Packaging Aid

CHAPTER 7

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 Estimated Financial Assistance (EFA) must not exceed the student's financial need (Need = Cost minus the EFC). If you discover that the student has other EFA 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, 4, and 5, we describe 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 *estimated financial assistance* (EFA). The general rule is that the student's total aid may not exceed the student's financial need. (Need = Cost of Attendance minus EFC.)

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

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

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

CHAPTER 7 HIGHLIGHTS:

- Related software: EDExpress Packaging Module
  ➔ Available at http://www.fsadownload.ed.gov
- Packaging Principles
  ➔ Pell Grants packaged first; not reduced for other aid.
  ➔ ACG/SMART package may be reduced to eliminate an overaward.
  ➔ Campus-based and Subsidized Stafford Loans based on Pell, eligibility, EFC, and estimated financial assistance.
  ➔ 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

Hurricane Information
Special Federal Student Aid awarding/packaging guidance for hurricane affected schools can be found at http://ifap.ed.gov/eannouncements/katrina.html

Financial need

Cost of Attendance
- EFC
Financial Need

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 awarded to ensure that the student's need is not exceeded, unless certain types of aid are used to replace the EFC, as permitted.

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

Some key points from Chapter 5 (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 cost minus 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 can be used to replace the EFC, as well as to cover the student's unmet need.
- PLUS Loans are now available to graduate and professional students

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.

Estimated Financial Assistance

HEA: Sec. 428(a)(2)(C)(ii)
FFEL: 34 CFR 682.200(b)
DL: 34 CFR 685.102(b)

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

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

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

Examples of Estimated Financial Assistance

Estimated Financial Assistance includes any educational benefits paid because of enrollment in postsecondary education, such as:

- the student's Pell Grant eligibility;
- unsubsidized and subsidized Stafford and PLUS (Federal Family Education Loans and Direct Loans);
- Chapter 1607/REAP Benefits;
- long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be Estimated Financial Assistance);
- grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs), ACG/National SMART grants, 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;
- income from insurance programs that pay for the student's education;
- net income from need-based employment; and
- AmeriCorps funds;
- veterans educational benefits

NOTE:

- You may exclude from Estimated Financial Assistance, up to the amount of any subsidized DL or FFEL that you award to the student when the student received AmeriCorps or Chapter 30 benefits.
- When awarding subsidized DL or FFEL, you may exclude the entire amount of Americorps benefits or Chapter 30 veterans educational benefits from Estimated Financial Assistance.

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

Estimated Financial Assistance

In contrast to Pell, you must take other aid into account when awarding ACG/SMART, campus-based aid, Stafford or PLUS loans. As noted earlier, the other aid that must be considered is called "estimated financial assistance" (EFA).

In general, the term *estimated financial assistance, as defined for the Campus-Based programs, and ACG/National SMART Grants,* refers to 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.

The term *estimated financial assistance* is used in the same way for Stafford/PLUS purposes as for the Campus-Based programs. However, there are differences in the treatment of Americorps Chapter 30 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 Estimated Financial Assistance when making Campus-Based awards, whether or not the student has received the Pell Grant at the time you make your Campus-Based award.

Similarly, you must determine an undergraduate student's Pell Grant eligibility before 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 5* 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.

HERA Change to Estimated Financial Assistance
HEA Sec. 480(j), DCL GEN 06-05
If the source of assistance is a State and is designated by the State to offset a specific component of the student's COA, the amount of that assistance may be excluded from both COA and Estimated Financial Assistance. You may exclude such assistance on a student-by-student basis, but if it is excluded, it must be excluded for both COA and Estimated Financial Assistance. If the amount excluded is less than the allowance provided in the student's COA, you must exclude the lesser amount.

Prepaid tuition plans
GEN-06-05, HEA Sec. 480(f) & (j)
prepaid tuition plans, as well as Coverdell education savings accounts and 529 savings accounts are no longer considered EFA; instead, they the distribution from the value of the account is considered an asset of the owner of the account, unless the owner of the account is a dependent student. When the owner is a dependent student, the value of the account is excluded from the reported amount of both the student's and parents' assets.

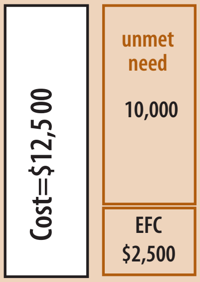
Packaging when choosing not to borrow Stafford
Note that if the student for whom a parent is borrowing a PLUS Loan chooses not to apply for a Stafford Loan, the Stafford Loan amount that the student would have been eligible to receive is *not* counted as estimated financial assistance when determining the amount of the PLUS Loan.

