

Once you've received the student's FAFSA information (including EFC) and calculated the student's Pell eligibility, you can package the student's aid. The general rule in packaging is that the student's total financial aid and other resources must not exceed the student's financial need (cost - the EFC).

If you discover that the student has other resources that cause the aid package to exceed the student's need, you must attempt to adjust the aid package to eliminate the overaward. If the overaward can't be eliminated, you must follow the overaward procedures in Volume 5.

In Chapters 3-5, we discussed how to calculate student awards, based on costs, period of enrollment, and statutory award maximums. Except for Pell Grants, FSA award amounts are also constrained by the other aid that a student receives, known as *resources* under the Campus-Based Programs or as *estimated financial assistance* for Stafford/PLUS loans. The general rule is that the student's total aid may not exceed the student's financial need. (Need = Cost of Attendance minus EFC)

The process of awarding aid without exceeding the student's financial need is traditionally called packaging. Packaging is a process that varies from school to school, depending on the types of scholarship and other aid available at the school, and the characteristics of the student population. Schools may have different packaging philosophies, but they generally try to find the best combination of aid to meet financial need of the students they serve.

To help you package Federal Student Aid with your other aid awards, we provide a Packaging module in EExpress. You can enter information about your school's student aid programs and set up factors to be considered in packaging, and then use the software to automate the packaging process.

Most schools use some form of packaging software, whether EExpress or software from a commercial vendor. You are not required to use EExpress to package FSA awards, and you do not have to report the student's aid package to the Common Origination and Disbursement system.

CHAPTER 6 HIGHLIGHTS:

■ Related software: EExpress Packaging Module

→ Available at fsadownload.ed.gov

■ Packaging Principles

- Pell Grants packaged first; not reduced for other aid
- Campus-based packaged based on Pell eligibility, EFC, and resources
- Subsidized Stafford Loans based on Pell eligibility, EFC, and estimated financial assistance
- Unsubsidized Stafford Loans and PLUS based on Pell eligibility and estimated financial assistance

■ Treatment of need-based earnings

■ Treatment of other aid: special cases

- Americorps and veterans educational benefits
- Vocational rehabilitation assistance
- Bureau of Indian Affairs grants

■ Treatment of overawards

- See Volume 5

Financial need

Cost of attendance
 - EFC

 Financial Need

Packaging considerations & software

You should consider a number of things when developing a packaging policy. For instance, some schools give more grant assistance to beginning students, who may have more difficulty adjusting to campus life, increasing the proportion of loans and work-study in subsequent years.

For the Campus-Based programs and other programs where the available funds may not be sufficient to meet every eligible student's need, some schools decide to give a higher proportion of aid to the neediest students. Other schools award funds as an equal proportion of each student's need.

Many schools use software, such as the Packaging module in EExpress, that can be configured to implement the school's packaging philosophy. For instance, in EExpress, you can specify the order in which aid sources are to be applied to the student's unmet need, and set overall percentage limits on the amount of gift (grants/scholarships) and self-help aid that will be included in the aid package.

PELL GRANTS AS FIRST SOURCE OF AID

Pell Grants are considered to be the first source of aid to the student, and packaging FSA funds begins with Pell eligibility. The Department issues Pell payment schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. As we'll see, aid from the other FSA programs must be adjusted to make sure that the student's need is not exceeded.

Traditional financial aid practice suggests that you would also adjust non-federal aid awards, if necessary, to ensure that the student's financial need is not exceeded. But it's possible that the student will receive a scholarship or other aid that you can't adjust and is large enough (in combination with the Pell Grant) to exceed the student's need. In this case, the student is still eligible for a Pell Grant based on the payment schedule. However, you can't award any FSA funds other than the Pell Grant.

For instance, the National Collegiate Athletic Association's rules for athletic aid sometimes permit a school to award athletic aid that exceeds the student's need. You must still pay the full Pell Grant to the student, but you may not pay other FSA funds to the student, because his/her financial need has already been met.

PACKAGING RULES FOR CAMPUS-BASED AID AND STAFFORD/PLUS LOANS

In contrast to Pell, you must take other aid into account when awarding campus-based aid or Stafford or PLUS loans. As noted earlier, the other aid that must be considered is called "resources" in the campus-based program regulations, and "estimated financial assistance" in the FFEL and Direct Loan regulations.

