year (in clock hours). Each payment period is half an academic year, or 450 clock hours.



For a program that is longer than an academic year, the treatment of the hours in the final academic year has changed. Under the old rule, if the remaining portion of the program in that final year was less than an academic year, each payment period was the period in which the student completed either half the academic year or all the remaining hours in the program, whichever was less. Under the new definition, if the number of hours remaining in the final year is less than half an academic year, the final payment period is still the period of time in which the student completes the remaining hours. Otherwise, each payment period in the final year is the period in which the student completes half the remaining hours in the **program**. However, for the 1997-98 award year **only**, if the remaining portion of the program begins before July 1, 1997 and crossed two award years, the school may use the old definition of payment period for that remaining portion. Note that this applies to summer 1997 crossover payment periods **only**. This delay allows schools additional time to make any necessary adjustments to their academic calendars to accommodate the new payment period definition. The examples on the next page show both the new rule and the use of the old rule for summer 1997.



**Transition for
summer 1997
crossover
payment
periods**

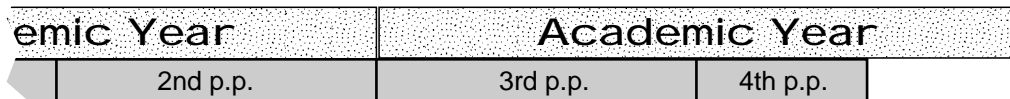
Nonterm payment period examples

Longer than an academic year

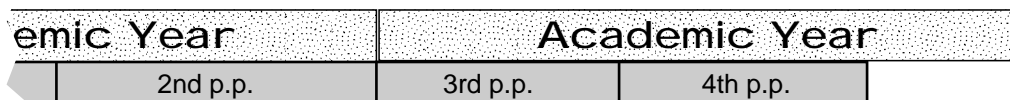
Marta is enrolled in a 1,200-clock-hour program. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time. Because Marta's program of study is longer than one academic year, the payment periods in the first year are based on the length of the academic year (in clock hours). Each of these payment periods is 450 clock hours (half the academic year). After the first year, only 300 clock hours remain, less than an academic year. Because 300 hours is less than half the academic year, the remaining 300 clock hours constitute the third and final payment period.



Fred is enrolled in a 1,600-clock-hour program. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time. Because Fred's program of study is longer than one academic year, the payment periods in the first year are half the academic year in clock hours, 450 clock hours. After the first year, only 700 clock hours remain, less than an academic year. Because 700 hours is more than half the academic year, Fred has two payment periods in the final year. Fred completes the first year on April 4, 1997, and begins the final year on April 7, 1997. Because this final portion begins before July 1, 1997, the school uses the old payment period definition, and Fred's final two payment periods are 450 clock hours (half the academic year) and 250 clock hours (the remainder of the program).



Loralys enrolls in the same program as Fred several months later. She completes the first year on July 11, 1997. After that first year, only 700 clock hours remain, less than an academic year. This remaining portion of the program begins after July 1, 1997, so the school uses the new payment period definition. Because 700 hours is more than half the academic year, Loralys has two payment periods in the final year of 350 clock hours each (half the remaining hours).



**More frequent payment periods—
34 CFR 668.4(b)(4)**

Regulations also permit a school to establish more frequent payment periods for its programs of study. For example, a school may choose to use monthly payment periods. The payment periods must be equal in number of credit or clock hours, except that a final payment period for a program may be shorter than the other payment periods.

More frequent payment periods

Because many of the students enroll part time, Sarven Technical Institute decides to have four payment periods for the 650 clock hour program Miranda is enrolled in. Sarven can determine the number of clock hours in the payment periods by dividing the number of hours in the program by the number of payment periods:

$$650 \div 4 = 162.5$$

The first three payment periods will be the period in which the student completes 163 clock hours. The last payment period will have only 161 clock hours (the hours remaining in the program after the first three payment periods).

Academic Year			
163 hrs	163 hrs	163 hrs	161 hrs

Because Miranda is enrolled for only 10 clock hours a week, her second payment period will not begin until after she is in the 17th week (it will take her that long to complete 163 hours).

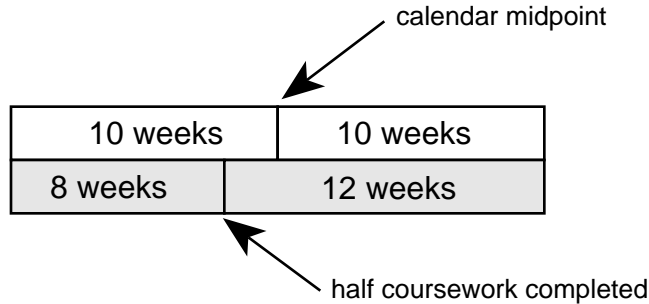
For clock-hour programs and nonterm credit-hour programs, the payment period ends when the student has completed all the credit or clock hours in the payment period. Because the length of a payment period (measured in weeks of instructional time) is based on what a full-time student is expected to complete, part-time students will take longer than full-time students to complete each payment period. However, as we will discuss in "Calculating the Payment for a Payment Period," the number of weeks of instructional time that is used in the formula to calculate the payment for the payment period will remain the same.

For some nonterm credit-hour programs, the school does not award credits for part of the year (or program). For example, the school may award the student credits only after the student has completed the entire program. The school must still determine the payment periods as usual, but may adjust the beginning of the second payment period to account for the student being halfway or further through the year or program without having earned half the credits. In such cases, the second payment period is considered to begin at the later of the calendar midpoint between the first and last day of class or the point at which the school considers that the student has completed half of the academic coursework for the year or program.

**34 CFR
668.4(b)(3)**

Sarven Technical Institute does not award credit to a student in the nonterm 24 quarter hour program Allen is enrolled in until the student completes the entire program. Because the program is shorter than an academic year, it must have at least two equal payment periods. Each payment period will be the period of time in which a student completes 12 quarter hours.

Because Allen will not be awarded 12 quarter hours before he finishes the program, Sarven adjusts the beginning of the second payment period. The program is 20 calendar weeks in length; the calendar midpoint between the first and last day of enrollment is at the beginning of the 11th calendar week. Sarven considers that Allen has completed half the academic coursework (although he has not been awarded any credit hours) by the end of the 8th calendar week.



Sarven may pay Allen for the second payment period at the beginning of the 11th calendar week, because this is the later of the two points.

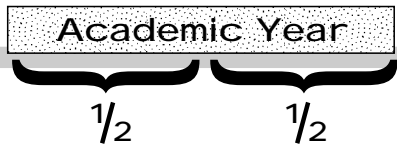
**Excused
absences—
34 CFR
668.164(b)(3)**



Note that a school with a clock-hour program may take into consideration “excused absences” in determining whether a student has completed the hours in a payment period. The school must have a written policy permitting excused absences, and the absences must actually be excused—that is, the student will not be required to make up the absences to receive the degree or certificate for the program. The cash management regulations now provide that the school cannot allow the excused absences to exceed 10% of the clock hours in the payment period (or less as required by accrediting agency or state agency policies). For example, if a school’s written policy (in accordance with its accrediting agency guidelines) allows a student to miss up to 50 hours of a program, the school may still pay a student who had missed 20 of the first 450 hours at the same time it would pay a student who did not miss any hours. Note that although the accrediting agency guidelines in this case allow the student to miss up to 50 hours of the entire program, the school could not excuse more than 45 hours (10% of the hours) of the payment period.

**Step 4
summary
by formula**

STEP 4: Determine Payment Periods



Formula 1, Formula 2, Formula 3:

Payment period is the academic term

Formula 4:

Length of payment period measured in credit or clock hours.

Minimum of 2 equal payment periods required for programs shorter than an academic year, or 2 equal payment periods in each full academic year (or final portion longer than half an academic year) for programs longer than or equal to an academic year.

CALCULATING THE PAYMENT FOR A PAYMENT PERIOD

2200 X <hr style="width: 50%; margin: 0 auto;"/> 15 <hr style="width: 50%; margin: 0 auto;"/> 30	Annual award
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Once the school has determined the payment period, it can determine how much of the annual award the student will receive for that payment period. A student may receive a Pell payment only for those terms, or payment periods, in which the student is enrolled. For some students, the total disbursements for all payment periods within the award year will equal the amount of the Scheduled Award. However, students who attend for less than an academic year (in either clock/credit hours or weeks of instructional time) will not receive a full Scheduled Award. This may occur if the student enrolls for only part of the year, attends part time, or if the program is less than an academic year in length. These enrollment variations are taken into account in the calculation of the student's payment for the payment period. The four calculation formulas discussed in this section account for these variations differently; therefore, we will describe the calculation for each formula separately (see page 4-11 for more information on which formula to use).

weeks of instructional time in term
 weeks of instructional time in AY

For a program using Formula 1, a student will attend less than an academic year only if he or she enrolls part time or does not enroll in all terms in the academic year. The adjustment for part-time enrollment is made in determining the annual award (by using the appropriate part-time Disbursement Schedules). The adjustment for a student not enrolling in all terms is made by dividing the annual award evenly between the terms. If the student does not enroll in a term, he or she will not receive that part of the award. Therefore, to determine the payment for a payment period, divide the annual award by the number of payment periods in the academic year (two for semesters or trimesters, three for quarters). However, if the school has a summer term, it may wish to use an alternate

Formula 1

calculation that spreads the award over the summer term as well (see “Summer Terms” later in this section for more information).

Helen enrolls full time in Hart University in a degree program offered in semesters. Hart University can use Formula 1 to calculate Pells for students in this program. Helen enrolls in both semesters in the 1997-98 award year, and her EFC is 752. The Pell COA is \$8,170.

Based on a COA of \$8,170 and an EFC of 752, the full-time Payment Schedule shows that Helen is eligible for an annual award of \$1,950.

To calculate Helen’s payment for the semester, Hart divides the annual award by the number of terms:

$$\$1,950 \div 2 = \$975$$

Therefore, Helen’s payment for each semester is \$975; she will receive the full annual award of \$1,950 if she actually attends full-time both semesters.

Formula 2

**34 CFR
690.63(c)(3)**

For a program using Formula 2, a student will attend less than an academic year in credit hours only if he or she enrolls part time or does not enroll in all terms (fall through spring) in the academic year. As for Formula 1, the adjustment for part-time enrollment is made in determining the annual award (by looking up the award on the appropriate schedule). Because the fall through spring terms provide fewer than 30 weeks of instructional time, the school must always adjust for less than an academic year in weeks by prorating the annual award:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in fall through spring terms}}{\text{Weeks of instructional time in program's definition of academic year}}$$

Then, to adjust for students not attending all terms, the award is divided evenly between terms. To determine the payment for one payment period, divide the **prorated** annual award by the number of terms in the year (two for semesters or trimesters, three for quarters). If the school has a summer term, it may use the alternate calculation to distribute the award over all terms (see “Summer Terms” later in this section).

Emma enrolls full time in Woodhouse College, which has two semesters of 14 weeks each. Woodhouse College defines the academic year for Emma's program as 24 semester hours and 30 weeks of instructional time, and uses Formula 2 to calculate Pells for students in this program. Emma's EFC is 545, and the Pell COA for the program is \$6,505. The full-time Payment Schedule shows that Emma is eligible for an annual award of \$2,150.

Because the two terms provide less than 30 weeks of instructional time, the annual award must be prorated:

$$\$2,150 \times \frac{28 \text{ weeks instructional time in fall through spring terms}}{30 \text{ weeks instructional time in academic year definition}} = \$2,006.67$$

This prorated amount is then divided by the number of terms:

$$\$2,006.67 \div 2 = \$1,003.34$$

Therefore, Emma's payment for the first semester is \$1,003 (rounded down from \$1,003.34) and her payment for the second semester is \$1,004 (rounded up because the first payment is rounded down). Emma will receive \$2,007 for her attendance in both semesters. Note that this is less than her Scheduled Award; she may be able to receive the remaining \$143 if she enrolls in a summer term.

Under Formula 3, the school also adjusts for less than an academic year by using enrollment status in determining the annual award and by distributing the award over terms. Because the program may use uneven nonstandard terms, the award cannot simply be divided evenly among the terms. Instead, the school must multiply the annual award by a fraction representing the proportion of an academic year the payment period contains. This procedure adjusts for the period of enrollment that is less than an academic year either because the student misses a term or because the terms provide less than an academic year of instruction. To calculate a student's payment for a payment period, the school uses the following formula:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of academic year}}$$

If the resulting amount is more than 50% of the annual award, the school must make the payment in at least two disbursements. A single disbursement may never be more than 50% of the annual award.

Formula 3

**34 CFR
690.63(d)3, 4**

**34 CFR
690.63(f)**

Anner is enrolled half time in the first 8 week term at Bylsma Conservatory and full time in the remaining three terms. Bylsma defines the academic year for Anner's program as 40 quarter hours and 32 weeks of instructional time, and uses Formula 3 to calculate Pells. Anner's EFC is 323, and the Pell COA for the program is \$11,140.

For the first term, the half-time Disbursement Schedule shows that Anner is eligible for an annual award of \$1,175. To determine Anner's payment for the first payment period, the school uses the following calculation:

$$\$1,175 \times \frac{8 \text{ weeks instructional time in the term}}{32 \text{ weeks instructional time in the academic year}} = \$293.75$$

Anner's payment for the first payment period will be \$294 (rounded up from \$293.75).

For the remaining terms, the full-time Payment Schedule shows that Anner is eligible for an annual award of \$2,350. To determine Anner's payment, Bylsma uses the following calculation:

$$\$2,350 \times \frac{8 \text{ weeks instructional time in the term}}{32 \text{ weeks instructional time in the academic year}} = \$587.50$$

Anner's payment for the second term will be \$587 (rounded down because the first payment was rounded up); his payment for the third term will be \$588, and his payment for the fourth term will be \$587.

Owen is enrolled in the education program at Hart University that has a short 4-week term between two 15-week terms. His enrollment status is half-time for the first and third terms and full-time for the second term. The academic year for the program is defined as 34 weeks of instructional time and 24 semester hours. Hart uses Formula 3 to calculate Pells for students in this program. Owen's EFC is 1214, and the Pell COA for the program is \$8,745.

For the first and third terms, the half-time Disbursement Schedule shows that Owen is eligible for an annual award of \$725. To determine Owen's payment for these two terms, the school uses the following calculation:

$$\$725 \times \frac{15 \text{ weeks instructional time in the term}}{34 \text{ weeks instructional time in the academic year}} = \$319.85$$

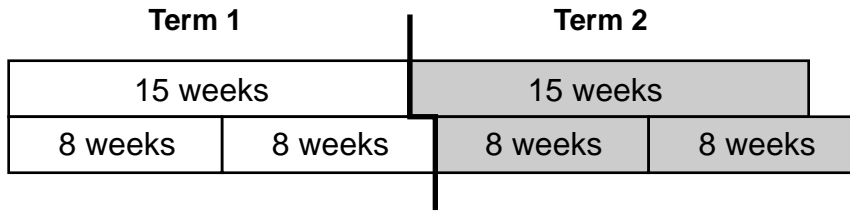
Owen's payment for the first term will be \$320 (rounded up from \$319.85).

For the second term, Owen has an annual award of \$1,450 (from the full-time Payment Schedule). Note that this is the same as his Scheduled Award. To determine his payment for the term, Hart uses this calculation:

$$\$1,450 \times \frac{4 \text{ weeks instructional time in the term}}{34 \text{ weeks instructional time in the academic year}} = \$170.59$$

Owen's payment for the second payment period will be \$171 (rounded up from \$170.59). His payment for the third payment period will be \$319 (rounded down from \$319.85 because the first two payments were rounded up). He will receive \$810 for the entire year. Note that this is less than his Scheduled Award, but more than the annual award based on half-time enrollment.

Eddy is enrolled in the program to which Hart University has recently added 8-week terms. Two of the 8-week terms are combined with each semester to create two combined semesters providing 16 weeks of instructional time each.



Hart uses the same definition of academic year for the program that it used before adding the 8-week terms: 30 weeks of instructional time and 24 semester hours. Because the terms overlap, Hart uses Formula 3 to calculate payments for students in the program.

Eddy is enrolled three-quarter time in the first term, and full time in the second term. His EFC is 0, and the Pell COA for the program is \$8,170. The three-quarter-time Disbursement Schedule shows that Eddy is eligible for an annual award of \$2,025. His Scheduled Award is \$2,700. To determine Eddy's payments for the first term, Hart uses the following calculation:

$$\$2,025 \times \frac{16 \text{ weeks instructional time in the term}}{30 \text{ weeks instructional time in the academic year}} = \$1,080$$

Eddy will receive \$1,080 for the first term. For the second term, the full-time Payment Schedule shows that Eddy's annual award is \$2,700. Hart calculates the payment for this second term as follows:

$$\$2,700 \times \frac{16 \text{ weeks instructional time in the term}}{30 \text{ weeks instructional time in the academic year}} = \$1,440$$

Eddy will receive \$1,440 for the second term. His total Pell for the year will be \$2,520, which is less than the Scheduled Award. Note that if Eddy enrolled full-time in both terms, his second payment would need to be reduced so that he would not receive more than his Scheduled Award.