Note that the same principle applies when a graduate/professional student is eligible for Stafford, but chooses to borrow only PLUS. The Stafford amount that the student would have been eligible to receive is not counted as EFA when determining the PLUS amount that the student may borrow.

Requirement to consider grants and sub loans first
34 CFR 682.201(a), 34 CFR 685 200(a)

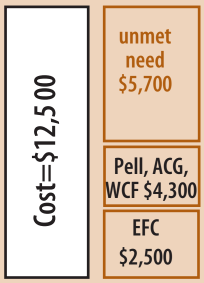
Use net FWS earnings when packaging
To determine the net amount of a student's FWS earnings that will be available to help pay for the student's costs, you must subtract estimated taxes and job-related costs from the student's gross FWS earnings (see Chapter 6 - Campus-Based Awards).

Basic packaging example



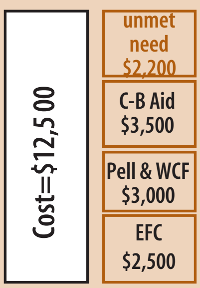
$12,500 Cost
- 2,500 EFC
$10,000 Need

Andrew is a dependent student, returning as a sophomore to Lebold College. 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.



$12,500 Cost
- 2,500 EFC
- 1,600 Pell Grant
- 1,300 ACG Grant
- 1,400 Scholarship
$ 5,700 Remaining Need

The aid administrator at Lebold College begins by awarding ACG and Pell Grants and applying the outside scholarship before awarding Campus Based aid. Andrew's Estimated Financial Assistance is a $1,600 Pell, a $1,300 ACG 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.

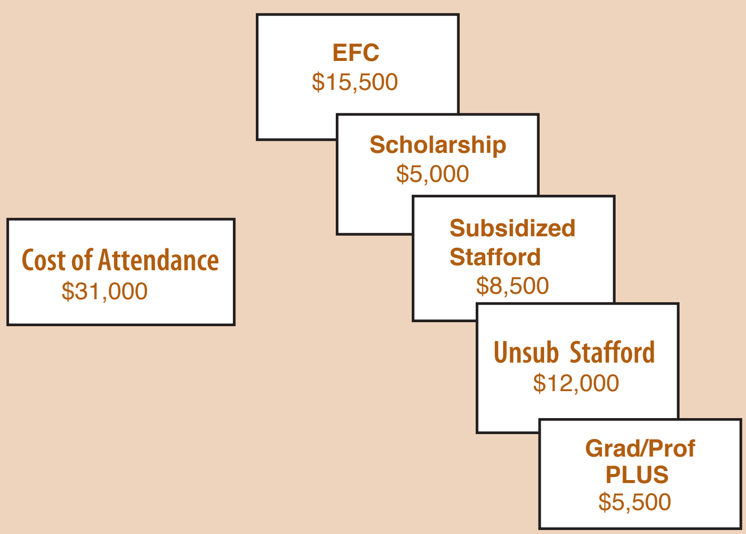


$12,500 Cost
- 2,500 EFC
- 1,600 Pell Grant
- 1,300 ACG Grant
- 1,400 Scholarship
- 800 FSEOG
- 900 Perkins
- 1,800 FWS
$ 2200 Remaining Need

The aid administrator at Lebold College finishes the packaging process by awarding Title IV loans available to meet Andrew's need. As a 2nd-year student, Andrew's Stafford loan limit is $4,500. Because his remaining need is $2,200, he can receive that amount as a subsidized Stafford Loan. If he chooses, he can borrow up to $2,300 unsubsidized Stafford to partially cover the EFC. Since he is a dependent student, his parents can borrow up to the remaining amount of the EFC in the form of a PLUS Loan. As an alternative to Andrew borrowing an additional $2,300 in unsubsidized Stafford, his parents could borrow that full amount in a PLUS.

Graduate/Professional PLUS Packaging Example

Kent enrolls in a graduate-level program at Falcon University with a total Cost of Attendance $31,000. Kent has already been awarded a graduate scholarship of $5,000. Kent is a graduate student, so his annual loan limit is $20,500 (maximum $8,500 subsidized). Kent is eligible to receive a subsidized Stafford loan of $8,500. Kent now has $2,000 in remaining need. Next, he can receive $12,000 in unsubsidized Stafford ($2,000 in need and $10,000 partially covering the EFC) Finally, Kent can receive a PLUS loan for $5,500 to cover the remaining portion of the EFC.