In general, the term *resources* comprises aid from the FSA programs, as well as grants, scholarships, loans, and need-based employment that you can reasonably anticipate at the time you award aid to the student, whether the assistance is awarded by the school or by an individual or organization outside the school.

Examples of resources

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

- the student's Pell Grant eligibility;
- unsubsidized and subsidized Stafford and PLUS (Federal Family Education Loans and Direct Loans);
- long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be a resource);
- grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs), state grants, and Reserve Officer Training Corps (ROTC) living allowances;

- scholarships, including athletic scholarships and ROTC scholarships, and scholarships that require future employment but are given in the current year;
- waivers of tuition and fees;
- fellowships or assistantships;
- veterans educational benefits (paid under Chapters 30, 31, 32, and 35 of Title 38 of the U.S. Code);
- income from insurance programs that pay for the student's education;
- net income from need-based employment; and
- AmeriCorps funds (national service education awards or post-service benefits under Title I of the National and Community Service Act of 1990).

FROM: 34 CFR 673.5

The term *estimated financial assistance* is used in the Stafford and PLUS program. Estimated financial assistance is essentially the same as *resources*, with some exceptions in the treatment of Americorps and veterans benefits (discussed later in this chapter).

The regulations specify that “estimated financial assistance” is aid that the student will receive for the same period of enrollment as the Stafford or PLUS loan. As noted in Chapter 1, it’s usually best to certify a Stafford or PLUS loan for a period that matches the academic year or other period that you’re using to award funds from other FSA programs.

Considering grants and subsidized loans first

The law requires aid administrators to find out whether the student is eligible for certain other FSA programs that would reduce the need for borrowing.

If your school participates in the Federal Pell Grant Program, you must include the student’s estimated Pell Grant eligibility as a resource when making Campus-Based awards, whether or not the student has received the Pell Grant at the time you make your Campus-Based award.

Similarly, you must determine an undergraduate student’s Pell Grant eligibility before certifying a subsidized or unsubsidized Stafford Loan for that student. In addition, you may not certify an unsubsidized Stafford Loan without first determining the student’s need for a subsidized Stafford Loan. (The difference between subsidized and unsubsidized Stafford Loans is explained in *Chapter 4* of this Volume.) However, if the amount of the subsidized Stafford is \$200 or less and the amount can be included as part of an unsubsidized Stafford Loan, you are not required to certify a separate subsidized loan.

You may certify a PLUS and disburse PLUS funds without determining the student’s Pell Grant and subsidized Stafford Loan eligibility.

Substituting unsubsidized loans for the EFC

Unsubsidized loans are only counted as resources or estimated financial assistance the extent that they exceed the EFC. (Unsubsidized loans include unsubsidized Stafford loans, PLUS loans borrowed for the student, school loans, and state and private education loans.)

Many schools prefer to package Campus-Based funds and subsidized Stafford loans before unsubsidized loans, in which case the treatment of unsubsidized loans only becomes a factor when awarding unsubsidized Stafford and PLUS loans. When awarding Stafford/PLUS loans, unsubsidized loan amounts are only counted in *estimated financial assistance* if they exceed the EFC.

Use net FWS earnings when packaging

To determine the net amount of a student’s FWS earnings that will be available to help pay for the student’s costs, you must subtract estimated taxes and job-related costs from the student’s gross FWS earnings (see *Chapter 5 - Campus-Based Awards*).

Campus-based overaward thresholds

Campus-based aid need not be reduced if the overaward doesn’t exceed \$300, which is the overaward threshold for all Campus-based programs. Note that the \$300 threshold is allowed only if an overaward occurs after Campus-based aid has been packaged. The threshold does not allow a school to deliberately award Campus-based aid that, in combination with other resources, exceeds the student’s financial need.

(see *Volume 5 - Overawards, Overpayments, & Withdrawal Calculations*).