Unlike under the preceding three formulas, no adjustment for enrollment status is made in determining the annual award under Formula 4. Instead, a comparable proration of the award based on hours enrolled must be performed. The calculation for the payment period adjusts the annual award both if the student will be enrolled in fewer credit/clock hours than in a full academic year (an adjustment mainly handled by enrollment status in the other formulas) and if a full-time student would be attending

Formula 4

**34 CFR
690.63(e)2**

fewer weeks than a full academic year. To adjust for fewer weeks, the school must multiply the annual award by the lesser of:

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in the program}}{\text{Weeks of instructional time in program's definition of academic year}}$$

Weeks of instructional time in program's definition of academic year

OR

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in the academic year}}{\text{Weeks of instructional time in program's definition of academic year}}$$

Weeks of instructional time in program's definition of academic year

OR

One (1)

Note that the result of this multiplication will never be greater than the original annual award. Because the annual award has not been adjusted for enrollment status, the fractions use the weeks of instructional time for a **full-time student** to complete the hours in the program or academic year. The school must determine the weeks of instructional time it takes a full-time student to complete the hours based on the time required for the majority of its full-time students to complete the program or academic year, not student by student.

**34 CFR
690.63(e)3**

Then, to adjust for fewer clock/ credit hours, the school must multiply this adjusted annual award by the following fraction:

$$\frac{\text{Credit/clock hours in a payment period}}{\text{Credit/clock hours in program's definition of academic year}}$$

Credit/clock hours in program's definition of academic year

**34 CFR
690.63(f)**

The resulting amount is the payment for a payment period. However, if this amount is greater than 50% of the annual award, the school must make the payment in at least two disbursements. A single disbursement may never be more than 50% of the annual award.

Miranda is enrolled for 10 clock hours per week in a 650 clock hour program at Sarven Technical Institute. She begins attending in January 1998. The program provides 27 weeks of instructional time; Sarven defines the academic year for the program as 30 weeks of instructional time and 900 clock hours. Miranda's EFC is 0; the Pell COA for less-than-half-time students in the program is \$2,143.

Based on a COA of \$2,143 and an EFC of 0, the full-time Payment Schedule shows that Miranda is eligible for an annual award of \$2,150. Sarven has established 4 payment periods—the first three are each 163 clock hours, the fourth is 161 clock hours. To calculate Miranda's payment, the school uses the following calculations:

$$\$2,150 \times \frac{27 \text{ weeks instructional time for program}}{30 \text{ weeks instructional time in the academic year}} = \$1,935$$

$$\$1,935 \times \frac{163 \text{ clock hours in the payment period}}{900 \text{ clock hours in the academic year}} = \$350.45$$

Miranda's payment for the first payment period will be \$350 (rounded down from \$350.45). She may receive this payment when she begins the program. Her payment for the second payment period will be \$351 (rounded up because the first payment was rounded down); she may receive this payment after she completes the 163 clock hours in the first payment period. Because she is completing only 10 clock hours a week, the final two payment periods will be in the 1998-99 award year, and a new calculation will be required based on the 1998-99 Payment Schedule.

Allen is also enrolled at Sarven Technical Institute; his EFC is 137, and the Pell COA for his program is \$4,650. His program is 24 quarter hours and 20 weeks of instructional time; the academic year for the program is defined as 36 quarter hours and 30 weeks of instructional time. Based on a COA of \$4,650 and an EFC of 137, the full-time Payment Schedule shows that Allen is eligible for an annual award of \$2,550.

Sarven has established two payment periods of 12 quarter hours each for Allen's program. To calculate Allen's payment, the school uses the following calculations:

$$\$2,550 \times \frac{20 \text{ weeks instructional time for program}}{30 \text{ weeks instructional time in the academic year}} = \$1,700$$

$$\$1,700 \times \frac{12 \text{ quarter hours in the payment period}}{36 \text{ quarter hours in the academic year}} = \$566.67$$

Allen's payment for the first payment period will be \$567 (rounded up from \$566.67). Allen may receive this payment when he begins the program. Allen's payment for the second payment period will be \$566 (rounded down, because the first payment was rounded up). Because students do not earn any of the 24 quarter hours in the program until they complete the entire program, Sarven has determined that it may make the payment for the second payment period after Allen has completed the tenth calendar week of the program (see page 4-28).

**Step 5
summary by
formula**

STEP 5: Calculate Payment for a Payment Period

2200	Annual award
X	
15	
30	weeks of instructional time in term
	weeks of instructional time in AY

Formula 1:

$$\frac{\text{Annual award}}{\text{Number of payment periods in the program's definition of academic year}}$$

Formula 2:

Proration required unless alternate calculation is used

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the fall through spring terms}}{\text{Weeks of instructional time in program's definition of academic year}} \div \begin{matrix} 2 \text{ (if semesters or} \\ \text{trimesters)} \\ \text{OR} \\ 3 \text{ (if quarters)} \end{matrix}$$

OR

$$\text{Annual award} \div \text{number of terms in the award year (for alternate calculation)}$$

Formula 3:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of academic year}}$$

A single disbursement may not exceed 50% of the annual award

Formula 4:

Annual award is multiplied by two fractions:

(1) Annual award x the lesser of:

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in program}}{\text{Weeks of instructional time in program's definition of academic year}}$$

OR

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in academic year}}{\text{Weeks of instructional time in program's definition of academic year}}$$

OR

One (1)

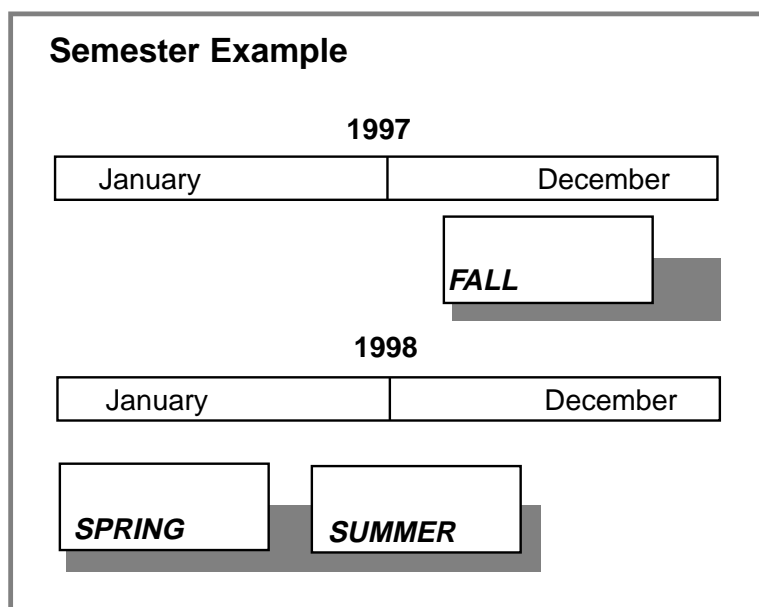
(2) The results of (1) are then multiplied by:

$$\frac{\text{Hours in a payment period}}{\text{Hours in program's definition of academic year}}$$

A single disbursement may not exceed 50% of the annual award

CHECKING REMAINING ELIGIBILITY: CROSSOVER PAYMENT PERIODS

Payment periods do not always fall neatly into one award year or another. When a payment period falls into two award years, it is referred to as a “crossover payment period.”



At a school with a traditional term calendar, the summer term is usually a crossover payment period.

The basic calculation for a crossover payment period is the same as that for any other payment period. However, there are additional provisions for some summer terms. (See “Summer Terms” in this section.)

The school may make a payment for a crossover payment period out of either award year, provided the student has a valid output document for the award year selected, except that if more than six months of the payment period occurs in a given award year, the Pell payment must be made from that award year.

The decision about which award year to use is usually based on the student’s remaining eligibility in the earlier award year. For instance, if a student had already been paid for two semesters (each at least 15 weeks) as a full-time student for a full academic year in the 1997-98 award year, the student would have been paid a full Scheduled Award for that year. However, if the school receives a valid output document for the 1998-99 award year, the student could be paid for the crossover period from that year’s funds. Of course, a student may still be eligible for a summer payment from the earlier award year if the student has not attended for a full academic year. For example, a student who enrolls at midyear, in the spring session, might still have eligibility remaining for the summer term. As another example, a student could receive a Pell payment for the

Payment from either award year

**Costs for
crossover
payment
period**

summer term, even after receiving payments for the other terms in the award year, if the student attended **part time** in those other terms, or if those terms provided less than 30 weeks of instructional time.

Costs for a crossover payment period are figured in the same way as for any other payment period; that is, the costs are based on a full academic year. For instance, if the school has fall and spring semesters that comprise an academic year, the financial aid administrator must not add the costs for the summer term to the costs for the fall and spring semesters. The award for the summer term is still based on the costs for one academic year. However, if the academic year definition includes the summer term, then the costs for the summer term **must** be included in the cost for a full academic year.

If the student was previously enrolled in the award year, the school may be able to use the same COA for the summer term that it used for the immediately preceding term the student attended. However, this is not possible if the school is required to recalculate the COA. (See Section 5 of this chapter for information on when recalculations are required.) If it is necessary to base the student's COA on the summer term, the financial aid administrator must prorate the summer costs to establish the cost for an academic year. (See "Calculating the Cost of Attendance" in this section for information on prorating costs.)

If the summer session is the first term in the award year for that student (for example, the school is paying a student for the summer 1997 term from the 1997-98 award year), the school must establish the student's full-year cost based on the costs for the **summer** term. If the student enrolls in another term in that award year, the school may have to recalculate the student's costs for the later term (see Section 5.)

SUMMER TERMS

If a school offers a summer term in addition to fall through spring terms, the school calculates the student's payment for the summer term by using the same formula used to calculate the payment for each term within the school's fall, winter, or spring terms. For a program for which the school could calculate awards using Formula 1 or 2, the school may instead perform an alternate calculation that distributes the annual award over all the terms for all students enrolled in the program.

**Full-time
status
definition**

Regardless of the method the school chooses to calculate the student's summer payment, the aid administrator must apply the school's definition of full-time status consistently to all SFA Programs. In addition, in order to calculate a student's Pell under Formula 1 or 2 or under the alternate calculation, the aid administrator must define full-time enrollment during the summer as at least 12 credit hours.

To perform the alternate calculation, the school divides the annual award by the number of terms (including the summer term) in the award year. If the school chooses this alternate calculation, the school must use the alternate calculation for **all** students enrolled in the same program of study, increase the number of weeks of instructional time in the academic year defined for the student's program to include the number of weeks in the summer term, and include the costs for the additional term in the Pell COA. The school may also include the number of credit hours for the additional term in the academic year defined for the student's program.

Alternate calculation

Alternate calculation example

Kevin enrolls as a half-time student in a two year associate degree program at Ivers Community College. The academic calendar for this program uses quarters; there are three quarters in the fall through spring terms, each providing 9 weeks of instructional time. The program also has a summer quarter which provides 9 weeks of instructional time. Ivers can use Formula 2 to calculate Pells for students in the program, and decides to use the alternate calculation to distribute the award over all four terms. The school defines the academic year for Kevin's program as 48 quarter hours and 36 weeks of instructional time (both the weeks and the credit hours for the summer term are included in the academic year). Kevin's EFC is 300, and the Pell COA (which includes costs for the summer quarter) is \$5,200.

Based on a COA of \$5,200 and an EFC of 300, the half-time Disbursement Schedule shows that Kevin is eligible for an annual award of \$1,225. Ivers uses the alternate calculation to determine Kevin's payment for a payment period. It divides the annual award by the number of terms in the award year:

$$\$1,225 \div 4 = 306.25$$

Kevin will receive \$306 (rounded down from \$306.25) in the fall, winter, and spring quarters; he will receive \$307 (rounded up because other payments are rounded down) in the summer quarter.

If the school does not choose to use the alternate calculation and calculates the payment for the summer term using Formula 1 or 2, the school must ensure that the amount of Pell funds the student receives for the award year does not exceed the Scheduled Award. (See "Crossover Payment Periods" in this section.)

Suppose for the preceding example, Ivers did not use the alternate calculation, and calculated payments using Formula 2. Because Ivers would no longer be required to include the summer term in the academic year definition, it could define the academic year for the program as 30 weeks of instructional time and 36 quarter hours. Ivers would also have to adjust the COA (to remove summer costs), although in this case it would not affect Kevin's annual award. Using the same annual award as in the previous example, the school would calculate Kevin's payment as follows:

$$\$1,225 \times \frac{27 \text{ weeks instructional time in fall through spring terms}}{30 \text{ weeks instructional time in academic year definition}} = \$1,102.50$$

Ivers would then divide this prorated annual award by 3 (because the program uses quarters) to determine Kevin's payment for the payment period:

$$\$1,102.50 \div 3 = \$367.50$$

Kevin would receive \$368 for each of the fall and spring quarters (rounded up from \$367.50), and \$367 for the winter quarter. He would receive an additional \$367 payment for the summer quarter. Under this calculation, Kevin will receive a total of \$1,470 for the award year. His Scheduled Award is \$2,450, so he will not receive more than a Scheduled Award.

Summer minisessions

If a term-based school offers a series of minisessions that overlap two award years (by "crossing over" the June 30 end date for one award year), these minisessions may be combined and treated as one term. However, schools are not required to combine these minisessions. The weeks of instructional time in the combined term are the weeks between the beginning of the first minisession and the date the last minisession will end. The student's enrollment status for the entire payment period must be calculated based on either

- ◇ the total number of credits the student is taking for all sessions, if that number is known when the award is calculated, or
- ◇ a projected number of credits based on the credits the student is taking for the first session if the number of credits to be taken in subsequent sessions is unknown when the award is calculated.

If the school combines minisessions into a single term, a student may not be paid more than the amount for one payment period for completing any combination of the minisessions.

Note that recalculation is required if the student does not ultimately attend the projected classes in a subsequent minisession. (See "Change in Enrollment Status" in Section 5 of this chapter.)

If the school does not combine minisessions into a single payment period, it must treat each minisession as a separate nonstandard term and calculate the payment for each using Formula 3.

Minisession example

Bruce enrolls part time at Hart University. In addition to fall and spring semesters, Hart University offers three summer minisessions. Each minisession provides 5 weeks of instructional time. Hart chooses to combine the sessions into a single payment period providing 15 weeks of instructional time. Full-time enrollment in this period is defined as 12 semester hours. Hart can use Formula 1 to calculate payments for this summer session.

Bruce enrolls for 3 semester hours in each of the minisessions, so he is enrolled three-quarter time (9 hours total in the combined term). His EFC is 772 and the Pell COA is \$8,170. Based on a COA of \$8,170 and an EFC of 772, the three-quarter-time Disbursement Schedule shows that Bruce is eligible for an annual award of \$1,463. To calculate Bruce's payment, the school divides the annual award by the number of terms in the academic year:

$$\$1,463 \div 2 = \$731.50$$

Bruce may receive \$732 for the combined summer session if it is the first term of the award year. However, suppose Bruce had also enrolled three-quarter time in the preceding fall and spring semesters. He would have received a total of \$1,463 for these two terms. If this amount is subtracted from his Scheduled Award (\$1,950), only \$487 remains. Therefore, if Bruce had enrolled in both semesters and was being paid from the same award year for the summer, he would only receive \$487 for the combined summer session.

If Hart University did not combine the three minisessions, it would have to calculate payments for the program using Formula 3. Hart would have to determine Bruce's enrollment status by multiplying full-time enrollment for the academic year (24 semester hours) by the number of weeks of instructional time in the term (5) over the number of weeks in the academic year (30). For the 5 week terms, a full-time student must enroll in 4 semester hours to be full time; therefore, Bruce is still enrolled three-quarter time. The COA would not have to be adjusted, and his annual award would remain the same. Hart would determine his payment using the following calculation:

$$\$1,463 \times \frac{5 \text{ weeks instructional time in the term}}{30 \text{ weeks instructional time in the academic year}} = \$243.83$$

Bruce would receive \$244 for the first two minisessions (rounded up from \$243.83) and \$243 for the third (rounded down because the first two were rounded up), for a total of \$731 for the summer. Again, these payments may need to be reduced if Bruce had previously received payments for the fall and spring semester in this award year.

CHECKING REMAINING ELIGIBILITY: TRANSFER STUDENTS

The school must be careful not to exceed the Scheduled Award when paying a student who has previously received a Pell for the award year at another school. To pay such a student, the school must obtain a SAR or ISIR and financial aid history information.

**Output
document
and financial
aid history
needed**

Application information

There are three ways for a school to obtain the student's application information and official EFC if that school was not listed on the FAFSA:

1. The school can have the student request a duplicate of his or her original SAR and submit it.
2. If the school participates in EDE, it can have the student provide the Personal Identification Number (PIN) that is printed on the upper right corner of the SAR, so that the school can obtain the student's data electronically.
3. The school can have the student correct his or her SAR to add the school's name to the list of schools in items 92 through 103.

