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# Recalculations and Overpayments

*The student's circumstances can change after the award has been calculated and paid. The school may also discover after paying the student that the student received more than he or she was eligible for. In this chapter, we discuss when a school is required to recalculate an award, and what the school does about overpayments.*

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## RECALCULATIONS

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.

Recalculation for EFC Change Cite  
*34 CFR 690.80(a)*

### *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 an output document. 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.* Some students must update certain items, such as dependency status, household size, and the number in college (see the *FSA Handbook: Student Eligibility [Volume 1]* for details).
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.

If the new EFC would change the amount of the Pell award, the school must recalculate the Pell award for the entire award year. If, as a result of the recalculation, the student has received more than his or her award amount, then the student has received an overpayment. In some cases, the school can adjust an award by reducing or canceling

later payments to the student in the same award year. See “Overpayment” in this chapter for more information on handling overpayments.

### ***Valid output document***

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.

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Verification Exception Cite  
*34 CFR 668.60(c)(1)*

### ***Verification exception***

A student selected for verification can’t **increase** his or her eligibility if the school obtains the corrected output document during the “verification extension” period (120 days after the student’s last day of enrollment, not to extend beyond August 31, 2004). For example, if the student submits a reprocessed SAR during the extension period and the SAR has a lower EFC than the previous SAR (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.

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Recalculation for Enrollment Status Change Cite  
*34 CFR 690.80(b)*

### ***Change in Enrollment Status***

Pell Grant 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.

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Required Recalculation Example  
*Edmund registers for a full-time course load (15 credit hours), and Hart University calculates his Pell Grant based on full-time enrollment. Hart disburses Edmund’s Pell 10 days before the term starts. When the term starts, Edmund only begins attendance in three classes (9 credit hours). Hart needs to recalculate Edmund’s Pell award based on the lower enrollment status. Any difference between the amount Edmund received and his new recalculated award is an overpayment (see “Overpayment,” in this chapter for information on handling overpayments).*

### ***Required recalculation***

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 doesn’t begin attendance in **all** of his or her classes, the school **must** recalculate the student’s award based on the lower enrollment status.

A student is considered to have begun attendance in all of his or her classes if the student attends at least one day of class for each course in which that student’s enrollment status was determined for Federal Pell Grant eligibility. A school must have procedures in place to know whether a student has begun attendance in all classes for purposes of the Federal Pell Grant Program. The Department does not dictate the method a school uses to document that a student has begun attendance. However, a student is considered not to have begun attendance in any class in which the school is unable to document that attendance.

### *Optional recalculation*

The regulations don't require any recalculation for changes in enrollment status after the student has begun attendance in all of his or her classes. However, the school can 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. If the school establishes a policy allowing optional recalculations, this policy must be in writing.

A school can 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 can 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 isn't 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.

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

If a school doesn't 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. However, if the school doesn't have a valid output document until after the enrollment status change, the payment amount is based on the enrollment status at the time the output document was received by the school. A more drastic change in enrollment status, when the student withdraws from school completely, is discussed in Chapter 6 of the *FSA Handbook: Institutional Eligibility and Participation (Volume 2)*.

### *Change in Cost of Attendance*

Schools aren't 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's 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 can't combine the two costs or average them.

### *COA changes between payment periods*

A school may have a policy of recalculating 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 a 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.

#### Enrollment Change within Payment Period Example

*Emma registers full time at Woodhouse College, submits a SAR, and begins attending all of her classes. Woodhouse calculates a full-time award but, by the time Emma comes to pick up the check, she's dropped to half-time enrollment. Depending on the school's recalculation policy, Emma may still be paid based on full-time enrollment as long as she's still otherwise eligible for the payment. On the other hand, if Woodhouse didn't receive a valid output document for Emma until after she'd dropped to half-time enrollment, the Pell calculation would be based on her enrollment status at the time the output document was received (half time).*

#### Recalculation for COA Change Cite

*34 CFR 690.80(c)*

### *COA changes within a payment period*

Schools also have the option to establish a policy to 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's carried out for all students whose costs change within the payment period. Note that a school can 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.

The school can't 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.

## OVERPAYMENTS

In general, a student is liable for any Pell overpayment made to him or her. A Pell overpayment is created whenever a student receives Pell funds that exceed his or her eligibility.

Liability for Overpayment Cite  
*34 CFR 690.79*

### *Exceptions to Student Liability*

There are some exceptions to holding a student liable for a Pell overpayment. A student is not liable for a Pell overpayment when the school is liable for it. Your school is liable for any amount of a Pell overpayment (including amounts under \$25) that occurred because your school failed to follow the procedures in 34 CFR parts 668 and 690. If your school makes a Pell overpayment in any amount for which it is liable, you must immediately restore an amount equal to the overpayment to your Pell account. The school may attempt to collect the amount of the overpayment from the student after it has returned the funds, but the debt is not considered a Title IV debt.