Some key points from Chapter 4 (Calculating Stafford/PLUS Awards)

- Before you certify or originate a Stafford Loan, you must determine the student’s eligibility for a Pell Grant.
- You may certify or originate a subsidized Stafford Loan only for the amount of student’s financial need—the student’s costs minus the student’s EFC and estimated financial assistance.
- A student may qualify for a combination of subsidized and unsubsidized Stafford loans.
- If they meet program requirements, the parents of a dependent student can take out a PLUS loan to pay for the student’s cost of attendance. There is no fixed loan limit for PLUS loans—the maximum loan amount is based on the student’s financial need.
- If the student is independent, or his/her parents can’t borrow a PLUS, the student is eligible for additional unsubsidized Stafford amounts.
- Unsubsidized Stafford loans and PLUS loans are considered to be “self-help” aid, and thus can be used to replace the EFC, as well as to cover the student’s unmet need.

Estimated Financial Assistance

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

FFEL: 34 CFR 682.200

DL: 34 CFR 685.102

Basic packaging example

Cost=\$12,500	unmet need	
	EFC \$2,500	

\$12,500	Cost
- 2,500	EFC
\$10,000	Need

Andrew is a dependent student, returning as a sophomore to Lebold College, where he's studying forestry. For academic purposes, Lebold College considers him to be a 2nd-year student. His cost of attendance is \$12,500,* and his EFC for the current year is 2500; therefore, the packaging process begins with \$10,000 in unmet need.

Cost=\$12,500	unmet need \$7,000	
	Pell & WCF \$3,000	
	EFC \$2,500	

\$12,500	Cost
- 2,500	EFC
- 1,600	Pell Grant
- 1,400	Scholarship
\$ 7,000	C-B Need

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

Cost=\$12,500	unmet need \$3,500	
	C-B Aid \$3,500	
	Pell & WCF \$3,000	
	EFC \$2,500	

\$12,500	Cost
- 2,500	EFC
- 1,600	Pell Grant
- 1,400	Scholarship
- 800	FSEOG
- 900	Perkins
- 1,800	FWS
\$ 3,500	Stafford Need

The aid administrator at Lebold College finishes the packaging process by awarding any other loan funds that are available to meet Andrew's need. As a 2nd-year student, Andrew's Stafford loan limit is \$3,500. Because his remaining need is \$3,500, he can receive that amount as a subsidized Stafford Loan. Since he is a dependent student, his parents can borrow up to the amount of the EFC in the form of a PLUS loan.

* Note that you can add the loan fees on a Stafford or PLUS loan to the student's cost of attendance.

Substituting for the EFC: Dependent example

Darien is a first-year dependent student at Bald Eagle Community College. His cost of attendance is \$5,800* and his ISIR shows that he has an EFC of 4,200, so his financial need is \$1,600. Darien's EFC makes him ineligible for a Pell Grant, and BECC does not participate in the Campus-Based programs.

\$ 5,800	Cost
- 4,200	EFC
<u>\$ 1,600</u>	Need

The Stafford annual loan limit for a dependent student is \$2,625. Darien qualifies for a \$1,600 subsidized Stafford loan, and has no remaining need.

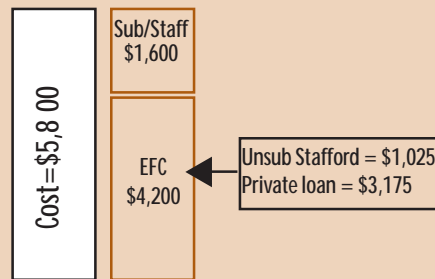
\$ 5,800	Cost
- 1,600	Sub Stafford

Since an unsubsidized Stafford Loan can replace the EFC and Darien hasn't reached the Stafford annual loan limit, he can borrow an additional \$1,025 in the form of an unsubsidized Stafford Loan.

Replaces EFC	- 1,025	Unsub Stafford
	- 3,175	PLUS
	<u>\$ 0</u>	Need

($\$2,625$ Stafford annual loan limit - $\$1,600$ subsidized Stafford Loan)
 In addition, his parents could borrow up to \$3,175 in the form of a PLUS loan.
 ($4,200$ EFC - $1,025$ unsubsidized Stafford Loan = $\$3,175$).