Financial aid history

The school may obtain a financial aid history by requesting that the other eligible school(s) that the student attended send a financial aid transcript. Note that schools may also receive transcript information through the NSLDS. (See Chapter 2 for more on transcript requirements and NSLDS.) However, schools should be aware that there are limits on the use of NSLDS for midyear transfers, as discussed below.

Midyear transfer— “Dear Colleague” Letter GEN- 96-13



To calculate awards for students who transfer during the award year, the school must have up-to-date information on the student's scheduled award and the amount disbursed. That information is not provided in the NSLDS section of the output document. If the school wishes to use NSLDS for transcript information for such students, it must check NSLDS at least 60 days after the end of the student's enrollment at the previous school. A school may make an initial disbursement to such students before receiving the final NSLDS data as it would to students for which it had requested but not received a financial aid transcript. Alternatively, the school may request up-to-date transcript data from the previous school. The school may request only information on the current year and use NSLDS for the remaining financial aid history. (See Chapter 2, Section 2 for more on NSLDS.)

Calculating the payment

The Pell payment for a transfer student is calculated in the same way as for any new student. That is, the school must divide the annual award (prorated if necessary) into payments for each payment period. However, before paying a transfer student, the school must also make sure the student does not receive more than 100% of his or her Scheduled Award during the award year. Thus the school must determine what percentage of the Scheduled Award at the previous school the student actually received. Because the school is determining the relationship between the amount the student received and the Scheduled Award used to determine that amount, the school must use the Scheduled Award reported by the previous school in determining this percentage, and cannot correct it on the basis of its own records.

The financial aid history provides the necessary information. First, find the percentage of the Pell received at the previous school by dividing the amount the student received by the student's Scheduled Award at that school. Then subtract this percentage from 100%. The result is the maximum percentage of the Scheduled Award that the student may receive at the new school.

**Figuring
percentage
of remaining
eligibility—
34 CFR
690.65(d)**

Transfer example

A student attends fall and winter terms at a school using nonstandard terms. The student then transfers to a school using semesters for the spring semester. The financial aid transcript from the first school shows the student received \$1,003 in Federal Pell Grant payments and had a \$1,700 Scheduled Award. The student is eligible for a \$2,100 Scheduled Award at the new school. What is the maximum the student can be paid for the remainder of the award year at the new school?

$$\begin{aligned} \$1,003 \div \$1,700 &= 59\% \text{ of Scheduled Award} \\ &\text{used at first school} \end{aligned}$$

The student is eligible for 41% of the Scheduled Award at the new school.

$$41\% \times \$2,100 = \$861$$

A student with a \$2,100 Scheduled Award would ordinarily receive a \$1,050 payment for one semester (if enrolled full-time). However, the transfer student in this example may not be paid more than \$861, because the student has received 59% of the Scheduled Award at the first school.

The reason for using percentages is that a transfer student may have different Scheduled Awards because the costs of attendance at the two schools may be different. The percentages are used to compare the portions of a student's total eligibility that have been used at both schools. (If the student's Scheduled Award is the same at both schools, the financial aid administrator can find the amount of the student's remaining eligibility simply by subtracting the amount received at the first school from the Scheduled Award.)

Note that a transfer student receives the same payments as any other student until the limit (100% of a Scheduled Award) is reached. For example, a transfer student enrolls for two terms in the award year at a school and would ordinarily receive a \$500 payment for each term. However, the student's remaining eligibility, based on payments at the other school, is only \$600. Rather than "rationing" this amount by splitting it into two \$300 payments for the two terms, the school must pay the student \$500 for the first term and the remainder (\$100) for the second term. Thus, the student will have received a full payment for the first term, even if he or she does not return for the second term.

TWO MATHEMATICAL NOTES

Rounding

When making disbursements, round to the nearest dollar: Round up if the decimal is .50 or higher; round down if it is less than .50. For instance, if a calculation resulted in a payment of \$516.66, round up to \$517. If the calculation result was \$516.33, round down to \$516. The payment system will not allow payments including cents.

For a student who is expected to be enrolled for more than one payment period in the award year, the school must alternate rounding up and rounding down to ensure that the student receives the correct amount for the year. For example, if a student had a Scheduled Award of \$1,025 to be paid in two payment periods, the first payment would be \$513 (rounded up from \$512.50), and the second payment would be \$512 (rounded down to ensure that the student is not overpaid for the year).

The same principle applies when there are three or more payment periods in the award year. For instance, if the student has a Scheduled Award of \$1,100 and enrolls at a school using quarter terms, the payment for each term would come to \$366.66. The first two payments would be rounded up to \$367, and the last payment would be rounded down to \$366 to reach the total of \$1,100.

Fractions

When using fractions, be careful to multiply first, and then divide to avoid making an overpayment. For example, to calculate the payment in a program that has three payment periods of 300 hours each, you should use the method in this example:

$$\begin{array}{r} \$2,130 \\ \text{(prorated Annual Award)} \end{array} \times \frac{300}{900} \begin{array}{l} \text{(hours in payment period)} \\ \text{(hours in award year)} \end{array}$$

$$\text{Step 1: } \$2,130 \times 300 = 639,000$$

$$\text{Step 2: } 639,000 \div 900 = \$710$$

(In *this* case, you can simplify the calculation by reducing the fraction 300/900 to 1/3 and get the same result. But, if you divide the fraction to get a decimal [300/900 = .33333...] and then round the decimal either down [.33] or up [.34], your calculation will produce either an underpayment [\$703] or an overpayment [\$724].)

Section 3

Special Program Considerations

In the preceding section, we described Pell calculations that apply to most postsecondary educational programs. However, some schools may have categories of students or educational programs that require special handling.

CONSORTIUM AGREEMENTS (BETWEEN ELIGIBLE SCHOOLS)¹

The Federal Pell Grant Program regulations prohibit a student from receiving a Pell from more than one school at the same time. However, a school is allowed to pay a student enrolled in one of its eligible programs for courses taken at other eligible schools if those courses apply to the degree or certificate in the first school's program. To pay such a student, the school must first have a written consortium agreement with the other school(s) the student is attending.

A consortium agreement establishes that the "home" institution considers the student to be enrolled in an eligible program and unconditionally accepts the credits earned at the "host" institution for credit towards the educational program at the home school. The agreement should further specify which school will be responsible for awarding and disbursing aid and monitoring student eligibility. (Usually, the home institution is responsible for disbursements, but if the student is enrolled for a full term or academic year at the host institution, it may be easier for the host institution to monitor the student's eligibility and make payments.)

Other factors that may need to be addressed in the agreement are the applicable refund policy, satisfactory progress policy, and any procedures for calculating the total COA and enrollment status for the student.

¹ If the written agreement is with an ineligible school, see the discussion of contractual agreements in Chapter 3, Section 5. A school may not enter a contractual agreement with a school that has **lost** its eligibility. In a contractual agreement with an ineligible school, the student must be enrolled for the entire program at the eligible school, even though a portion of the program is provided by contract with the ineligible school. Thus, the student's enrollment status and COA are based on the hours taken at, and the costs in, the eligible program.

34 CFR 690.9

Elements of a consortium agreement

The consortium agreement can be a blanket agreement between two or more eligible schools, or it can be written for a specific student. Such an agreement is often used when the student takes related courses at neighboring schools or when the student is in an exchange program with another eligible school for a term or more. The written agreement ensures that the student will receive payment from only one school in a given payment period. (See Chapter 3, Section 5 for more information on consortium agreements.)

Cost of attendance

The COA is calculated in the same way as for a student taking classes at only one school. The student's tuition and fees and books and supplies charges at the consortium schools have to be combined into a single charge for a full academic year for purposes of the Pell calculation. If the student is carrying a full-time course load (based on hours taken at both or all schools), the student's tuition and fees and books and supplies costs would be based on actual or average charges, depending on whether the disbursing school uses actual or average charges for its Pell awards.

Prorating average charges at each school

Actual charges for a full-time student would simply be the sum of the actual charges at the schools the student is attending under the consortium arrangement. If the disbursing school uses **average charges**, then the average charges at each of the schools must be prorated and combined. If the student is taking an equal course load at each school, the full-time tuition and fees charges for an academic year at each school can be averaged to determine the tuition and fee cost. However, if the student is taking an unequal course load, the disbursing school must prorate the charges based on the number of hours the student is taking at each school.

A student is enrolled for 3 credit hours at School A and for 9 credit hours at School B. The full-time tuition and fee charge for an academic year at School A is \$3,000, while the full-time charge at School B is \$4,000. What is this student's average tuition and fee charge for an academic year?

Prorated charge
at School A $\$3,000 \times \frac{3}{12}^1 = \750

Prorated charge
at School B $\$4,000 \times \frac{9}{12} = \$3,000$

Add the prorated
charges at both
schools $\$750 + \$3,000 = \$3,750$

¹Note that the denominator must be the total number of hours the student is taking at both schools.

Average charges should also be prorated in this way to find the average full-time charge for a part-time student. Note that because the Pell COA must be the cost for a full-time student for a full year, the school cannot simply use actual charges to determine a part-time student's COA.

The enrollment status of a student attending more than one school is based on all the courses taken at the consortium schools that apply to the degree or certificate at the home institution. The disbursing school may have to make some adjustments if the coursework at the different schools is measured in different units. (See the examples on the next page.)

**Combined
enrollment
status**

Finding semester/ quarter-hour equivalents

Example 1:

A student is taking 6 semester hours at School A, the home institution, and 9 quarter hours at School B as part of the program at School A. What is the student's enrollment in semester hours?

$$9 \text{ quarter hours} \times \frac{2^1}{3} = 6 \text{ semester hours (equivalent at School B)}$$

Then, the hours taken at both schools can be added together:

$$\begin{array}{r} 6 \text{ semester hrs. at School A} \\ + 6 \text{ semester hrs. at School B} \\ \hline 12 \text{ semester hours} \end{array}$$

Example 2:

In the example above, suppose instead the home institution is School B, and the 6 semester hours must be converted into the equivalent quarter hours:

$$6 \text{ semester hours} \times \frac{3}{2} = 9 \text{ quarter hours (equivalent at School A)}$$

Then, the hours taken at both schools can be added together:

$$\begin{array}{r} 9 \text{ quarter hrs. at School A} \\ + 9 \text{ quarter hrs. at School B} \\ \hline 18 \text{ quarter hours} \end{array}$$

¹A quarter-hour is approximately 2/3 of a semester hour.

It is the responsibility of the school that disburses the Pell award to maintain information on the student's eligibility, how the award was calculated, what money has been disbursed, and any other documentation, even if some of that documentation must come from other schools.

COOPERATIVE EDUCATION

In a cooperative education program, the school assesses the work to be performed by the student and determines the equivalent academic course load. The student's enrollment status is based on the equivalent academic course load.

Costs for a co-op program

If a student has a co-op job for the first term, the tuition and fees for that period can be projected over a full academic year (of at least 30 weeks). For example, a student has a co-op job for the first quarter of the academic year and pays a \$50 fee and no tuition. The \$50 fee can be projected for

each of the three quarters in the academic year for a total tuition and fees amount of \$150. This amount is then added to the other COA components to arrive at the total cost for that term. Note that the COA may include employment-related expenses (see Chapter 2, Section 3). The school may also recalculate the student's tuition and fees at the end of the first term rather than using the COA for the period of co-op study for subsequent payment periods. This decision must be consistent with the school's overall policy on recalculating for changes in a student's costs. (See Section 5 of this chapter for more information.)

CORRESPONDENCE STUDY

Students enrolled in correspondence courses are eligible for aid under SFA Programs only if the courses are part of a program leading to an associate, a bachelor's, or a graduate degree.

An eligible correspondence program must meet the criteria for an eligible program (see Chapter 3). A nonterm correspondence program must require at least 12 hours of preparation per week. A term correspondence program must require 30 hours of preparation per semester hour or 20 hours of preparation per quarter hour during the term. The school determines the length of the correspondence program by preparing a written schedule for the lessons that the student will submit. Students enrolled in programs of correspondence study are considered to be no more than half-time students and thus are limited to no more than half a Scheduled Award. However, a correspondence student may receive more than half a Scheduled Award if the correspondence program includes a required period of residential training or is combined with classroom instruction.

***Half-time
limit***

Formula 5 is used to calculate payments for a payment period for students enrolled only in a correspondence program (not including residential components). There are two versions of Formula 5; version A is used for nonterm programs, and version B is used for term-based programs. (For a residential component of a correspondence program, the school must use either Formula 3 or Formula 4.) Formula 5 uses the same basic steps as the other formulas discussed in Section 2.

Step 1: Determine Enrollment Status

Formula 5

As stated above, students enrolled in programs of correspondence study are considered to be no more than half-time students. A student enrolled only in a nonterm correspondence program is always considered to be enrolled half time. For a student enrolled in a term correspondence program, the school must determine whether the student is enrolled half time (6 or more credit hours in a term) or less than half time (less than 6 credit hours in a term). Special rules are used to determine the student's

enrollment status when the student is enrolled in a combination of regular and correspondence coursework (see the chart on page 4-52).

Step 2: Calculate Cost of Attendance

The COA for correspondence study includes only tuition and fees. Room and board costs and allowances for books and supplies and travel may be included only if the student would incur them in fulfilling a required period of residential training. As always, the cost must be the full-time, full academic year cost. If the student's program or period of enrollment is longer or shorter than an academic year, the cost is prorated using the following formula:

$$\text{Costs} \times \frac{\text{Hours in program's definition of academic year}}{\text{Hours for which costs apply}}$$

Note that because there are no costs associated with weeks of instructional time in the correspondence COA, the school will have to prorate the cost only if the number of hours in the program is shorter or longer than in an academic year.

Step 3: Determine the Annual Award

The annual award for a student in a nonterm correspondence program is always taken from the half-time Disbursement Schedule because a correspondence student may not receive more than half a Scheduled Award. For a student in a term correspondence program, the annual award is determined from the half-time Disbursement Schedule or the less-than-half-time Disbursement Schedule, as appropriate.

Step 4: Determine the Payment Periods

For a nonterm correspondence program, there must be at least two equal payment periods. The first payment period is the period in which the student completes the lesser of the first half of the academic year or the program (measured in credit hours). The second payment period is the period in which the student completes the lesser of the second half of the academic year or the program. In addition, the school may not disburse a Pell payment for the first payment period until the student has completed 25% of the work in the academic year or program, whichever is shorter. It may not make the second payment until the student has completed 75% of the work in the academic year or program.

Formula 5A
34 CFR
690.66(b)

For a term correspondence program, as for other term-based programs, the payment period is the term. However, the school may not disburse the Pell for a payment period until the student has completed 50% of the lessons or completes 50% of the work for the term, whichever is later.

Formula 5B
34 CFR
690.66(c)(4)

If the correspondence program has a required period of residential training, the school must treat the residential training as an additional payment period and determine the payment for that payment period using either Formula 3 or Formula 4. Note that the correspondence portion of the program is still treated as a separate portion of the program that is divided into two equal payment periods.

Residential training

Step 5: Calculate the Payment for a Payment Period

For nonterm programs, this step is the same as under Formula 4. The school first multiplies the annual award (determined from the half-time Disbursement Schedule, in this case) by the lesser of

Formula 5A
34 CFR
690.66(a)(3)

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in the program}}{\text{Weeks of instructional time in program's definition of academic year}}$$

OR

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in the academic year}}{\text{Weeks of instructional time in program's definition of academic year}}$$

OR

One (1)

The school then multiplies the result by the following fraction:

34 CFR
690.66(a)(4)

$$\frac{\text{Hours in a payment period}}{\text{Hours in program's definition of academic year}}$$

For term programs, this step is the same as under Formula 3. The school multiplies the annual award by the weeks in the term divided by the weeks in the academic year:

Formula 5B
34 CFR
690.66(c)(3)

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of academic year}}$$

If the resulting amount is more than 50% of the annual award, the school must make the payment in at least two disbursements. A single disbursement may never be more than 50% of the annual award.

CORRESPONDENCE STUDY COMBINED WITH REGULAR STUDY

**34 CFR
690.8(b)**

If correspondence coursework is to be combined with regular coursework, the correspondence courses must meet the following criteria to be included in the student’s enrollment status:

- ◇ The courses must apply toward the student’s degree or certificate or must be remedial work to help the student in his or her course of study.
- ◇ The courses must be completed during the period required for the student’s regular coursework.

When combining the number of hours of correspondence work with the number of hours of regular coursework to determine the student’s enrollment status for a Pell, the amount of correspondence work counted may not exceed the number of hours of regular coursework in which the student is enrolled. (However, if the student is taking at least a half-time load of correspondence courses, the student would be paid as at least a half-time student, regardless of the hours of regular coursework.)

The following chart gives examples of the above rules. The chart assumes that the school defines full-time enrollment as 12 credits per term, making half-time enrollment 6 credits per term. As you can see in the second and third examples, the number of correspondence hours that were counted in the total course load were adjusted so that the correspondence hours never exceed the regular hours taken. Note that in the last example, the student is eligible for payment based on half-time enrollment in correspondence courses, despite the fact that the student only took 2 hours of regular coursework.