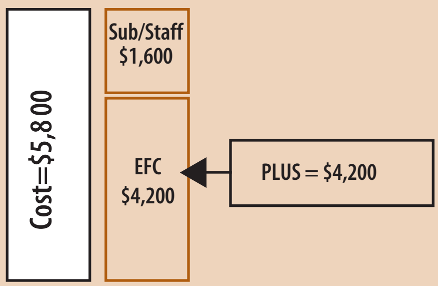
Using Loan Funds to Replace the EFC: Dependent example

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. The Stafford annual loan limit for a first year dependent student is $3,500. Darien qualifies for a $1,600 subsidized Stafford loan, and has no remaining need.

Since an unsubsidized Stafford Loan can replace the EFC and Darien hasn't reached the Stafford annual loan limit, he can borrow an additional $1,900 in the form of an unsubsidized Stafford Loan to cover part of the EFC. ($3,500 Stafford annual loan limit - $1,600 subsidized Stafford Loan=$1,900 unsubsidized Stafford eligibility.) Darrien could borrow $1,900 in unsub Stafford to partially cover the EFC. His parents could then borrow $2,300 in PLUS to cover the remaining EFC. Alternately, his parents could borrow up to $4,200 in the form of a PLUS loan.

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

	$ 5,800	Cost
	- 1,600	Sub Stafford
Replaces EFC	- 1,900	Unsub Stafford
Replaces EFC	- 2,300	PLUS
	$ 0	Need



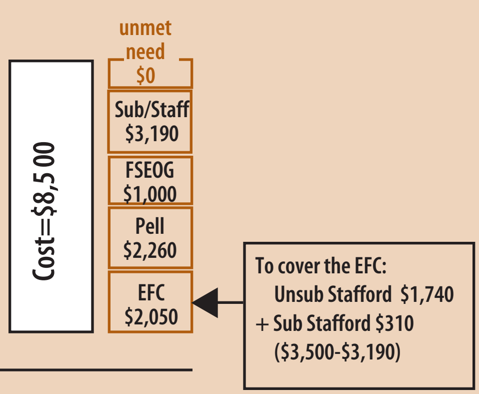
Using Loan Funds to Replace the EFC: Independent example

Holly Beth enrolls in 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 2,050. She is eligible for a $2,260 Pell Grant and VTC also awards her a $1,000 FSEOG. Her remaining need is $3,190, so she can receive that amount in a subsidized Stafford Loan (the maximum subsidized Stafford loan for a 1st-year student is $3,500).

Since Holly Beth is an independent student, she can take out an additional unsubsidized Stafford loan to replace the EFC, and as "self-help" to meet the EFC. Thus, VTC is able to award Holly Beth an additional $2,050 in unsubsidized Stafford Loan funds ($1,740 in unsubsidized Stafford and $310 in subsidized Stafford).

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

	$ 8,500	Cost
	- 2,260	Pell Grant
	- 1,000	FSEOG
Unmet Need + EFC	- 3,190	Sub Stafford
Unmet Need + EFC	- 2,050	Unsub Stafford
	$ 0	Need



For a dependent student, you may certify a PLUS and disburse Parent PLUS funds without determining the student's Pell Grant and subsidized Stafford Loan eligibility. Determining Pell eligibility is not relevant for Grad PLUS, but (unlike Parent PLUS) your school must determine a grad/professional student's maximum subsidized/unsubsidized Stafford eligibility before the student applies for PLUS.

Packaging Graduate/Professional PLUS
A PLUS loan does not count against a graduate/professional student's unsubsidized Stafford annual or aggregate loan limits.

Substituting unsubsidized loans for the EFC

A school may substitute certain types of loans for the student's expected family contribution (EFC). Generally, loans that may replace the student's EFC include unsubsidized Stafford Loans, PLUS Loans, state loans, private education loans, and any other non need based loans. If these loans are used to substitute for EFC, loan amounts that exceed the EFC are counted as estimated financial assistance.

You must package Campus-Based funds and subsidized Stafford loans before unsubsidized loans; as such, 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.

COUNTING NEED-BASED EARNINGS AS ESTIMATED FINANCIAL ASSISTANCE

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

Net earnings from *need-based employment* are considered to be student aid. "Need-based employment" means employment that is awarded by the school itself or by another organization to a student on the basis of financial need to meet educational expenses for the award year. Only income from *need-based* employment may be considered as student aid. A Federal Work-Study job is clearly a form of need-based student aid. Employment with a state is considered to be student aid if that employment is based on the student's financial need for assistance to pay for educational expenses.

Non-need-based earnings are not to be considered as 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. Another example would be a job cleaning the labs in the Chemistry Department on campus, if the Chemistry Department hired the student using non-need-based criteria and funds.