### Overpayment De minimus Amounts

*A student is not liable for, and your school is not required to attempt recovery of a Pell Grant overpayment if the amount of the overpayment is less than \$25 and is not a remaining balance.*

A student is not liable for a Pell overpayment that is less than \$25 and is not a remaining balance. The student Pell overpayment under \$25 that meets this condition will not affect the student's Title IV eligibility. Further, for a student Pell overpayment that meets this condition, your school is not required to attempt recovery of the overpayment, report it to NSLDS, or refer it to the Department.

### Implementing New De minimus Overpayment Regulation

*In accordance with the authority provided in section 482(c) of the HEA, the Secretary has allowed that schools may, at their discretion, implement the above revision to 690.79 before they are required to on July 1st, 2003. Doing so may reduce administrative burden on your school.*

A remaining balance less than \$25 occurs when the overpayment amount for which the student was responsible was originally \$25 or more, but is now less than \$25 due to payments made. In this case, the student would still be responsible for fully repaying the Pell overpayment amount even though it is under \$25.

### ***Actions to Take When Student is Liable***

When a student is liable for the Pell overpayment, there are certain actions that the school must take. If you can eliminate the Pell overpayment by adjusting later Pell payments in the same award year (not a different award year), the student is no longer liable. When that is not possible, the school must promptly attempt to recover the Pell overpayment by sending a written notice to the student requesting the repayment of the overpayment. The written notice must state that, if the student fails to make satisfactory repayment arrangements to the holder of the overpayment, the student will be ineligible for additional Title IV funds until final resolution of the overpayment. The written notice can be delivered by electronic means as well as via paper methods.

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

If, after notification and consideration of any student's objection, the student still has not repaid or made satisfactory arrangements to repay the Pell overpayment, the school must take further action. If the Pell overpayment is not resolved, the school must refer the overpayment to the Department with the required information.

After referring the unresolved Pell overpayment to the Department for collection, the school is not required to make any further attempt to collect the Pell overpayment. Your school must also report to NSLDS the unresolved Pell overpayment. See Volume 1, Chapter 8 for specific information on referring the unresolved Pell overpayment to the Department and reporting it to NSLDS.

### ***Reporting Overpayment Collected to COD***

If your school collects or repays a Pell overpayment, you must report to COD the decrease in the student's award. You can also use COD to report a decreased award after the general disbursement record submission deadline. For the 2003-2004 award year, decreased award reports will be processed at least through September 30, 2008. If a student repays a Pell overpayment for a prior award year, the school must deposit the funds in its Pell account and report to COD the decrease in the student's award. See Chapter 3 of this volume for more information on reporting decreased Pell awards.

### ***Impact of Overpayment on Student Eligibility***

In general, a student is not eligible to receive FSA funds if he or she is liable for a Pell overpayment. However, a student who receives a Pell overpayment may still be eligible to receive FSA funds if the student pays the overpayment in full; the student makes arrangements, satisfactory to the holder of the debt, to pay the overpayment; or the school can eliminate the overpayment by adjusting later Pell payments in the same award year. See Volume 1,

Chapter 8 for further details on student eligibility and overpayments.

### PREVENTING OVERAWARDS

An overaward is an amount that exceeds the student's financial need. The Pell Grant is regarded as the first source of assistance to the student and thus isn't adjusted to take into account other aid, even if the student's combined aid package exceeds the student's need.

#### *Resources and Estimated Financial Assistance*

To help prevent overawards, an estimate of the student's Pell eligibility is included as a resource in determining campus-based aid or estimated financial assistance in determining Stafford or Direct Loan amounts. The sum of the student's EFC, Pell, campus-based aid, FFEL or Direct Loans, and any other aid and resources can't exceed the student's COA. The school may need to reduce aid it controls (other than the Pell Grant) if it discovers the student might otherwise receive an overaward. (See the *FSA Handbook: Student Eligibility [Volume 1]*.) 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.

#### *Pell Rules for NCAA Student Athletes*

The National Collegiate Athletic Association (NCAA) has rules limiting the amount of aid student athletes may receive, but these rules may not limit Pell Grant funds. Student athletes must receive the full amount of any Pell Grant for which they are eligible. If the student's potential aid plus the student's Pell Grant exceeds the NCAA limits, the school must reduce any aid over which it has control (for example athletic scholarships), **not** the Pell Grant.

**Overaward Example**

*Bill is awarded a \$4,050 Federal Pell Grant and a \$1,000 FSEOG to attend Kaler Junior College and enrolls in the fall term. His annual cost of attendance is \$6,100.*

*The total aid awarded is \$5,050, well within Bill's need.*

*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 isn't reduced if the student receives other aid.*

*The school must reduce Bill's FSEOG to prevent an overaward. (Otherwise, his total aid, \$6,550, would exceed his cost of attendance [\$6,100] by \$450.) The FSEOG award must be reduced by \$450, to \$550.*