<i>Regular work (credit hrs.)</i>	<i>Correspondence work (credit hrs.)</i>	<i>Adjusted Total Course Load</i>	<i>Enrollment Status</i>
3	3	6	Half time
3	6	6	Half time
3	9	6	Half time
6	3	9	Three-quarter time
6	6	12	Full time
2	6	6	Half time

A student will be paid as a less-than-half-time student for any combination of regular and correspondence work that is less than 6 hours.

FOREIGN STUDY

A student can be paid a Pell for study at a foreign school only if the coursework is taken as part of an eligible program at an eligible U.S. school. The foreign study arrangement must be covered by a written agreement between the two schools. Such an arrangement would have to meet the same requirements as a contractual agreement (see the discussion in Chapter 3, Section 5).

Students enrolled in study abroad programs with costs of attendance higher than those of the home school may receive a higher Pell award to cover those costs, not to exceed the maximum Pell award.

JOB TRAINING (JTPA) PROGRAMS

If a program conducted with funding provided through the Job Training Partnership Act (JTPA) is offered by an eligible school and meets the definition of an eligible program, eligible students in that program may receive Pell assistance.

The amount of a Pell for a student in a JTPA program is calculated just as for any other Pell recipient. A school may include a tuition and fees charge in the COA for a Pell recipient only if that charge is actually made to the student and is paid either by the student or by some type of student financial assistance (such as JTPA). The existence of such a tuition and fees charge must be documented in the same way as for any non-JTPA student—for instance, in the school’s contract with the student or in the agreement with the JTPA agency. (If the school charges the student for tuition and fees, the school would have to expect the student to pay the charge if the JTPA agency or other source of assistance does not pay on the student’s behalf.)

On the other hand, if the school does not actually charge the student for tuition and fees (either because it is prohibited from doing so under the JTPA contract, or for other reasons), then no tuition and fees component would exist for the Pell COA. Even if there is no tuition and fees component, the student’s COA includes the other components described in Chapter 2. Note that if there is no tuition and fees component, the school would be required to use the Alternate Federal Pell Grant Schedule for programs with tuition charges of less than \$150. See “Dear Colleague” Letter POL-97-1, provided as Appendix E.

Tuition and fees charges for JTPA programs

Reimbursement contracts

Certain JTPA contracts operate on a reimbursement basis; that is, the student must fulfill the terms of the contract before JTPA will reimburse the school for tuition and fee costs. If the student does not fulfill the terms of the contract, the school is left with an unpaid tuition and fees charge. The school is not permitted to hold the student liable for the unpaid tuition and fees. Contracts are established this way to offer schools an incentive to properly train and place students enrolled in the training programs. As mentioned previously, if a tuition and fees charge is included in a Pell recipient's COA, the student is liable for any outstanding charges if JTPA does not pay them. Therefore, schools that enter into reimbursement contracts **must remove the tuition and fees component** from the Pell COA because, under these contracts, schools are prohibited from holding the student liable for outstanding charges.

REMEDIAL COURSEWORK

A noncredit remedial course is one for which the school allows no credit toward a degree or certificate. A reduced-credit course is one for which the school gives some credit toward the degree or certificate, but not as much as would normally be given based on the workload required by the course.

Enrollment status

When figuring enrollment status, the school must include any reduced-credit or noncredit remedial coursework designed to increase the student's ability to pursue his or her program of study. Chapter 2 explains how to include these courses in enrollment status, as well as the limits on the amount of remedial coursework that can be included.

**ESL as an eligible program—
34 CFR
668.8(j)**

Schools may pay Pells to students enrolled in ESL programs if such programs consist solely of ESL coursework, meet the definition of an eligible program (see Chapter 3, Section 1), and enroll only undergraduate students who need the program to be able to use already existing knowledge, training, or skills. To apply for a determination of the eligibility of an ESL program, the school should contact the Institutional Participation and Oversight Service.

TERMS WITH CLOCK HOURS

The amount of a Pell for a student enrolled in clock-hour term programs is calculated under Formula 4, as discussed in Section 2. The payment period for these programs is no longer the academic term. Instead, the payment periods are determined in the same way as for nonterm clock-hour programs. The student must complete all the clock hours in the payment period before receiving any more Pell funds. Previously, if a student did not complete all clock hours scheduled for a term, the subsequent payment period was shortened to realign the payment periods



with the terms. As of July 1, 1997, the subsequent payment period is not shortened. Instead, each payment period contains the same number of clock hours originally scheduled, even if this means that none of the student's succeeding payment periods coincide with the terms.

Eileen enrolls in a 1350 clock hour program at Ivers Community College. The program is offered in three terms, each of which is 15 weeks of instructional time. The academic year for this program is 900 clock hours and 30 weeks of instructional time. Each payment period has 450 clock hours.

	1997-98		1998-99
	Term 1	Term 2	Term 3
payment periods	450 clock hours	450 clock hours	450 clock hours

Eileen enrolls for 450 clock hours in each term in the 1997-98 award year; her annual award is \$2,450. Ivers determines (using Formula 4) that Eileen will receive \$1,225 for each of the two terms in this award year. Eileen completes only 400 clock hours in the first term. She will not receive her second payment until she completes the remaining 50 hours from the first term in the second term. The second and third payment periods will still be 450 clock hours, and will not line up with the terms:

	1997-98		1998-99	
	Term 1	Term 2	Term 3	
payment periods	450 clock hours	450 clock hours	450 clock hours	

Under previous rules, the school would have shortened the second payment period and calculated the award for that payment period again.

Section 4

Disbursing Federal Pell Grant Awards

This section explains how payments can be made and when the payments can be made. A school must pay **any** student who is eligible (including payment for less-than-half-time students), and must make payments for **all** eligible periods of enrollment (including remaining eligibility for students in summer school terms).

On November 29, 1996, the Department published revisions to the regulations regarding cash management, which provide uniform rules for disbursing and managing funds for all programs (see Chapter 3, Section 3 for more information).

SCHOOL CERTIFICATION AND STUDENT ELIGIBILITY

The school is required to certify, when submitting Payment Data through the Recipient Data Exchange (RDE), the Electronic Data Exchange (EDE), or the Floppy Disk Data Exchange, that the information about the student is accurate and complete. The procedures used are slightly different for the three systems.

Under RDE, the aid administrator must sign the Certification statement that is part of the transmittal included with the tape. Under EDE, there is a signature flag in the record. Under the Floppy Disk Data Exchange, the school will be asked to acknowledge the certification as part of the batch generation process.

The school is liable for incorrect payments made to the student because of a mistake by the school. The financial aid administrator is subject to a \$10,000 fine, a prison sentence, or both if he or she knowingly makes false or misleading statements.

The school must review the student's eligibility at the time it is going to make a payment. For instance, a student may have been making satisfactory academic progress when award letters were mailed in the spring term, but may no longer be making progress when he or she comes to the business office for payment at the beginning of the fall term. The

All eligible students must be paid for all eligible enrollment

School certification

Reviewing student's eligibility

school must make sure the student still meets the eligibility requirements for the Pell (as discussed in Section 1 of this chapter), and that the appropriate documentation is retained.

METHODS OF DISBURSEMENT

Credit to account or direct payment

There are several ways a school may pay a Pell to a student: crediting the student's account for any outstanding education expenses, paying the student directly by check or EFT, or dispensing cash to the student for which it gets a signed receipt. The school must have authorization from the student to pay him or her by EFT (see Chapter 3 for more about this requirement). Usually, a school will use the Pell to credit the student's account for any unpaid charges for tuition and fees (and room and board, if provided by the school), and then will pay the remaining Pell (if any) to the student for remaining living expenses.

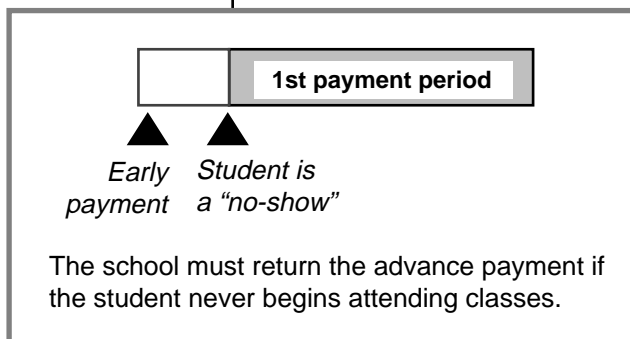
Limitation on credit to account

The school may use the Pell to pay other charges at the school only if the student gives written authorization. The school cannot require the student to authorize payment of such charges. As with any SFA funds, payments may be made only for education expenses.¹ If a credit balance remains after the Pell is credited to the student's account, the balance must be returned to the student unless the student provides written authorization for the school to hold the funds. (See Chapter 3, Section 3 for more on authorizations and credit balances.)

Early payment option



The cash management regulations permit a school to pay a student before the beginning of a payment period if the student has already registered for that payment period. The earliest a school may disburse a Pell is 10 days before the first day of classes in the payment period. Remember that in a clock-hour program or a nonterm credit-hour program, the school may not pay a student until he or she has completed the coursework for the previous payment period. Effective July 1, 1997, this rule also applies to credit-hour programs offered in nonstandard terms: the school cannot disburse before the student completes the previous payment period.



If the school disburses the Pell before the payment period begins, but the student never actually begins attending any classes, the school must reimburse the Pell account for that payment. (If the student begins attending some but not all of his or her classes, the school may have to recalculate the award—see Section 5.)

¹ Pell funds may not be used to repay a student's loan. Loan payments are not considered an education expense.

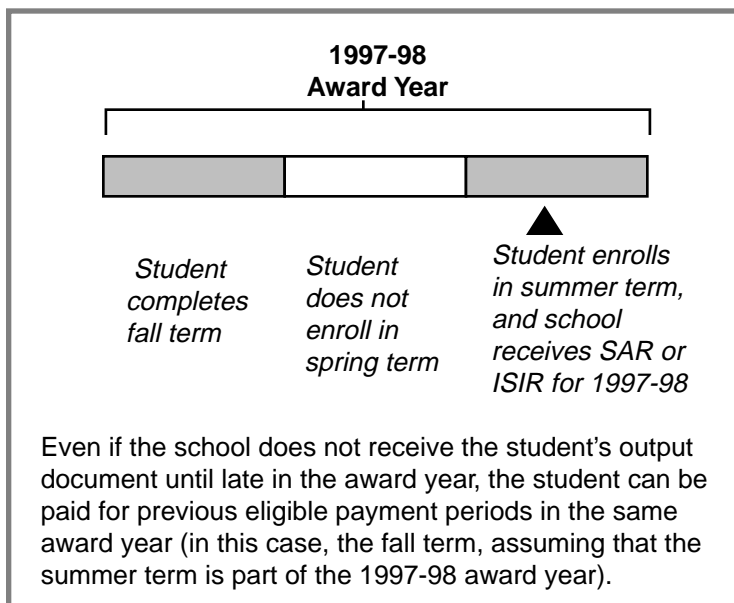
FIRST PAYMENT OPTIONS

In general, schools are not allowed to make a disbursement of a Pell award without a valid output document. However, the school may make an interim disbursement to a student who is selected for verification (including a student selected for verification by the school rather than the CPS). See *The Verification Guide* for more information.

If a student is not selected for verification, the school may not make a disbursement to the student until it has a valid output document. If the student needs to make corrections to his or her data, or the financial aid administrator wishes to use professional judgment to adjust the student's data, the student must submit the SAR for reprocessing (using Part 2) or the school must make the changes through EDExpress and receive the new output document before making a disbursement.

TIMING OF PAYMENTS

The school may use its discretion in disbursing funds within a payment period to best meet a student's needs. For instance, some schools pay students on the first day of class in a payment period, while others wait until the end of the add / drop period. Other schools pay the student in monthly installments to help meet living expenses throughout the payment period. (Note that if the school rations payments to students by crediting the entire payment for the payment period to the student's account and making periodic payments to the student from these funds, it must have the student's written authorization.) In all cases, however, the full amount due the student for a payment period must be disbursed to the student before the end of the payment period.



The school may pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, if the school receives a valid output document for the student while he or she is enrolled as an eligible student

Verification
34 CFR
668.58

Must have
valid output
document

34 CFR
690.76(a)

Retroactive
payment

in the summer term, but the student was also enrolled and eligible for payment in the fall term, that student must be paid retroactively for the fall term. However, the fall payment would be based on the hours **completed** by the student for that term. If the student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive payment must be based on half-time status.

A school may make any retroactive payments in one lump sum to decrease the administrative workload.

Notification of payment

The school must notify the student of the amount he or she will be paid and the method of payment (by credit to the student's account or directly to the student). If the school will be paying the student by check, it must tell the student when the check will be available and where to go to pick it up. (It is helpful to include the cashier's office hours in any notification.)

**Releasing a check—
34 CFR
690.78(c)**

If the student does not pick up the check on time, the school must still make the check available to the student for 20 days after the student's last day of enrollment for that award year. (Instead of holding the check for that period, the school may cancel the first check and issue a new check when the student requests payment.)

A student attends the fall term at a community college. The college credits the student's account for tuition and fees early in the term and sends a letter to the student to notify her of the payment. However, at the end of the term, the student still has not picked up the check.

The school **must** release the check to the student if she claims it within 20 days after the end of the fall term. If the student has withdrawn from school but resumes enrollment later in the award year, the school must again make the payment for fall living expenses available to her.

If the student has not picked up the check at the end of the 20-day period, the school may credit the student's account **only** for outstanding charges for tuition and fees and room and board for the award year. If the student contacts the school to request the check more than 20 days after the student's last day of enrollment, the school may pay the student through the next payment period (if it chooses) even though the student is no longer enrolled. The school may mail the check to the student rather than waiting for him or her to return and pick it up.

Payments to students who have completed a program

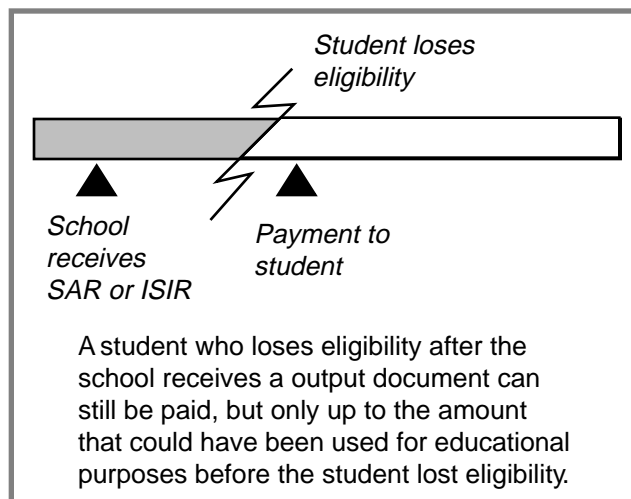
If there is a delay in a school receiving its Pell funds, some students could complete their program or academic year before receiving their final Pell payments. If this happens, as soon as the school receives its funds, it must pay any student who has a valid output document. Even though these

students would receive their payments late, no regulations would be violated given that the students had previously met all the requirements for payment.

Ordinarily, a student who has lost his or her Pell eligibility before receiving a disbursement cannot be paid. However, in some cases a school can pay a student if it received the student's valid output document while the student was eligible for payment, but the student lost eligibility before his or her account was credited or he or she received a payment. The regulations published on 11/29/96 provide a unified treatment of such disbursements; these disbursements are called late disbursements. As previously for Pell, the school must have received the student's valid output document before the student became ineligible, and may only pay the student if the funds are used to pay educational costs incurred while the student was enrolled and eligible. The regulations now specify that in order for the school to make a late disbursement the student must be ineligible solely because he or she is no longer enrolled. In addition, the school must make the disbursement within 90 days after the student becomes ineligible. A late Pell disbursement can be made by crediting it to the student's account to cover institutional charges or by paying it directly to the student (in cash or by check or EFT) for noninstitutional costs, such as living expenses.

For example, a student submits a valid SAR during the second week of classes and is eligible for payment at that time. But by the time the check is processed for the student and she has been notified to pick up the check, she has withdrawn from school.

The school can pay this student if it makes the disbursement within 90 days of the student's withdrawal. The aid administrator must determine what unpaid educational costs for the enrollment period still exist (that is, what costs have not been paid by the student or other sources of aid). (See Chapter 3, Section 3 for more information on late disbursements.)



**Payments to students who have lost eligibility—
34 CFR
668.164(g)**



STUDENTS WHO WITHDRAW AND LATER RETURN

Returning student may receive refunded amount

A student who withdraws but returns to the program in the same award year may be paid the amount of any refund that was returned to the Pell account. For example, a student is given a Pell disbursement of \$875 for the first of two payment periods but then withdraws in that payment period. The school calculates a refund and returns \$400 to the student's Pell account. If the student returns in the same award year, the student must be paid the \$400 when he or she re-enrolls in the program. When the student completes the payment period, he or she would be eligible for the Pell disbursement for the next payment period.