CROSSOVER PERIODS

Crossover periods are payment, award, or loan periods that overlap two award years. In general, you may choose which award year EFC to use for a student, with two exceptions: When more than six months of a Pell Grant or ACG/SMART grant recipient's payment period falls into one award year, the payment period must be placed in that year, and when awarding FWS to a student not attending classes, the EFC for the next period of enrollment must be used.

The following chart summarizes the key flexibilities and options in handling crossover payment periods in the major Title IV programs. Note that for the award year selected, the student must have an official EFC calculated by the CPS, and for a Pell Grant the CPS must also have processed a valid SAR or ISIR.

Crossover in Pell
For more detail on calculating Pell awards in crossover, summer, minisession, and transfer situations, see Volume 3, Chapter 3.

EFCs for periods other than 9 months
For detail on how to handle FFEL, Direct Loans, and Campus-Based Programs that are based on an enrollment period of other than 9 months, see Alternate EFCs in Chapter 3 of Volume 1 of the FSA Handbook.

Handling Crossover Periods for Title IV Programs

FSA Program	Applicable crossover period	Choice of award year EFC?	Use same award year EFC for all students in crossover period?	Use same award year, EFC, COA, and need to award a student other aid from FSA?	Use funds from the same award year as EFC?	Choice of academic year for annual loan limit regardless of award year EFC used?
Pell Grant	Payment period	Yes, unless more than 6 months of payment period is in one award year	No	Not applicable	Yes	Not applicable
ACG/National SMART	Payment period	Yes	No	Yes, except for Pell Grant	No, disbursement from award year in which Pell Grant was received	Not applicable
Perkins	Payment period	Yes	No	Yes, except for Pell Grant	No	Yes, but it is an award year limit. Choice still applies regardless of the disburse-ment award year
FWS	Award period	Yes, if student attending classes. (If student not attending, must use EFC for next period of enrollment	No	Yes, except for Pell Grant	No, disbursement from award year in which hours were worked	Not applicable
FSEOG	Payment period	Yes	No	Yes, except for Pell Grant	No	Not applicable
FFEL/DL	Loan Period	Yes	No	Yes, except for Pell Grant	Not applicable	Yes, for term-based credit-hour programs using SAY. Not relevant for BBAY.

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

Veterans and Americorps benefits

For FSA purposes, veterans education benefits are treated as estimated financial assistance (EFA), not as income, and therefore are not reported as income on the FAFSA. Americorps benefits are also considered Estimated Financial Assistance. However, you may exclude as EFA a portion of any subsidized DL 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 estimated financial assistance. It should be reported as untaxed income (not income earned from work) on the FAFSA.

Chapter 30 Montgomery GI Bill benefits and Americorps 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 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.

Veterans and Americorps 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). An exception in the HEA to the above is that Chapter 30 is not considered Estimated Financial Assistance when determining eligibility for a subsidized Stafford loan.

FFEL: 34 CFR 682.200
DL: 34 CFR 685.102

Your school may exclude a portion of a subsidized Stafford loan from resources, not to exceed the amount of Chapter 30 veterans benefits or Americorps benefits, is described in the General Provisions for the Campus-Based programs.
34 CFR 673.5(c)(4)

Treatment of Combat Pay

GEN-05-16, Q&A # 17

Packaging example: Veteran educational benefits exclusion

Penny is a first-year, independent undergraduate student with an EFC of 1800, a Pell Grant of $2,560, and Chapter 30 Montgomery GI Bill benefits of $9,600. She enrolls in a four-year program at Frisson College, where her need is $13,100 ($14,900 COA - 1800 EFC). After considering her Pell grant and GI Bill benefits, Penny's remaining need is $940, so it appears that she is eligible for a subsidized Stafford loan for that amount.

	$14,900 COA
less	**$1,800 EFC**
	$13,100 Need
less	**$2,560 Pell Grant**
	$10,540
less	**$9,600 Ch 30 VA Benefits**
	$940 remaining need

However, Chapter 30 veterans' benefits do not count as Estimated Financial Assistance for subsidized loans. Penny's need less her Pell Grant without consideration for the Chapter 30 VA benefits produces a need of $10,540. As a 1st year independent undergraduate student, she can receive the full annual maximum of $3,500. At this point her aid package includes the following:

	$13,100 need
less	$ 2,560 Pell
	$10,540
less	$3,500 Subsidized Stafford
	$7,040 remaining need

Frisson can now consider her for Campus-Based aid if they choose to exclude the subsidized loan (up to and not to exceed the amount of the VA active-duty benefits). For example Penny has $13,100 remaining need, less her $2,560 Pell Grant, less $9,600 in VA benefits:

	$13,100 Need
less	$2,560 Pell
	$10,540
less	$9,600 VA Benefits
	$940 Remaining need
less	$940 FSEOG

So, Penny's aid package totals as below:

$2,560	Pell
$9,600	VA Benefits
$ 940	FSEOG
$3,500	Subsidized Stafford
$16,600	

Even though Penny's assistance now totals $16,600 (more than her COA of $14,900), which exceeds her need AND her cost of attendance, this is not considered an overaward or overpayment.