Alternate scenario: if Darien's parents were to take out an unsubsidized private loan for \$3,175, their eligibility for a PLUS loan would be reduced by that amount, because the EFC would already have been met by the private loan.



Substituting for the EFC: Independent example

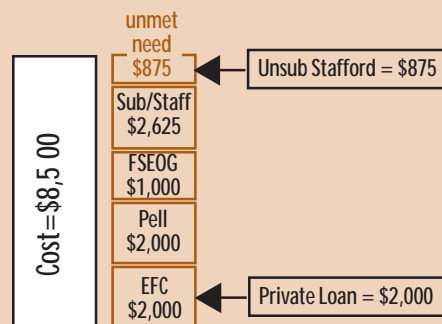
Holly Beth enrolls in an Italian Studies program at Vincent Technical College as a 1st-year independent student with an \$8,500* cost of attendance and VTC has received an ISIR for her with an EFC of 2,000. She is eligible for a \$2,000 Pell Grant and VTC also awards her a \$1,000 FSEOG. Her remaining need is \$3,500, so she can receive the maximum subsidized Stafford Loan for a 1st-year student ($\$2,625$). Her unmet need after these awards is \$875.

\$ 8,500	Cost
- 2,000	EFC
<u>\$ 6,500</u>	Need

Since Holly Beth is an independent student, she can take out additional unsubsidized Stafford loan to meet her remaining need, and as "self-help" to meet the EFC. Thus, VTC is able to award Holly Beth an additional \$2,875 in unsubsidized Stafford Loan funds. (Her EFC of 2,000 plus + remaining need of \$875.)

\$ 8,500	Cost
- 2,000	Pell Grant
- 1,000	FSEOG
- 2,625	Sub Stafford
- 2,875	Unsub Stafford
<u>\$ 0</u>	Need

Alternate scenario: if Holly Beth were to take out an unsubsidized private loan for \$2,000, her eligibility for the unsubsidized Stafford loan would be reduced by that amount, because the EFC would already have been met by the private loan.



* Note that you can add the loan fees on a Stafford or PLUS loan to the student's cost of attendance.

Pell can't be used to pay loan

If the student's aid package includes a loan and the package must be adjusted to prevent an overaward, the Pell funds can't be used to pay back the loan—a loan repayment isn't an educational expense.

COUNTING NEED-BASED EARNINGS AS RESOURCE & ESTIMATED FINANCIAL ASSISTANCE

The treatment of earnings from a job sometimes presents a problem—should the earnings be reported as income on the FAFSA, or should they be counted as a form of student aid in the packaging process ?

Net earnings from *need-based employment* are considered to be student aid. “Need-based employment” means employment that is awarded by the school itself or by another organization to a student on the basis of financial need to meet educational expenses for the award year. Only income from *need-based* employment may be considered as student aid.

A Federal Work-Study job is clearly a form of need-based student aid. However, employment with a state is considered to be student aid if that employment is based on the student's financial need for assistance to pay for educational expenses.

Non-need-based earnings are not to be considered as a resource for the current award year because they will be reported as income on the Free Application for Federal Student Aid (FAFSA) for the subsequent award year and will be used in calculating the future EFC. An example of non-need-based employment would be a job a student locates on her own with a private employer such as a local grocery store.

PACKAGING AMERICORPS, VETERANS BENEFITS, VOCATIONAL REHABILITATION FUNDS, & BIA GRANTS

Americorps and veterans benefits

For FSA purposes, veterans education benefits are treated as resources, not as income, and therefore are not reported as income on the FAFSA. Americorps benefits are also considered resources, but you may exclude as a resource a portion of any subsidized direct or FFEL loan that is equal to or less than the amount of the student's Chapter 30 Montgomery GI Bill benefits and/or Americorps benefits paid for the cost of attendance.

Note that the income earned from the Veterans Affairs Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, so it is *not* considered a resource. It should be reported as untaxed income (not income earned from work) on the FAFSA.

Americorps benefits and Chapter 30 Montgomery GI Bill benefits are *not* included in estimated financial assistance when determining eligibility for *subsidized* Stafford loans, but they *are* included for *unsubsidized* Stafford loans.