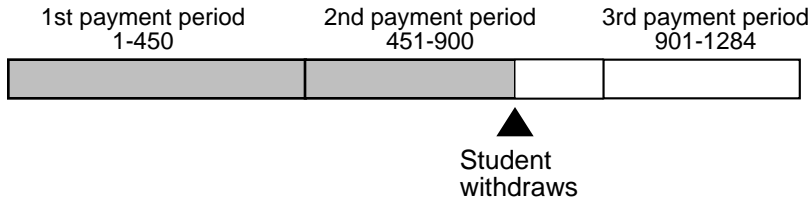
Incompletes at term schools

Suppose a student enrolled for the fall semester withdraws before the semester is over, receiving all "Ws" before the school receives his or her output document. When the student re-enrolls for the spring semester, the "Ws" are changed to "incompletes." When the student submits a valid output document, he or she can be paid retroactively for the fall semester. The understanding is that the student would have the opportunity to complete the fall courses.

Retaking hours and courses

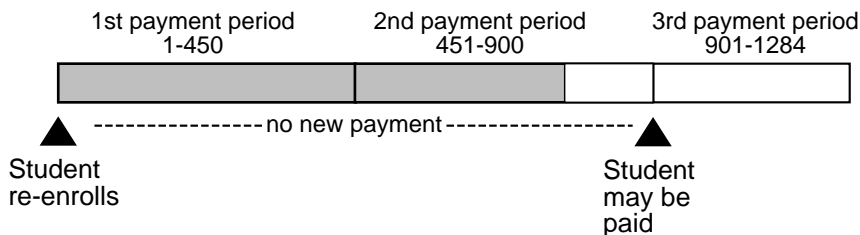
In general, students at term-based credit-hour schools may receive Pell funds for retaking coursework. The situation is more complicated at clock-hour or nonterm credit-hour schools. If a student withdraws from a clock-hour program or nonterm credit-hour program but returns to it in the same award year, or in the subsequent award year, the student will be held accountable for the remaining clock or credit hours in the payment period before the next disbursement of the Pell can be made. However, in the case of a student who returns two years after withdrawing, the school may pay the student without waiting until the student has completed the hours from the previous period of enrollment. The following example will clarify the eligibility of students for Pell disbursements when they are retaking hours for which they have already been paid.

Dean enrolled in a 1,284-clock-hour program at Sarven Technical Institute in September. The school defined the academic year as 900 clock hours. Dean was paid for the first payment period (1–450) and second payment period (451–900). He withdrew due to illness after completing 768 hours (first payment period plus 318 hours of second payment period).



When Dean recovered, he had to wait until the next enrollment group in September of the following year. He completed the entire course, including the repetition of the first 768 clock hours. He was making satisfactory progress and was otherwise eligible.

When Dean withdrew, Sarven made a Pell refund for those clock hours that he had not completed. However, because Dean returned in the following award year he could not receive the amount that had been refunded as a Pell payment. And, as he did not complete the entire clock hour program, he could be paid only for those clock hours for which he was not already paid (that is, clock hours 901–1284). Note that if Dean had re-enrolled in the same award year, he could have received the amount that the school returned to the Pell account.



Suppose instead that the school did not make a Pell refund when Dean withdrew. Dean still may begin to receive Pell funds only after he has completed the 900th clock hour (clock hours 901-1284). Even if he picked up the program at the 769th clock hour, the situation would be the same. In this case, even if Dean had re-enrolled in the same award year, he would not receive Pell funds until completing the 900th clock hour (because there was no refund).

Assume that instead of returning in the next award year, Dean returned two years later. He could then be paid for the entire program because, as noted previously, a student who returns two years after withdrawing is not held accountable for remaining clock hours.

If the student receives his or her Scheduled Award for a clock-hour program, completes the entire program, and later decides to retake the program, the student could again be paid for the entire program.

The difference in the treatment of a student at a clock-hour or nonterm credit-hour school versus a term-based credit-hour school is that at a term-based credit-hour school, a student may be paid to repeat a course and does not necessarily have to complete the program before he or she can be paid for that course. Generally, at a clock-hour or nonterm credit-hour school, the student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and re-enrolls to take that program again or to take another program.

Section 5

Recalculating Federal Pell Grant Awards

The Pell award may have to be recalculated if the student's information changes after the initial calculation or disbursement. Of the significant factors that go into calculating a Pell award, the three that are most likely to change are the EFC, enrollment status, and COA. The Federal Pell Grant Program regulations specify when a school must recalculate an award to take these changes into account. The recalculation may require adjustments in the student's subsequent payments, or even repayment of the entire grant, as discussed in Section 6 of this chapter.

CHANGE IN THE EFC

A student's EFC may change during the award year for three reasons:

1. *Corrections.* The student may have to correct an error on the original FAFSA or on the previous SAR or ISIR. This frequently occurs as a result of verification, but it may also be a result of the student's own review of his or her data. If the student has already been paid based on the original EFC, the award will have to be recalculated.
2. *Updating.* Students selected for verification are required to update three projected data elements if they change for a reason other than a change in marital status: dependency status, household size, and the number of family members in postsecondary education.
3. *Professional judgment.* The aid administrator may, on a case-by-case basis, adjust one or more of the data elements used to calculate the EFC. The aid administrator may need to adjust the data elements during the award year to reflect a student's changed circumstances: For example, if a wage-earning parent dies after the student's first semester, the aid administrator could adjust the adjusted gross income in the EFC formula to reflect the loss of income.

Types of EFC changes

Recalculation based on valid SAR or ISIR

Exception: verification extension—34 CFR 668.60(c)(1)

If the school receives an output document with an EFC different from the one used for the payment calculation, the school must first decide which document is valid. If the new information is the valid information, in most cases the school must recalculate the student's Pell award for the entire award year based on the new EFC. However, there is one exception: A student selected for verification cannot **increase** his or her eligibility if the school obtains the corrected output document during the "verification extension" period (60 days after the student's last day of enrollment, not to extend beyond August 31 following the end of the award year). For example, if the student submits a reprocessed SAR during the extension period and the SAR has a lower EFC than the previous SAR (thereby increasing the student's eligibility), recalculation is **not** permitted. The student would be paid based on the **higher** EFC on the SAR that was submitted earlier. However, if the corrections **reduce** the student's eligibility (that is, if the reprocessed SAR had a higher EFC), then the award must be calculated based on the reprocessed SAR.

CHANGE IN ENROLLMENT STATUS

Pell payments to students in clock-hour programs and programs without terms are always based on the full-time Payment Schedule; therefore, no recalculation is necessary for changes in the hours taken by students in these programs.

Required recalculation: student does not attend class

In a term program that uses credit hours, a school must calculate a student's payment for each term based on the enrollment status and length of enrollment for that term. If a student attended full time for the first term and then enrolled half time in the second term, the school must use the half-time enrollment status to adjust the student's payment for the second term. In addition, if the student does not begin attendance in all of his or her classes, the school must recalculate the student's award based on the lower enrollment status. For instance, a student registers for a full-time course load (15 hours) but only begins attendance in three classes (9 hours); in this case, the student's Pell must be recalculated based on the lower enrollment status.

Optional recalculation: enrollment change within a term

The regulations do not require any recalculation for changes in enrollment status after the student has begun attendance in all of his or her classes. However, the school may have a policy of recalculating an award if a student's enrollment status changes at any time within a term. If such a policy is established, it must be applied consistently to all students: If the school chooses to recalculate for a student who changes from half time to full time, it must also recalculate for a student whose enrollment status decreases. Please note that if the school establishes a policy allowing optional recalculations, this policy must be in writing.

Previously, schools were also required to apply such a recalculation policy throughout the term, so that if a school recalculated for a student whose enrollment status changed in the first week of a term, it also had to recalculate for a student whose status changed in the last week of a term. Effective March 20, 1997, a school may include as part of its policy that it will recalculate a student's award only when the change in enrollment status occurs before a specific date in the payment period. For example, a school may establish a policy that it will recalculate Pell awards only for enrollment changes that occur up to the "add/drop" date of a term. A school is not required to establish such a date; it may continue to have a policy under which it recalculates for changes throughout the entire term, or may continue to perform only the required recalculations.

If a school does not establish a policy for recalculation within a term, a student who begins attendance in all classes would be paid based on the initial calculation, even if his or her enrollment status changes before the payment is made. For instance, a student registers full time, submits a SAR, and begins attending all of her classes. The financial aid administrator calculates a full-time award but, by the time the student comes to pick up the check, she has dropped to half-time enrollment. The student is still paid based on full-time enrollment, as long as she is still eligible for the payment. On the other hand, if the student did not submit her SAR until after she had dropped to half-time enrollment, the Pell calculation would be based on the student's enrollment status at that time (half time).

(A more drastic change in enrollment status, when the student withdraws from school completely, is discussed in Chapter 3, Section 4, "Refunds and Repayments.")

CHANGE IN COST OF ATTENDANCE

Schools are not required to recalculate Pell awards for COA changes during the award year. However, if the school recalculates Pell awards for a change in enrollment status, it **must also** take into account any changes in the COA at that time. For example, if a student enrolls full time for the first semester and then drops to less-than-half time during that semester, the student's COA will change, because only certain cost components are allowed for less-than-half-time students. If it is the school's policy to recalculate for the enrollment change, it must use the cost for a less-than-half-time student **for a full year** to calculate the student's less-than-half-time award. The school cannot combine the two costs or average them.



***Payment
when
enrollment
changes
within a term***

***COA must be
for full year***

***COA
changes
between
payment
periods***

Some schools choose to recalculate awards when the COA changes from one payment period to the next—for example, because of changes to the student’s tuition and fee costs, or because the student’s living situation changes (such as when the student moves off campus). A school may recalculate Pell awards for cost changes within the award year, as long as the recalculation policy is carried out for all students whose costs change.

***COA
changes
within a
payment
period***

Some schools also 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. Again, for Pell purposes, such a policy is acceptable if it is carried out for all students whose costs change within the payment period. Note that a school 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.

Please keep in mind that the school may not recalculate the payment for a payment period that took place **before** the cost change. For instance, in the example above, 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.

Section 6

Overpayments and Overawards

OVERPAYMENTS

A Pell overpayment occurs any time the student receives a payment that is greater than the amount for which the student is eligible. Examples of the four most common types of overpayments are given below.

1. Student error, such as failing to report the spouse's income on the application.
2. School error, for instance, when a student's award is taken incorrectly from the Payment Schedule, or when the school pays a student who is not making satisfactory progress.
3. Required recalculations, such as when a student never begins attending class or does not begin attending all of his or her classes, or withdraws from school after receiving a disbursement for living expenses. (See "Refunds and Repayments" in Chapter 3 for repayment calculation.)
4. Optional payments, for instance, when the school makes an interim disbursement to a student selected for verification, but the student never completes verification.

No matter what the reason for the overpayment, it must be repaid. If the overpayment is the result of a school error or an optional payment, the school must repay the Pell account whether or not it succeeds in collecting the overpayment from the student.

If a school has made an overpayment to a student, it may continue to make payments to that student under certain circumstances:

- ◇ The overpayment can be eliminated within that award year by reducing the student's subsequent Pell payments during the award year;

Types of overpayments

34 CFR 690.79(a)(2)

Continuing payments after overpayment

- ◇ The school repays the overpayment itself. The student would then owe an institutional debt, not a Pell overpayment, and would be eligible for further Pell payments;
- ◇ The student makes arrangements to repay that are satisfactory to the school;
- ◇ The student completely repays the overpayment.

Note that if the overpayment is due to the school's error, the school is required to repay the overpayment promptly if it cannot collect the overpayment from the student. As noted above, once the school repays the overpayment, the student is eligible for further aid.

If the overpayment is not the school's fault (for instance, the student made a mistake on the application, or the school had no information indicating that the student attended another school), the school may, but is not required to, repay the Pell account for the student. If the school does not repay the overpayment, and the student will not agree to repay, the school is not liable to the Department, but must make a reasonable effort to contact the student and collect the overpayment.

Note that a school may not reduce a student's Pell award from the current award year to eliminate a Pell overpayment from a previous award year. For example, if a student received an overpayment in 1996-97, a school may not reduce any portion of the student's 1997-98 Pell award to eliminate the overpayment.

FINANCIAL AID TRANSCRIPTS

If a student transfers from School A to School B and receives an overpayment at School B because School A completed the student's financial aid transcript improperly, School A may be subject to a fine or other adverse action. School B will not be liable for the overpayment but is responsible for attempting to collect it from the student.

**34 CFR
668.19(a)(3)(ii)**

If School A requests a financial aid transcript from School B but has not received it, School A may make a Pell disbursement to the student for only one payment period. School A would not be liable for an overpayment unless it made payments for more than one payment period.

If School A cannot obtain a financial aid transcript from School B because that school has closed, School A may get the financial aid history from NSLDS or request assistance from the Department by writing to—

Federal Student Aid Information Center
Financial Aid Transcript Request
P.O. Box 4129
Iowa City, Iowa 52244

(See Chapter 2, Section 2 of this handbook for more information on financial aid transcripts.)

REPORTING OVERPAYMENTS COLLECTED

If a school collects or repays an overpayment for the current award year, it reports the decrease in the student's award using its normal reporting method (EDE, RDE, or Floppy Disk Data Exchange). The school may also use these methods to report a decreased award after the general September 30 payment data submission deadline; for the 1997-98 award year, decreased award reports will be processed at least through January 31, 1999.

For reporting decreases after September 30, the school may also use the "Decrease Award Report," provided in "Dear Colleague" Letter P-96-4, dated October 1996. The school should use a separate report for each award year for which it needs to report an award reduction; the school's total Pell expenditure figure must always be included. The business office must also report its corrected total Pell expenditure figure on its Federal Cash Transaction Report (ED/PMS 272A) (see the instructions in Chapter 6 of the *Recipient's Guide to the Payment Management System*) or through its successor reporting mechanism in EDCAPS.

If a student repays a Pell overpayment for a prior award year, the school must deposit the funds in its institutional federal funds or Pell account and report the decrease in the student's award to the Federal Pell Grant Program. The funds can then be used for current year disbursements. See Section 7 of this chapter for more information on reporting decreased awards.

PROBLEMS IN COLLECTING OVERPAYMENTS

The school must notify the Department's Debt Collection Service (DCS) if it has serious difficulty in collecting an overpayment from a student: for example, if the school cannot contact the student or the student is uncooperative, or if the school establishes a repayment plan and the student refuses to pay or discontinues payments. If the school is unable to

School has closed

Reporting an award decrease after September 30

Overpayments from a prior award year

Referrals to the Department

**Effect on
eligibility for
other SFA
Programs**

recover or eliminate an overpayment that is not the school's fault, the school must refer the student's case to DCS for collection. (Referral procedures for overpayments are discussed in the *Verification Guide*.)

After the Department has received the school's information, collected the overpayment from the student (if possible), and resolved the case, it will notify the school by letter of the results. Please note that until the Department has reached a final resolution of the referred case, the school may not make any further payments to that student under any SFA Program.

A student who owes a Pell overpayment that has been reported to the Department and who subsequently submits a FAFSA will be informed that he or she is not eligible for additional federal aid until the overpayment is repaid in full. NSLDS will show for all such students that a Pell overpayment is owed to the Department. A "C" will be printed on the output document next to the EFC to indicate that the school must resolve the issue before paying the student.

PREVENTING OVERAWARDS

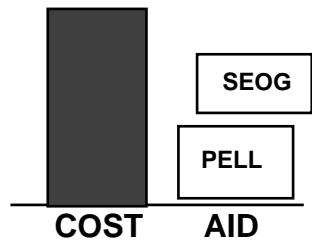
**Adjusting
campus-
based aid**

The Pell is regarded as the first source of assistance to the student and thus is not adjusted to take into account other aid, even if the student's combined aid package exceeds the student's need.¹

The aid administrator is responsible for preventing an overaward by adjusting the aid the school controls. For example, if the student is receiving campus-based aid in addition to a Pell, the campus-based aid must be adjusted to prevent an overaward. The sum of the student's EFC, Pell, campus-based aid, and any other aid and resources may not exceed the student's COA. (See Chapter 2.)

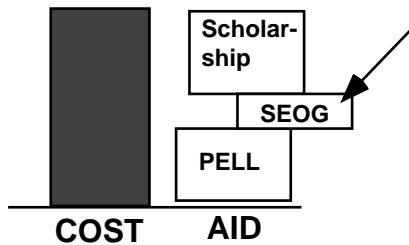
¹ Although a Pell could be adjusted if the student received funds under the Paul Douglas Teacher Scholarship Program, this program has not been funded for the 1997-98 award year (see Chapter 9).

Bill is awarded a \$2,200 Federal Pell Grant and a \$1,500 SEOG to attend Kaler Junior College and enrolls in the fall term. His cost of attendance is \$4,500.



The total aid awarded is \$3,700, well within Bill's need (his EFC is 0).

However, the school learns later in the term that Bill will receive a \$1,500 art scholarship from a foundation outside the school. The scholarship is not reduced if the student receives other aid.



The school must reduce Bill's SEOG to prevent an overaward. (Otherwise, his total aid, \$5,200, would exceed his cost of attendance [\$4,500] by \$700.)

As mentioned in Section 4, if the student's aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell may not be used to pay back the loan—a loan repayment does not constitute an educational expense.