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 estimated financial assistance when you initially package aid for the student, you must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Coordination with Bureau of Indian Affairs grants

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

Reserve Educational Assistance Program (REAP or Chapter 1607

A new veterans education benefit program referred to as REAP or Chapter 1607 was signed into law on October 28, 2004. It is for reservists who serve on active duty on or after September 11, 2001, under Title 10 U.S.C. for a contingency operation and who serve at least 90 consecutive days or more. National Guard members also are eligible if their active duty is under section 502(f), Title 32 U.S.C. and they serve for 90 consecutive days when authorized by the President or Secretary of Defense for a national emergency and that active duty is supported by federal funds. Disabled members who are injured or have an illness or disease incurred or aggravated in the line of duty and who are released from active duty before completing 90 consecutive days are also eligible. The U.S. Department of Defense will identify contingency operations that qualify for benefits under Chapter 1607.

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.

Vocational Rehabilitation Packaging

Trevor has $4,000 in vocational rehabilitation aid for the 07-08 academic year. At Friedman University, Trevor has a COA of $5,000. He is eligible for a $4,000 Pell Grant. Friedman must coordinate funding with the vocational rehabilitation agency to ensure that Trevor's total financial aid package, including both Title IV and vocational rehabilitation, does not exceed his need. Trevor has $2,000 of disability costs that are not met by his vocational rehabilitation award, so $2,000 may be added to his COA.

BIA Grants

34 CFR 673.6

Packaging Byrd Scholarships with other FSA funds

Under Byrd regulations that took effect in September 1993, the State Education Agency awarding the Byrd Scholarship must ensure that the total amount of federal financial aid awarded to the Byrd Scholar does not exceed the scholar's total cost of attendance. If any federal loans are part of the scholar's financial aid package, they must be reduced prior to reducing the Byrd Scholarship. If the scholar is receiving a Pell Grant, though, the Byrd Scholarship must be reduced prior to reducing the Pell Grant. Section 419 J of the Higher Education Act, as amended, states that a Federal Pell Grant must not be reduced on the basis of the receipt of a Byrd Scholarship.

Reserve Educational Assistance Program (REAP/Chapter 1607)
DCL GEN-05-16

As with all veterans benefits, Chapter 1607 benefits are not taxable and will not be used in the EFC calculation. However, Chapter 1607 benefits are considered EFA under the Campus-Based regulations (34 CFR 673.5) and under the FFEL and the Direct Loan Program regulations (34 CFR 682.200 and 34 CFR 685.102).

A school must account for REAP/Chapter 1607 benefits as "estimated financial assistance," beginning with the 2005-2006 award year, excluding retroactive payments made for previous award years.

TREATMENT OF OVERAWARDS

Campus-based overaward thresholds
Campus-based aid need not be reduced if the overaward doesn't exceed $300, which is the overaward threshold for all Campus-based programs. Note that the $300 threshold is allowed only if an overaward occurs after Campus-based aid has been packaged and the school was unaware, the student would receive additional funds.

The threshold does not allow a school to deliberately award Campus-based aid that, in combination with other resources, exceeds the student's financial need. (see Volume 5 - Overawards, Overpayments, & Withdrawal Calculations.)

ACG/SMART Overaward limitation
HEA 401A(d)(1)(B)(i)
34 CFR 691.62(c)

If, **at any time during the award period**, the student receives additional Estimated Financial Assistance that were not considered in calculating the student's eligibility for Campus-Based and/or ACG/SMART aid and if the Estimate Financial Assistance combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.

The treatment of overawards in the Stafford/PLUS programs depends on whether the loans have been fully disbursed. See Chapter 1 of *Volume 5* of the *FSA Handbook* for a full discussion of overawards.

There is a $300 overaward tolerance for the Campus-Based programs. If the student's package is overawarded by $300 or less (as a result of a late outside award, not the school's awarding methodology) and Campus Based funds are part of the package, you can consider the student to not be overawarded; however, this overaward tolerance does not apply if the student has a ACG/SMART grant as part of his/her aid package.