Noneducational veterans benefits are not counted as a resource or estimated financial assistance. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits, and income from the Veterans Affairs Student Work-Study Allowance Program (VASWSAP). The student must report these noneducational benefits as nontaxable income on the FAFSA.

Americorps and veterans benefits

The definition of "estimated financial assistance" in the FFEL and DL regulations includes veterans *active duty benefits* (veterans' educational benefits paid under Chapter 30, 31, 32, and 35 of Title 38) and *national service education awards* or *post-service benefits* under title I of the National and Community Service Act of 1990 (AmeriCorps).

FFEL: 34 CFR 682.200

DL: 34 CFR 685.102

The option to exclude a portion of a Stafford loan from resources, not to exceed the amount of Americorps or Chapter 30 veterans benefits, is described in the General Provisions for the Campus-Based programs.

34 CFR 673.5(c)(4)

Packaging example: GI Bill exclusion

2,000 Pell Grant
4,200 GI Bill
2,625 Stafford
1,000 FWS
500 FSEOG

10,325 Total aid

Penny is a first-year, independent undergraduate student with an EFC of 1800, a Pell Grant of \$2,000, and Montgomery GI Bill active-duty benefits of \$4,200. She enrolls in a four-year program at Frisson College, where her need is \$7,700 (\$9,500 COA - 1800 EFC). Her Pell grant and GI Bill benefits total \$6,200. The difference between her need and aid is \$1,500 (\$7,700 - 6,200).

Because the Montgomery GI Bill benefits do not count as estimated financial assistance for subsidized loans, Penny is eligible for a subsidized Stafford loan of more than \$1,500. Her COA minus her EFC and Pell Grant would leave an unmet need of \$5,700 (\$9,500 - 1800 - 2,000). If Penny chooses, she can receive the maximum subsidized loan amount of \$2,625 for a first-year student because it's less than her unmet need.

Her assistance now totals \$8,825 (\$2,000 + 4,200 + 2,625), which exceeds her need. However, under the statute and regulations this is not considered an overaward or an overpayment. Penny is eligible for campus-based aid if the school chooses to exclude her subsidized loan as a resource. (It can exclude up to the value of the GI Bill benefits from the loan.) Penny's need is \$7,700, and her total resources, minus the loan, would be \$6,200, which is \$1,500 less than her need. So the school may provide campus-based aid up to \$1,500—for example, \$1,000 in FWS funds and \$500 in FSEOG funds. Penny's assistance totals \$10,325, which exceeds her need as well as her COA.

Again, this is not considered an overaward or an overpayment.

Vocational rehabilitation agreements with state agencies

Some state vocational rehabilitation agencies have established agreements with schools that specify how vocational rehabilitation assistance will be coordinated with other forms of financial aid. Check with your school's vocational rehabilitation coordinator to see if it has such an agreement.

BIA Grants

34 CFR 673.6

Vocational rehabilitation funds

If you have a student who qualifies for both FSA funds and for vocational rehabilitation assistance funds, you should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled. If the vocational rehabilitation agency doesn't fully meet the student's disability costs, you may wish to include the unmet disability expenses in the student's cost of attendance, and increase his or her aid award.

Although the vocational rehabilitation funds shouldn't be considered a resource when you package aid for the student, you must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Coordination with Bureau of Indian Affairs grants

When packaging campus-based aid for a student who is or may be eligible for a Bureau of Indian Affairs (BIA) grant, you must first develop a financial aid package without considering any BIA funds. If the total aid package—after BIA funds are added—does not exceed the student's need, no adjustment may be made to the aid package. If the total package plus the BIA grant does exceed need, you must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (You may *not* reduce a Pell Grant or BIA grant.) You may alter this sequence of reductions upon the student's request if you believe it would benefit the student. We encourage you to consult with area officials in charge of BIA postsecondary financial aid when packaging FSA funds with BIA grants.

TREATMENT OF OVERAWARDS

If, **at any time during the award period**, the student receives additional resources that were not considered in calculating the student's eligibility for Campus-Based aid and if these resources combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward. The treatment of overawards in the Stafford/PLUS programs depends on whether the loans have been fully disbursed. See *Volume 5* of the *FSA Handbook* for a full discussion of this topic.