In addition to adjusting any campus-based aid, schools are required to include an estimate of the student's Pell eligibility as part of the student's estimated financial assistance (EFA) when certifying a Federal Stafford or Direct Loan application. (See Chapters 10 and 11 for further information.)

The National Collegiate Athletic Association (NCAA) has rules limiting the amount of aid student athletes may receive. However, the law does not permit schools to adjust students' Pells. **Student athletes must receive the full amount of any Pell for which they are eligible.** If the student's potential aid plus the student's Pell exceeds the NCAA limits, the school must reduce any aid over which it has control, **not** the Pell.

Estimated financial assistance

NCAA rules for student athletes

Section 7

Reporting Disbursements

This section explains how to report Pell payments to the Department through the Federal Pell Grant Recipient and Financial Management System (PGRFMS) and how this reporting system affects the school's authorization.

Questions about a school's Pell account (obligations) should be directed to

Institutional Financial Management Division
Accounting and Financial Management Service
(202) 708-9807; fax: (202) 401-0387

Questions about Pell Grant systems (including EDE, RDE, or Floppy Disk processing) or ADP services pertaining to these media should be directed to

Pell Grant Hotline
(202) 708-9141

Schools may also contact the Institutional Access System (IAS) at 1-800-4PGRANT (1-800-474-7268) for general Pell payment information, such as the school's current authorization and the status of batches, and to request specific Pell data and documents.

The authorization for a school is the maximum amount the school may draw down from the ED Payment Management System (ED/PMS). At the beginning of each award year, a school is given an initial authorization based on an estimate of the Pell funds the school will need to cover its first payments. As the award year progresses, the authorization for the school will be adjusted based on the actual number of eligible Pell recipients the school reports to the PGRFMS.

The PGRFMS establishes the school's initial authorization and notifies the school of the authorization. As the school reports disbursements through RDE, EDE, or Floppy Disk Data Exchange, PGRFMS makes any necessary adjustments to the authorization, and notifies ED/PMS so that funds will be available to the school. The PGRFMS enables the Department to track a school's need for funds as the award year progresses and adjust the

**Pell
authorization**

school's authorization on that basis. The system also provides documentation to the school for reconciling the school's records of total expenditures with the Department's records of eligible students paid by the school. (This documentation is the Student Payment Summary—see page 4-87.) The Pell funds that the school reports to ED/PMS as expended must equal the total payments to eligible Pell recipients at the school, as shown by the records for each student.

REPORTING METHODS

There are three different methods a school may use to report payment information to the Department. Schools can no longer report payments by mailing paper documents (SAR Payment Vouchers and the Institutional Payment Summary). Schools must use one of the three automated methods. Information describing these methods is provided to schools through "User's Guides."

Electronic Data Exchange

The most widely used automated method is the *Electronic Data Exchange* (EDE), Electronic Payments Service, which allows schools or their service agents to use the school's computers to enter and transmit initial payment data and changes to previously reported payment data. The Department supplies personal computer software. Information is transmitted electronically by telephone line to a communications network, which in turn transmits the information to PGRFMS, thus greatly speeding up the reporting and response time.

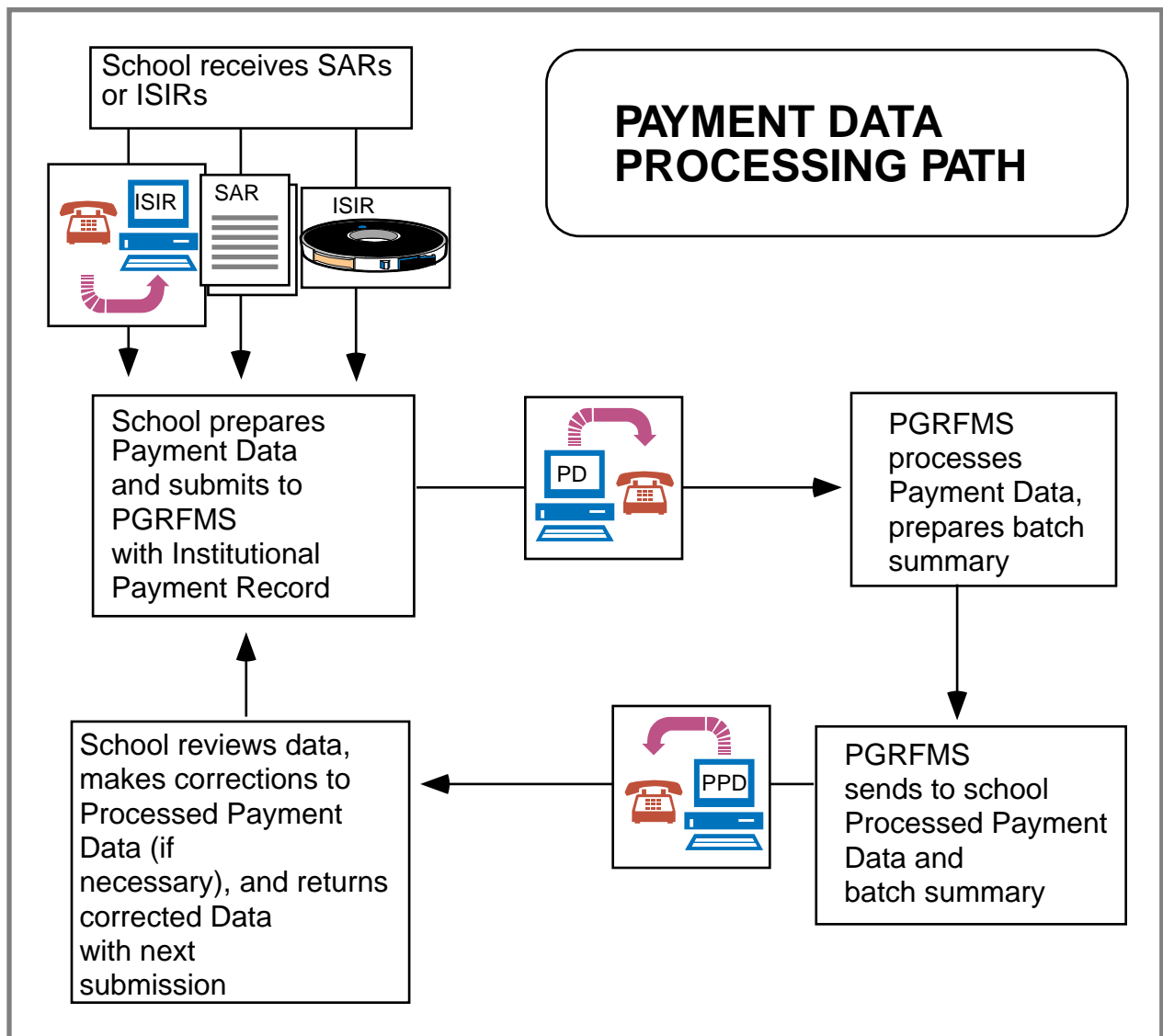
Recipient Data Exchange

The second automated method, used especially by schools with large numbers of recipients, is the *Recipient Data Exchange* (RDE). The school mails a magnetic tape or cartridge to PGRFMS, which processes the information and returns the processed data on tape or cartridge, as the school requests.

Floppy Disk Data Exchange

The third automated method is the *Floppy Disk Data Exchange*, which permits schools to submit payment information on microcomputer diskettes. Schools using this method submit Payment Data batches on either 5 1/4" or 3 1/2" diskettes.

All three methods transmit the same basic student information. The only difference is the way in which the information is sent: by magnetic tape/cartridge, by telephone line, or by diskette. As mentioned earlier, each school receives a "User's Guide" containing detailed information on the automated system used by that school. In the rest of this section, we will provide a general description of the data reporting process. Schools should refer to the appropriate "User's Guide" for specific information about the records used.



PAYMENT DATA

Payment Data is the term used to refer to the electronic or magnetic payment record used in reporting Pell payments. The record contains the student's EFC, COA, enrollment status, and disbursement information. After the school receives an output document, the school completes the Payment Data by filling in award information. The school periodically sends Payment Data for its students to PGRFMS in a batch, along with the Institutional Payment Record.

The Institutional Payment Record establishes certain basic demographic information about a school, and accompanies each batch of Payment Data/Processed Payment Data that schools submit to PGRFMS during the award year, summarizing the information about the data in that batch.

**One record
per Pell
recipient**

Carefully completing the Payment Data ensures that the school's Pell expenditures are accurately reported, which in turn smooths the process of acquiring additional funds, if necessary. A school must submit at least one acceptable record for each Pell recipient at the school. When a school receives a revised output document that it accepts as valid for payment, it should submit the new Payment Data record with its next batch.

PGRFMS's award data processing system will only accept one award per recipient per attended campus. PGRFMS will **automatically** replace the previously accepted award data with the data reported in the revised Payment Data record. Therefore, the school should not submit the Processed Payment Data record corresponding to the original Payment Data record in an effort to reduce the student's previously accepted award amount to \$0.

SPECIFIC PAYMENT DATA ITEMS

Academic Calendar

The academic year categories are defined as follows:

Credit hour (nonstandard term). The school uses nonstandard academic terms but measures progress by credit hours or units.

Quarter. The school uses standard term quarters and measures academic progress by quarter hours.

Semester. The school uses standard term semesters and measures academic progress by semester hours.

Trimester. The school uses standard term trimesters and measures academic progress by semester or trimester hours.

Clock hour. The school measures academic progress by clock hours.

Credit hour without terms. The school does not use terms, and measures academic progress by credit hours.

Verification Status

This item must be completed. If this item is blank, and the student was selected for verification by the CPS, PGRFMS assumes the student was paid under "W" ("Without documentation"). Payment will be limited to one-half of the student's Scheduled Award until the "W" is corrected. In addition, the school's Pell authorization will be reduced to \$0 during the final review of its account for all students whose status is still "W" at the end of the award year.

The financial aid administrator should enter “S” (“Selected, not verified”) when the student has been selected for verification, but the school does not verify that student’s information because it has reached the 30% verification limit or because it participates in the Title IV Quality Assurance Program.

Note that Payment Data resulting from a first transaction (Transaction 01) will be rejected if “R” (“Reprocessed”) is entered. See *The Verification Guide* for further explanation of the status codes and the 30% verification limit.

Term Programs Only (enrollment status)

Complete this item only if the academic calendar uses terms (standard or nonstandard). The enrollment status code “Other” is used when the student’s enrollment status is “mixed”—for instance, when a student attends full time one term and half time the next, or when the student attends an additional (optional) term within the award year. An example would be a student attending both semesters of the regular academic year as a half-time student and then also attending a summer term as a half-time student.

Clock Hour Programs, or Credit Hour Programs without Terms

There are two items under this heading, “Hours/credits expected to complete” and “Hours/Credits in program’s academic year definition”. These items are completed only for clock-hour or nonterm credit-hour programs. For the first item, report the hours or credits the student is expected to complete in all payment periods occurring in the current award year. If the school is paying the student in the current award year for payment periods that are in progress or are already completed, it must be sure to include those payment periods in this total. The student cannot be paid for more than one academic year of work in one award year.

For the second item, the hours or credits reported must be at least the minimum hours or credits specified in the regulations (900 clock hours, 24 semester hours, or 36 quarter hours, for example.)

Term and Nonterm Programs not Using Formula 1

The two items under this heading, “Weeks used to calculate payment” and “Weeks in program’s academic year” are used by programs not calculating Pell awards using Formula 1. (See Section 2 of this chapter for more information about the formulas.) For the first item, for term-based, credit-hour programs (programs using Formulas 2, 3, or 5B), enter the total number of weeks of instructional time in all payment periods in the

current award year in which the student will be enrolled and paid.¹ For programs using Formula 4, enter the number of weeks of instructional time required for **most** full-time students to complete the hours in the program or academic year, whichever is less. For programs using Formula 5A, enter the number of weeks of instructional time for a student to complete the hours in the program or academic year, whichever is less. Note that the weeks of instructional time might not be the same as the number of calendar weeks (see Chapter 3 for more information).

For the second item, the number of weeks must be at least the minimum specified in the regulations (30 weeks of instructional time unless the school has received a waiver from the Department).

All Programs (Payment Methodology)

In this item, select the formula used to calculate the student's award.

Amount Paid to Date

Enter the actual amount the school has paid the student (either by check or credit to the account) as of the date the Payment Data record is completed. If the school has not yet paid the student but needs to submit the Payment Data, the financial aid administrator should report "0" for payment.

Remaining Amount to Be Paid

The financial aid administrator should enter the amount the school expects to pay the student for the remainder of the award year. This amount should take into account the student's expected enrollment status. For instance, if the student is receiving a \$600 Pell disbursement as a full-time student in the first of two payment periods but is expected to drop to half time in the second payment period, the "remaining amount to be paid" would be \$300. If the school has entered \$0 for "amount paid to date" because it has not yet paid the student for the first payment period, then the "remaining amount to be paid" for the student in this example would be \$900.

The school must report "0" for this item if it expects to make no further payments to the student for the award year. The item must not be left blank. Note that if a school reports an amount in this item for a student who has transferred to another school, payments to the student by the new school may be prevented or delayed. If the value is greater than "0,"

¹ If a student will be enrolled and paid for the summer term in a program using Formula 2, the school should consider the number of weeks the student is enrolled in the summer term to be the number of weeks in the fall through spring terms divided by the number of terms in the fall through spring.

then the school must specify the months in which the remaining amounts will be paid.

Months In Which Remaining Payments Will Be Made

If the school has students who will be attending a crossover payment period at the end of the award year, and they will be paid in June, July, or August from this award year's funds, the financial aid administrator should enter the appropriate months in which remaining payments will be made.

Summer School and Other Crossover Payment Periods:

If a school uses 1997-98 funds to pay a student enrolled in a crossover payment period in the summer of 1997, the school should prepare the Payment Data and submit it in the first batch for this award year.

If the school plans to pay a student out of 1997-98 funds for a summer 1998 payment period, generally it will be to the school's advantage not to notify ED of the payment for next summer until it is reasonably certain that the student will attend. It is recommended that the school not notify ED until at least January 1998. This will save the school effort, as it will have to resubmit Processed Payment Data for all students who were expected to attend the summer payment period but later decided not to attend.

Date Enrolled This Award Year

Enter the first date the student was enrolled in the eligible program for this award year. (For this item, "enrolled" means the first day the student attended classes.) If the student enrolled in a crossover payment period before the first day of the award year (July 1), report the actual date enrolled for this item, even though that date occurs before the start of the award year.

REPORTING DEADLINES

Schools must report any Pell change (for example, a new recipient, or an increased award) within 30 days of the date the school becomes aware of the change. Schools may do this by reporting once every 30 calendar days (or more frequently), or may set up their own system to ensure that changes are reported in a timely manner. For example, a school may decide to report every other Friday on all changes since the last report, or a highly automated school may set up a program to check the records daily for changes and report the changes the same day.

Reporting deadline example

On September 4, Woodhouse College determines that a Pell award it has previously reported to the Department must be reduced. On September 12, it pays five new recipients and determines that it must increase the amount it reported for another student's award. October 4 is 30 days after September 4, so Woodhouse must report the downward adjustment by that date. On October 4, the school bundles the September 4 and September 12 payments and adjustments and submits a report. Woodhouse could also have waited until October 12 to report the changes from September 12.

On October 17, Woodhouse pays another new student and learns that a student for whom it reported an expected spring disbursement will not be attending the spring semester. November 16 is 30 days after October 17. Therefore, November 16 is the deadline by which Woodhouse must report the new payment made on October 17 and the adjustment to zero for the spring term payment.

If a school does not report any payment data for a period of 30 or more calendar days, the Department will consider that the school had no data to report for that period, and any actions (such as changes in authorization levels) will be based only on the data reported to that time.

A school may submit a Payment Data batch more frequently than once every 30 days if there are enough Payment Data to warrant a separate submission. Schools may submit an unlimited number of batches. Note that all Payment Data for an award year must be submitted by September 30 following the end of the award year (for example, September 30, 1998 for the 1997-98 award year). A school may need to submit a batch of Payment Data after the end of the award year to report summer school payments, students who need verification completed, or outstanding payment data changes. The school must be sure that it submits this data before September 30.

Adjustments after September 30

Adjustments can be made to a school's Pell account after September 30 only if there is an underpayment or overpayment of previously reported awards, or if the U.S. Department of Education or one of its contractors has made a processing error. A school can also request administrative relief for unusual circumstances beyond the school's control—for example, a natural disaster. These requests must be made in writing and must be received by January 31 of the calendar year following the award year (for example, by January 31, 1999 for the 1997-98 award year). Requests for such actions should be sent to

**U.S. Department of Education
Institutional Financial Management Division, AFMS
P.O. Box 23791
Washington, D.C. 20026-0791**

If you have questions about administrative relief, contact the Institutional Financial Management Division, Accounting and Financial Management Service at (202) 708-9807 or by fax at(202)401-0387.

In certain circumstances a school can receive reimbursement even if it did not submit correct Payment Data for a student before the submission deadline. The Department must reimburse a school for funds found to be owed to the school during a audit conducted after December 31, 1988—including funds for which reimbursement was not requested before the audit. In order to receive reimbursement under this provision, the school must demonstrate that it qualifies based on a finding in the school’s first required compliance audit of the award year; the audit report must have been submitted by the appropriate deadline. (See Chapter 3 for more information about audit requirements and deadlines). The finding does not need to establish the exact amount of the adjustment but must establish that the school paid Pell awards for which it was not reimbursed by the Department. “Dear Colleague” Letter GEN 94-14, dated April 1994, explains the procedures and format that a school should use in requesting this adjustment.

A school may also receive reimbursement if it submitted Payment Data for a student before the deadline, but did not submit the correct Payment Data for that student. In order to receive reimbursement, the underpayment must be at least \$100, and a program review must show that the student was eligible to receive more than the school originally reported.

Note that the final deadline (published in the *Federal Register* each award year) for submitting Payment Data and disbursement information will continue to apply. A school that misses the regulatory deadline would not be in compliance with Federal Pell Grant Program requirements.

Adjusting for an overpayment is permitted any time the school determines that a student for whom Payment Data had been accepted by PGRFMS received more Pell funds than he or she was qualified to receive. The school must report the reduction to the proper amount whether or not it can collect the overpayment from the student, unless the school was not liable for the overpayment; in that case, the school reports the amount to the Debt Collection Service, Student Receivables Division, (202) 708-4766.

PROCESSED PAYMENT DATA

PGRFMS processes the Payment Data and returns Processed Payment Data to the school. The Processed Payment Data will be an electronic or magnetic record. The information that the school originally provided in its Payment Data is included in the Processed Payment Data. Comments about the data—what data PGRFMS has accepted or rejected, for

Late adjustments due to program review or audit—34 CFR 690.83(d)

Adjustments due to overpayments

example—are also included in the Processed Payment Data, as are the data accepted by PGRFMS. The school will also receive a summary of the data in the batch. Schools review the Processed Payment Data and return any corrections with their next submission.

Note: A school may request replacement data for a batch or year-to-date data on tape, floppy diskette, or electronically by contacting the IAS at 1-800-4PGRANT (1-800-474-7268). The school may also mail its request to

Federal Pell Grant Program
P.O. Box 10800
Herndon, VA 22070-7009

Processing categories

Each record the school submitted will be placed in one of four categories. The summary indicates how many records in the batch were in each category. The categories are

Rejected. The information is inconsistent. The school must correct these records before resubmitting them.

Accepted with Assumptions. The information was incomplete, so the system made certain assumptions. The school should review the Processed Payment Data carefully and resubmit if corrections are necessary.

Duplicates. These are duplicates of previously **accepted** records and thus are not counted in the “total amount paid to date” or the “remaining amount to be paid” in the batch summary. The school should keep these records in its files. They need not be resubmitted unless the award year data changes.

Accepted. The school should keep these records in its files. The school does not need to resubmit them unless the award year data changes.

Schools should check records rejected because the SSN was invalid or did not match; in many cases, this indicates that the student is not in the Pell database. This may occur if an eligible student has incorrectly reported having a bachelor’s degree or being enrolled as a graduate student. The school must correct (or have the student correct) the incorrect information before it can receive any payment for the student from the Department.

The school should review the Processed Payment Data carefully. If, after reviewing the information in the Processed Payment Data and the instructions in the appropriate “User’s Guide” on correct reporting procedures, the financial aid administrator still cannot determine why the award data submitted for a student did not result in the expected

processed data, he or she should contact the Pell Grant Hotline at (202) 708-9141.

The first three items on the batch summary provide information about the Payment Data the school submitted. Items 1 and 2 tell how many records the Federal Pell Grant Program received and how they were processed (for example, accepted or rejected). Item 3 is the total amount paid to date for all the students in that batch (from the total of amounts in “Amount Paid to Date” on each record). Note that the Department’s count in Items 1 and 3 should agree with the amounts the school reported when it submitted the batch.

The last three items show how the data were adjusted for any records that were rejected, accepted with assumptions, etc. The adjustments made (Item 5e) are subtracted from the total payments for the students in that batch (Item 4). The result (Item 6) is the net change to the accepted student payment as a result of the particular batch.

REPORTING CHANGES

If the Processed Payment Data the school has received are accurate and there are no changes to the students’ awards, the school must simply retain these records in its files. However, if the information for any student is wrong or changes during the award year, the school may have to correct the Processed Payment Data and resubmit it with the school’s next batch. See the appropriate “User’s Guides” for information on correcting Processed Payment Data.

The most frequently required changes are to COA,² verification status (to update a “W”—payment without documentation), enrollment status (term schools), and payment amounts and dates. Other changes occur less frequently, except in cases of error. For instance, one would not expect the school’s academic calendar to change during the award year.

Some corrections do not affect the student’s award and need not be reported to the Department:

Academic Calendar. The school does not have to report a change from one type of standard academic term to another (for example, from a quarter system to a semester system). Other calendar changes (for example, from a credit-hour to a clock-hour calendar) must be reported.

² Usually, only changes to costs of \$2,700 or less will be reported, as changes to costs above \$2,700 will not affect the student’s award.

***Optional
corrections***

Cost of Attendance. The school does not have to report a change that does not increase or decrease the amount the student will be paid for the year.

Verification Status. If the verification status accepted by the Federal Pell Grant Program for the student was N, A, T, C, R, or S, the school does not have to report a change to that status. **If the student's status was "W," the school must report a change to that status once it receives full documentation from the student and completes verification.**

Enrollment Status. The school does not have to report a change to enrollment status that does not increase the amount the student will be paid for the year. It will have to report a change in enrollment status if a student attends for a longer period than expected and the result is a greater award. For example, if a three-quarter-time student decides to attend summer school as a three-quarter-time student, the school must change *Enrollment Status* to "Other" at the same time it reports the larger award amount. If the school leaves the student's status as three-quarter time, PGRFMS assumes that the student's three-quarter-time award is being exceeded, and the larger award amount will not be put on file for the student.

Hours/credits expected to complete, Weeks used. The school does not have to report a change to these items if the change does not increase the amount the student will be paid for the year.

Hours/credits in academic year, Weeks in academic year. The school reports a change to these items only if it is redefining its academic year. (For example, the school decides to change its 32-week academic year to 30 weeks.)

Months in which remaining payments will be made. The school does not have to report changes to this item. However, we encourage schools to report changes if they apply to a significant number of students, so that the school's funding can be adjusted accordingly.

Reporting changes in anticipated payments

If the student's situation changes and the anticipated payments are not made, the school **must report this change** by resubmitting the Processed Payment Data to PGRFMS. For instance, a student may drop from full-time enrollment in one term to half-time in the next, or may no longer be making satisfactory progress, or simply may not return in the second payment period. In each of these cases, the school must adjust the "Amount to be paid" item and any other relevant items in the Processed Payment Data and return it to PGRFMS.

Schools must submit Processed Payment Data, for those students whose awards have changed, within 30 days after the date on which the school becomes aware of the change. This requirement ensures that federal funds will not remain at a school when its students do not need the funds. It further ensures that if the student transfers to another school, Pell payments to the student through the new school will not be blocked. Schools that do not submit required reports or do not submit them on time, and schools that submit incomplete reports, will have their Pell allocation reduced and may be fined.

**Schools
must submit
reports on
time**

STUDENT PAYMENT SUMMARY

The “Student Payment Summary” (SPS) lists the student data in the Department’s records for each Pell recipient for whom the school submitted Payment Data for the award year. The SPS enables the school to check its records to determine if there are any additions and changes to its student data that it needs to report to the Department, or any corrections the school needs to make in its institutional records. An SPS is routinely sent to each school for review at least three times during the award year as well as at the end of the award year. A school may also request an SPS during the award year through the IAS at 1-800-4PGRANT (1-800-474-7268), or by contacting

U.S. Department of Education
Application and Pell Processing Systems Division
P.O. Box 23791
Washington, D.C. 20026-3791

(202) 708-9141

A financial aid administrator may also call the number given if he or she has general questions about the school’s SPS.

The SPS reflects each record for the award year (as of the date in the upper right corner) that the Department either accepted or rejected but retained in its records. The SPS **excludes** data that the Department rejected and did not retain, as well as records the school submitted that duplicated data already accepted.

Students are listed on the SPS in Pell Institution Number order by the attended campus, then alphabetically by last name. The Department provides summary statistics of all student activity at the end of each attended campus and, for the entire institutional system, at the end of the SPS.

Appendix B, beginning on page 4-101, gives an item-by-item description of the SPS. Appendix C, beginning on page 4-109, describes the circumstances under which the SPS may list some Pell recipients more than once.

Comparing school records to SPS

The school should use its SPS to confirm that the Department has received and accepted student payment data for all the Pell recipients the school has paid, up through the date in the upper right corner of the SPS. The school should compare institutional student records to the SPS to confirm that each Pell recipient appears at least once. If students are missing from the SPS, the school needs to report them to the Department **immediately**. A school should account for each missing student in one of the following three categories:

Students missing from SPS

1. The school submitted the student's record to the Department, but it was rejected due to reporting errors—the batch summary shows the number of rejected records for each batch submission.
2. The school submitted the student's record, but the Department did not receive it—the batch summary shows any discrepancies in the number of records the school reported and the number received for each submission.
3. The school has not yet submitted the student's record to the Department, either inadvertently or for other reasons.

The school should review institutional student records to verify that the payment to each Pell recipient agrees with the "Total Payment Amount" the Department has accepted, as shown on the SPS. If the school finds a difference, it needs to either report the revised payment amount(s) to the Department or correct institutional records for the student.

The school should use the Processed Payment Data as the Department returns them to the school to reconcile institutional records. If the school then uses the SPS as you would your checking account monthly statement, it can verify that its records agree with the Department's or identify the additions and/or changes it needs to report in its next submission. The school reports additional Pell recipients or payment amount changes through whatever medium it normally uses (RDE, EDE, or Floppy Disk Data Exchange). Remember that a school must report any changes in the Pell award no later than 30 days after the date on which it becomes aware of the change.

"W" verification status

The Summary Statistics page gives the school a count of any student records with a verification status of "W" (Without documentation). As mentioned in Section 4 of this chapter, a school may not make more than

one disbursement for a student selected for verification until the student supplies documentation to verify or correct the application data.

Therefore, the Department will honor no more than half of the student's Scheduled Award if the school reports, or the Department assumes, a verification status of "W." The school and the student must complete the verification process by the applicable deadline.

As soon as the school completes verification, the school must submit acceptable Payment Data to the Department, revising the student's verification status and amount(s) that the Department accepted for payment. The school should carefully review any student data on the SPS with a verification status of "W" and complete its reporting promptly. In early August, the Department will reduce the accepted payment to \$0 for any students whose verification status remains "W" and will make a corresponding reduction in the school's Pell authorization. After the verification deadline (August 31, 1998), the Department will reject any student documents submitted to which a "W" status applies.

The first summary page for the entire institutional system (at the end of the SPS) lists the "Total Payment Amount (Item 6 + Item 7)," summarized from the Processed Payment Data shown on the SPS. The school should compare its institutional records to this amount. Appendix D, beginning on page 4-113, describes the steps the school should take to confirm that current institutional Pell payments agree with the student payment data the school has reported. These steps should assist the school in verifying that it has identified all discrepancies between the Department's records and institutional records, so that the school can report any payment data changes or additional students. Differences generally result from two conditions:

1. The school has not yet reported all student payment data changes and/or additional recipients.
2. The payment amount in institutional records exceeded the amounts the Department could accept, based on the other data reported for the student, and the Department disallowed the excess. If the data on which the Department based the disallowance properly reflect the student's award information, the school must adjust institutional records to the correct payment amount and recover any excess from the student.

If either of these conditions apply to the school, it needs to resolve the inconsistencies promptly. The Department provides the SPS to allow schools time to review it and submit payment data changes and additional recipients (including any rejected student records) as soon as possible. As mentioned earlier, a school must complete its reporting of all changes and

***Must revise
"W" status***

***Total
payments***

***Common
discrepancies***

new recipients no later than 30 days after the date the school becomes aware of the change or addition.

ADMINISTRATIVE COST ALLOWANCE

A school participating in the Federal Pell Grant Program is entitled to an administrative cost allowance (ACA) to help offset the costs of administering the program. The Department notifies the school of the amount of its ACA by mail several times a year, and pays the school automatically by EFT. A school receives \$5 for each of its reported Pell recipients. Students who later withdraw are included in the number of recipients, as are transfer students, but those whose payment data are rejected by the Department are not included. The ACA must be used only to help pay the costs of administering the Federal Pell Grant Program and the campus-based programs (see Chapter 5). If the school enrolls a significant number of less-than-full-time or independent students, it is required to use a reasonable proportion of the ACA to assure that financial aid services are available to those students.

REQUESTING FUNDS

The reporting system described in this section enables the Department to track schools' need for Pell funds during the award year and to adjust Pell authorizations accordingly. The system ensures that federal funds do not remain at a school when its students do not need them. When the school requests funds from the Department (for the Pell, campus-based, or Direct Loan programs), that request is handled by a different system, the ED Payment Management System (ED/PMS).

Automated Clearing House (ACH)

The Department's Financial Payments Group uses a payment system called the Automated Clearing House/Electronic Funds Transfer (ACH/EFT). The ACH/EFT is essentially a direct deposit system. Most postsecondary schools that participate in the SFA Programs are now using the ACH/EFT. If you are responsible for your school's fiscal office activities, you should refer to *The ED Payment Management System User's Manual*, prepared by the Financial Management Service, and to the current edition of the *SFA Blue Book*.

A second method for requesting funds from ED/PMS is through FEDWIRE. Under this method, requests for funds go directly to ED/PMS. Most state institutions use FEDWIRE. See ED/PMS's *User's Manual* mentioned above for further details.

***Appendix A:
Calculation
Summaries by
Formula***

Standard-term, credit-hour programs, with 30 weeks of instructional time (or waiver applies)

Formula 1

Enrollment for at least 12 credit hours each term required for full-time status

Program terms do not overlap

Academic calendar includes 2 semesters/trimesters (fall and spring) or 3 quarters (fall, winter, and spring).

Fall through spring terms equal at least 30 weeks of instructional time, or at least 26 weeks of instructional time if the program was granted a waiver of the minimum 30-week academic year requirement

STEP 1: Determine Enrollment Status

Full time, three-quarter time, half time, or less than half time

STEP 2: Calculate Pell COA

Full-time, full academic-year costs

STEP 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

STEP 4: Determine Payment Periods

Payment period is the academic term

STEP 5: Calculate Payment for a Payment Period

$$\frac{\text{Annual award}}{\text{Number of payment periods in the program's definition of academic year}}$$

Standard-term, credit-hour programs, with fewer than 30 weeks of instructional time and waiver does not apply

Enrollment for at least 12 credit hours each term required for full-time status

Program terms do not overlap

Academic calendar includes 2 semesters/trimesters (fall and spring) or 3 quarters (fall, winter, and spring)

Fall through spring terms are less than 30 weeks of instructional time and the program was not granted a waiver of the minimum 30-week academic year requirement

STEP 1: Determine Enrollment Status

Full time, three-quarter time, half time, or less than half time

STEP 2: Calculate Pell COA

Full-time, full academic-year costs

Cost for fall through spring terms prorated. If fall through spring terms provide the same number of credit hours as are in the academic year definition, prorated COA is the same as nonprorated COA.

STEP 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

STEP 4: Determine Payment Periods

Payment period is the academic term

STEP 5: Calculate Payment for a Payment Period

Proration required unless alternate calculation is used

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the fall through spring terms}}{\text{Weeks of instructional time in program's definition of academic year}} \div \begin{matrix} 2 \text{ (if semesters or} \\ \text{trimesters)} \\ \text{OR} \\ 3 \text{ (if quarters)} \end{matrix}$$

OR

$$\text{Annual award} \div \text{number of terms in the award year (for alternate calculation)}$$

Any term-based, credit-hour programs; may include those qualifying for Formulas 1 and 2

STEP 1: Determine Enrollment Status

Full time, three-quarter time, half time, or less than half time

STEP 2: Calculate Pell COA

Full-time, full academic year costs

Cost for program or period not equal to academic year prorated.
Two fractions compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

STEP 3: Determine Annual Award

If the student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

STEP 4: Determine Payment Periods

Payment period is the academic term

STEP 5: Calculate Payment for a Payment Period

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of academic year}}$$

A single disbursement may not exceed 50% of the annual award

Clock-hour programs and credit-hour programs without terms

STEP 1: Determine Enrollment Status

At least half time or less than half time

STEP 2: Calculate Pell COA

Full-time, full academic year costs

Cost for program or period not equal to academic year prorated.
Two fractions compared:

$$\frac{\text{Hours in program's definition of academic year}}{\text{Hours to which the costs apply}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

The entire cost is multiplied by the lesser of the two fractions to determine Pell COA.

STEP 3: Determine Annual Award

Always taken from full-time Payment Schedule (equal to Scheduled Award)

STEP 4: Determine Payment Periods

Length of payment period measured in credit or clock hours.

Minimum of 2 equal payment periods required for programs shorter than an academic year, or 2 equal payment periods in each full academic year (or final portion longer than half an academic year) for programs longer than or equal to an academic year.

STEP 5: Calculate Payment for a Payment Period

Annual award is multiplied by two fractions:

(1) Annual award x the lesser of:

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in program}}{\text{Weeks of instructional time in program's definition of academic year}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time for a full-time student to complete hours in academic year}}$$

OR

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in academic year}}{\text{Weeks of instructional time in program's definition of academic year}}$$

$$\frac{\text{Weeks of instructional time in program's definition of academic year}}{\text{Weeks of instructional time for a full-time student to complete hours in academic year}}$$

OR

One (1)

(2) The results of (1) are then multiplied by:

$$\frac{\text{Hours in a payment period}}{\text{Hours in program's definition of academic year}}$$

A single disbursement may not exceed 50% of the annual award

**Programs of study by correspondence, nonterm
correspondence component**

STEP 1: Determine Enrollment Status

Enrollment status is never more than half time

STEP 2: Calculate Pell COA

Full-time, full academic year costs (for applicable components)

Cost for program or period not equal to academic year prorated according to the following formula:

For tuition and fees:

$$\text{Costs} \times \frac{\text{Hours in program's definition of academic year}}{\text{Hours in student's program of study}}$$

STEP 3: Determine Annual Award

Annual award taken from half time Disbursement Schedule

STEP 4: Determine Payment Periods

First payment period is the period of time in which the student completes the lesser of the first half of the academic year or the first half of the program. (First payment may be made only after the student has completed 25% of lessons or otherwise completed 25% of the work scheduled, whichever comes last.)

Second payment period is the period of time in which the student completes the lesser of the second half of the academic year or the second half of the program. (Second payment may be made only after the student has submitted 75% of lessons or otherwise completed 75% of the work scheduled, whichever comes last.)

STEP 5: Calculate Payment for a Payment Period

(1) Annual award from half time Disbursement Schedule multiplied by the lesser of:

$$\frac{\text{Weeks of instructional time to complete the lesser of program or academic year}}{\text{Weeks of instructional time in program's definition of academic year}}$$

OR

One (1)

(2) The results of (1) are then multiplied by:

$$\frac{\text{Hours in a payment period}}{\text{Hours in program's definition of academic year}}$$

Programs of study by correspondence, term-based correspondence component

Formula 5B

During each term, the written schedule for the submission of lessons must reflect a workload of at least 30 hours of preparation per semester hour or 20 hours of preparation per quarter hour

STEP 1: Determine Enrollment Status

Enrollment status may only be half time or less than half time

STEP 2: Calculate Pell COA

Full-time, full academic year costs (for applicable components)

Cost for program or period not equal to academic year prorated according to the following formula:

For tuition and fees:

$$\text{Costs} \times \frac{\text{Hours in program's definition of academic year}}{\text{Hours in student's program of study}}$$

STEP 3: Determine Annual Award

Annual award taken from appropriate part-time Disbursement Schedule (half time or less than half time)

STEP 4: Determine Payment Periods

Payment period is the academic term. (Payment for the payment period may be made only after the student has completed 50% of lessons or otherwise completed 50% of the work scheduled for the term, whichever comes last.)

STEP 5: Calculate Payment for a Payment Period

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of academic year}}$$

A single disbursement may not exceed 50% of the annual award

Appendix B:

Description of the Student Payment Summary

Upper Left Hand Corner of the SPS:

CENTRAL ADMINISTRATIVE OFFICE (REPORTING CAMPUS). The school's Pell Institution Number, name, and address.

REPORT FOR STUDENTS ATTENDING. The Pell Institution Number, name, and address of the school actually attended by the students listed. If the system has branch campuses with unique Pell Institution Numbers, the Department produces a separate section for each Attended Campus.

Student Information:

STUDENT NAME. The student's full name, as reported to the CPS for the Transaction Number shown.

CURRENT SOC SEC NO. The student's **current** Social Security Number, as reported to the CPS for the Transaction Number shown.

DATE OF BIRTH. The student's date of birth (MMDDYY), as reported to the CPS for the Transaction Number shown.

TRANS NO. The two-digit Transaction Number assigned by the CPS to identify uniquely a particular record for a student. This number indicates the specific Payment Data record the school submitted to the Department.

EFC. The student's eligibility for a Pell, as determined by the CPS for the Transaction Number shown. The Department uses this EFC to match student payment records with the corresponding eligible applicant record. Unless the school indicates that it based payment on the Secondary EFC, the Department uses this EFC for payment purposes.

Processed Payment Data Information:

(10-6) SECONDARY EFC. The Secondary EFC,¹ if any, calculated for the student by the CPS. The application processing system establishes Primary and Secondary EFCs as follows:

Primary EFC. If the applicant qualifies for the simplified formula, the Primary EFC reflects this calculation; if not, the Primary EFC reflects the regular formula calculation.

Secondary EFC. If the applicant qualifies for the simplified formula but also provides complete data, the Secondary EFC reflects the regular formula calculation; otherwise, the Secondary EFC is blank.

¹ If the family's adjusted gross income does not exceed the maximum income that may be earned to claim the maximum federal earned income tax credit, and an IRS Form 1040 will not be filed, then the family qualifies for an automatic zero EFC and no Secondary EFC will be calculated.

(10) *EFC USED*. The EFC the school reported as the basis for the student's award. A "6" indicates the school based the award on the student's Secondary EFC. A "1" indicates the school previously reported that it used the Secondary EFC and then updated the record to revert to the primary EFC.

(2) *ACAD CAL*. The student's academic calendar.

(3) *COST OF ATTEND*. The student's cost of attendance for a full academic year.

(4) *VERIFICATION STATUS*. The current status of verification of the student's application data. For each active student record shown with a verification status of "W" (Without documentation), the school must submit an update to the student's record to indicate that it completed the verification process. Until the Department receives and accepts the update, the Department will honor only up to one-half of the student's Scheduled Award. The Department will reduce the student's award to \$0 if the school does not report an acceptable verification status code.

(5A) *ENROLLMENT STATUS*. The student's enrollment status (full time, half time, three-quarter time, less-than-half time, other) if enrolled in programs measured by terms—otherwise, blank.

(5B) *HOURS/CREDITS PAID*. The number of hours / credits the school expects the student to complete in all payment periods in the award year if the student is enrolled in a clock-hour program or a nonterm credit-hour program—otherwise, blank.

(5C) *HOURS/CREDITS IN PGM*. The number of hours / credits in the academic year for the program in which the student is enrolled, if the student is enrolled in a clock-hour program or a nonterm credit-hour program—otherwise, blank.

(5D) *WEEKS USED*. The number of weeks of instructional time the school used to calculate the Pell payment (see page 4-79 for information on how schools determine this number). For programs using Formula 1, this item is blank.

(5E) *WEEKS IN PGM*. For students in programs using Formula 1, this item is blank. For students in all other programs, the number of weeks of instructional time in the academic year for the program in which the student is enrolled.

(5F) *PAY METH*. The formula used to calculate the student's Pell award.

(11) *INCAR*. Blank unless the student is incarcerated. Y if the student is incarcerated but eligible to receive a Pell; N if the school previously reported that the student was incarcerated and then updated to indicate that the student is not incarcerated.

(6 + 7) *TOTAL PAYMENT AMOUNT*. The total payment for this award year that the Department accepted for the student. This amount equals the sum of "Amount Paid to Date" and "Remaining Amount to be Paid." If the Total Payment Amount shown disagrees with the **valid** Pell payments the school will make to the student, the school must provide corrected student payment amount(s) to the Department. A blank Total Payment Amount indicates an inactive payment record (see *ACT* on page 4-106).

REC STA. The current status of the student's data in the Department's records. The status codes are—

- E** Rejected with errors; record retained in the Federal Pell Grant files. The school must correct the errors and resubmit them to the Department.
- A** Accepted with assumptions; record retained in the Federal Pell Grant files. The school must review these carefully and resubmit updates if the Department's assumptions do not agree with the student's award information.
- I** Accepted as reported by the institution; record retained in the Federal Pell Grant files. The school needs to submit updates **only** if the student's data changes, or if the school needs to resolve a verification status code of "W."

The SPS does **not** include student payment records rejected in entirety (Record Status "R") or records the school submitted that duplicated payment data already accepted (Record Status "D"). The school must correctly submit payment data for rejected records to receive credit for its payments to these students in its Pell authorization.

BATCH NO. The number assigned to the Payment Data batch for the school's most recent retained submission of this record for the student. The Batch Number is provided in the Processed Payment Data (see the appropriate "User's Guide").

ED Use Only:

SAR RECORD ID. The student's unique identifier in the Department's payment records. The SAR Record ID consists of—

Original Social Security Number. The Social Security Number reported on the student's original application for the award year.

Original Name Code. The first two letters of the student's last name, as reported on the student's original application.

Transaction Number. Sequentially assigned by the CPS to uniquely identify a particular applicant record for a student.

SEG NO. Segment Number, as assigned to processed payment records to identify uniquely a particular payment data record for a student. When the school submits changes to previously reported data, the Department uses this number to find the corresponding student record in its payment records. The segment number is given in positions 116-117 in processed records returned by tape or electronically; for Floppy Disk Data Exchange users, this number appears on the Processed Payment Data screen.

ACT. The status of the student's payment data relative to the school's Pell account. Current (active) payment records appear with a "<"; inactive records have nothing in this column. If the school receives its SPS on tape, inactive payment records contain an "I" in position 320. The Department honors payment on only one record per student for each attended campus. If the institutional system has branch campuses with unique Pell Institution Numbers, and a student has attended more than one of these campuses, the school must review **all** of the student's active payment records to verify that it has not overpaid the student.

Summary Data

The Department provides summary data pages at the end of the SPS. Pages 2 and 3 of this summary data are produced for each attended campus the school reported for its students; Page 1 of the summary data is provided for the Central Administrative Office (Reporting Campus) only.

Summary Data—Page 1

Information Summarized from Processed Payment Data on this Report:

TOTAL AMOUNT PAID TO DATE (ITEM 6). Total amount the Department has accepted to date for "Amount Paid to Date" for the Payment Data/Processed Payment Data the school has submitted.

TOTAL REMAINING AMOUNT TO BE PAID (ITEM 7). Total amount the Department has accepted to date for “Remaining Amount to be Paid” for the Payment Data/Processed Payment Data the school submitted.

TOTAL PAYMENT AMOUNT (ITEM 6 + ITEM 7). Total student payments the Department has credited to the school for the students the school reported and the Department accepted, that is, those who appear on this report. If the school has reported all its Pell recipients and payment data changes, this total should agree with institutional records through the date of the batch. The school must resolve any discrepancies and submit its changes to the Department.

TOTAL UNDUPLICATED RECIPIENTS. The number of individual students (unique combination of original Social Security Number and original name code) on this report. The Department uses this number to calculate the school’s administrative cost allowance. For single campus institutions, this should agree with the total number of Pell recipients. If it does not, the school needs to resolve the discrepancy.

TOTAL ACTIVE STUDENT RECORDS. The number of current payment records the Department has for students that it has credited toward the school’s Pell account. The school should have at least one current payment record for **each** of its Pell recipients. If the institutional system has branch campuses with unique Pell Institution Numbers, and this count exceeds the number of unduplicated recipients above, it indicates that some students have attended more than one of the campuses. The school must carefully review its payments to these students to confirm that it has not overpaid them.

TOTAL RECORDS ON THIS REPORT. The total number of student records, current and inactive, on this report.

TOTAL NUMBER OF ATTENDED CAMPUSES. The number of different attended campuses the school has reported for its students. If all students have the same Reporting and Attended Campus, a zero appears here.

Information Summarized from Item 2 of Your Batch Summary

These counts provide the cumulative total for each listed item from all of the batch summaries sent to the school to date for the award year. The Department provides these counts only to give the school a record of its total activity and to highlight the number of records rejected, accepted with assumptions, duplicated, and accepted. Do **not** try to balance these figures with the individual student detailed listing of the SPS.

Summary Data—Page 2

EXP FAMILY CONTR AND PAYMENT AMOUNT STATISTICS. This summarizes current payment records by EFC range. The Department also provides the average amount paid each student within each range, the overall average EFC, and the average payment amount.

COST OF ATTENDANCE STATISTICS. This summarizes current payment records by Cost of Attendance range. The Department also provides the overall average Cost of Attendance.

VERIFICATION STATUS STATISTICS. This summarizes current payment records according to each of the verification status codes. The school may use the “W” (Without documentation) count to determine the number of students for whom it must still report completion of the verification process to the Department.

INFORMATION SUMMARIZED FROM PROCESSED PAYMENT DATA. This provides the totals for Amount Paid to Date, Remaining Amount to be Paid, and Total Payment Amount for the current payment records at the attended campus shown in the upper left corner. These figures appear only on Page 1 for single campus systems.

FAA EFC ADJUSTMENT STATISTICS. This summarizes current payment records by EFC used for payment. 1—Orig. EFC indicates records paid based on the Primary EFC after a Secondary EFC was previously reported. 6—Secondary EFC Used indicates payment was made based on a Secondary EFC.

Summary Data—Page 3

RECIPIENT COMMENTS SUMMARY STATISTICS. This cumulative summary provides a capsule picture of the number of error and assumption comments the Department used in processing the school’s student payment data to date. The school should use these counts to identify any recurring problems it needs to correct in its reporting.

Appendix C:

Students Appearing More Than Once on the SPS

The SPS will list a student more than once for a single attended campus when the school reports that student to the Department using a different SAR or ISIR, or when the school changes the type of academic calendar. The Department honors payment on only one record per student for each attended campus. As mentioned in Appendix B, current (active) payment records appear with a “<” on the far right of the student entry in the detailed listing. The school should carefully review any student who appears more than once to confirm that the current payment record for the student in the Department’s records agrees with the SAR or ISIR on which the school based payment.

The Department establishes another record for a student, and reduces the payments accepted on the prior record to \$0, in two cases:

1. *Transaction Number.* The two-digit Transaction Number assigned by the CPS uniquely identifies a particular applicant record for the student. It indicates the specific output document on which the school based payment to the student. Each Transaction Number the school submits for a student will create a new record. The **last** transaction the school sent that the Department accepted always becomes the current record for the student, even if the school reported a higher Transaction Number earlier.

Example:

Transaction 01 Original application—rejected

Transaction 02 Result of applicant corrections—EFC of 310

Transaction 03 Result of applicant corrections—EFC of 1507

The student turns in Transaction Number 03, and the school reports it to the Department. The school later determines that the student has Transaction Number 02, which meets the definition of a valid output document. The school reports Transaction Number 02 to the Department, which is accepted; the Department **automatically** reduces the payment amounts on Transaction Number 03 to \$0.

2. *Academic Calendar*. The Department establishes a new current record for a student when the school reports any of the following academic calendar changes:

From	To
Standard-term academic calendar (quarter, semester, trimester)	Clock hour or credit hour (nonstandard term)
Clock hour or credit hour	Standard-term academic calendar (quarter, semester, trimester)
Credit hour (nonstandard term)	Clock-hour academic calendar
Clock-hour academic calendar	Credit hour (nonstandard term)

Appendix D:

***Reconciling Student
Payment Data***

Example

Batch dated	12/01/97
Total Amount Paid to Date (Item 6)	8,238
Total Remaining to be Paid (Item 7)	6,497
Total Payment Amount (Item 6 + Item 7)	14,735
Actual payments in institutional records	12,414

Step 1. From institutional records, determine the payments not yet made.
Example: \$2,700 remained to be paid as of the date the school is reconciling the data.

Step 2. Deduct result of Step 1 from the Total Payment Amount on the SPS. **Example:** \$14,735 - \$2,700 = \$12,035.

Step 3. Compare result in Step 2 to the payment amounts in institutional records. **Example:** Compare \$12,414 to \$12,035; the difference is \$379.

Step 4. Account for any discrepancy in the following categories:

- ◇ Payments in institutional records for recipients the school has not yet reported;
- ◇ Payments in institutional records for recipients the school reported but the Department rejected;
- ◇ Payments in institutional records which the Department disallowed;
- ◇ Payments included in the school's student payment data but missing from institutional records; and
- ◇ Recoveries the school has restored to its Pell account but has not reported to the Department as changes to its student payment data.

Please keep in mind that

- ◇ The Pell payments according to institutional records **should never exceed** the school's Pell authorization—the school cannot pay more Pell funds than the Department has authorized.
- ◇ The school's records of actual payments should equal or exceed the total Amount Paid to Date listed on the SPS, unless the school has already recovered some of those payments.

- ◇ Actual payments should not exceed the Total Payment Amount listed on the SPS. If this occurs, the school either needs to report additional recipients and payment amount adjustments **or** correct the institutional records and payments.
- ◇ The actual payments made by the school should equal the Total Payment Amount (Item 6 + Item 7) after the school makes all payments and reports all payment adjustments to the Department. If the school identifies major discrepancies, it needs to correct the reporting errors so that the next SPS will reflect more complete and reconcilable data.

Appendix E:

1997-98 Pell Payment and Disbursement Schedules

“Dear Colleague” Letter POL-97-1 is not available in this electronic copy.