



USA Funds University

Cost of Attendance and Packaging

Arizona Symposium
April 9, 2010

Special Note

This publication is for the benefit of financial aid administrators. It is intended to provide current information and is not intended to be legal advice. This manual contains material related to Federal Title IV student aid programs. This manual has neither been reviewed nor approved by the U.S. Department of Education. USA Funds® disclaims all responsibility for any claim arising from reliance on the information provided.

© Copyright 2010 United Student Aid Funds, Inc. All Rights Reserved.

Questions regarding the content of this publication should be addressed to USA Funds University (M482), 11100 USA Parkway, Fishers, Indiana 46037 or by calling (317) 595-1411.

Budget Construction

The Higher Education Act of 1965, as amended, defines the cost of attendance components for Title IV programs. Prior to awarding funds to students for a specific academic year, financial aid administrators first must determine the cost of attendance at the institution. The COA is an actual or estimated amount it will cost a student to attend school for a specific period of time (usually the program length, term or academic year). Budgets should be a reasonable and realistic estimate of costs a student could expect to incur during a specific time frame. Underestimated or overestimated budgets do not give students a reasonable picture of what they will need to cover costs.

A COA comprises several different components, which may vary because of differences in programs or geographic areas. Financial aid administrators are responsible for creating a systematic method of developing the cost of attendance, or student's budget. A regular review of student budget components is necessary to ensure the use of reasonable figures. Data to compile student budgets is available from a wide range of sources, both within the school and externally. While some COA components, such as tuition and campus housing costs, are established by schools' administrations, other figures must be determined by financial aid offices. The Bureau of Labor Statistics provides information on cost of living standards based on regional costs across the country. Financial aid associations can be helpful in determining the appropriate amounts for budget components.

Cost of Attendance Components

Cost of attendance components vary depending on the student's enrollment status, location and method of study.

	At least half-time	Less than half-time	Correspondence study	Incarcerated
Tuition and fees	X	X	X	X
Books and supplies	X	X	X	X
Room and board	X	X**	X***	
Transportation expenses	X	X	X***	
Miscellaneous personal expenses	X			
Loan fees	X			
Dependent care expenses*	X	X		
Disability-related expenses*	X			
Study abroad expenses*	X			
Cooperative education expenses*	X			
Professional credentials*	X			

* **Included on a case-by-case basis only.**

** **Three semesters total with no more than two of those being consecutive.**

*** **Only for costs related to required residential training.**

Adapted from NASFAA Monograph 20.

Trainer's Tidbit

Per HEA Sec. 479A, if the cost of attendance does not accurately reflect a student's actual cost, financial aid administrators may make adjustments to the COA components through the professional judgment process.

Tuition and Fees

HEA Sec. 472(1).

Institutional charges, such as tuition and fees, typically are determined each year by schools' governing boards. Actual or average charges for tuition, equipment, materials and supplies that are required of all students should be included in the COA.

Tuition and fee components are compiled based on students with the same enrollment status (for example, full-time or half-time). Schools may not combine the budgets for various enrollment statuses and award based on that average. Schools can, however, include in the COA additional tuition paid by students who are taking heavier than normal course loads.

Fees may vary between programs. For example, students enrolled in a chemistry program may have lab fees that would not be charged to students enrolled in business programs. In this case, schools could develop separate budgets for these two programs or use an average of all fees charged across all programs.

Books and Supplies

HEA Sec. 472(2).

The books and supplies allowance should be adequate to cover the costs of required materials. Several methods may be used to determine the cost of books and supplies at an institution. Student surveys, bookstore data or course requirements may be used by the financial aid office to establish allowances for this COA component.

Some academic programs require specific equipment such as musical instruments or lab supplies. Schools may include in the cost of attendance the cost of renting or purchasing equipment or supplies that are required of students in a specific program of study.

The cost of attendance may include the documented purchase or rental of a personal computer. A computer does not have to be required for the student's program of study. The school's policy and procedures should include information about when this allowance is permitted, any documentation required, and the frequency and amount of the allowance during a student's enrollment.

Room and Board

HEA Sec. 472(3).

Room and board figures, which vary according to where students live, are set by schools and are based on typical costs for the area.

Living Arrangements	Budget Determination
With parents	Cost established by institution. Often a smaller allowance is used.
On campus	Cost normally assessed for most residents. For example, a student sharing a double room.
Off campus	Reasonable costs incurred for area. Could be determined by researching current cost of living data, local housing markets or student surveys.

These figures cannot include costs for periods of non-enrollment or costs for spouses or dependents.

Beginning July 1, 2010, students living in military housing or receiving a basic housing allowance cannot have room expenses included in their budgets. Board expenses, however, may remain. One method financial aid administrators may employ to identify these students is a W-2 form. If Box 14 states BAH and an amount, that indicates an allowance was received.

NOTES

Transportation

HEA Sec. 472(2).

Transportation costs should include the cost of students' travel for school. Students living on campus probably can walk to class but may incur costs for a bus pass. For off-campus students commuting to school, the transportation figure should be based on the cost of taking public transportation to and from school. When public transportation is unavailable, reasonable automobile costs, including mileage allowance, tolls, campus parking fees and required automobile registration and insurance may be used.

Transportation allowances also may include expenses for out-of-state students to travel home to their permanent residences. For example, the cost of two or three round trips, economy class, between home and school is reasonable.

Extra transportation costs required for students' academic programs, such as a student majoring in elementary education and participating in student teaching, also may be included in the COA.

Trainer's Tidbit

The cost of purchasing an automobile, even on a commuter campus, is not considered an acceptable transportation expense.

Miscellaneous Personal Expenses

HEA Sec. 472(2).

The allowance for miscellaneous expenses is intended to allow students a reasonable standard of living. The allowance may include clothing, recreation and personal hygiene.

Loan Fees

HEA Sec. 472(12).

For students or parents borrowing through the Federal Family Education Loan Program or the Federal Direct Student Loan Program, schools must include in the COA any fees deducted from loan proceeds. Schools either may use actual or average costs of student loan fees. Based on institutional policy, fees deducted from private education loans borrowed by the student also may be included in the COA.

NOTES

Case Studies

Local College uses the following information to develop undergraduate COA figures. Standard budgets are based on a nine month, two semester academic year comprised of 15 hours of enrollment per semester. Budgets include tuition, fees, room, board, books, supplies, transportation, miscellaneous personal expenses and loan fees.

Tuition In-state (0-15 credit hours) Out-of-state (0-15 credit hours) 16+ credit hours	\$250/credit hour \$550/credit hour \$30/credit hour
Fees 16+ credit hour enrollment	\$300/semester \$10/credit hour
Room and Board On campus Off campus With parents	\$2,750/semester \$3,250/semester \$2,100/semester
Books and Supplies	\$575/semester
Transportation	\$900/semester
Miscellaneous Personal Expenses	\$1,000/semester
Loan Fees	\$60/semester
Dependent Care	\$1,000 per child/semester maximum
Disability Expenses	\$750/semester maximum

NOTES

Calculate the following budgets for Local College:

In-state student living with parents.

In-state student living off-campus.

Out-of-state student living on-campus.

Local College offers students a lower rate on tuition and fees for any enrollment over 15 hours, but the discounted rate only applies to those additional hours. These amounts are then added to the student's COA.

Sarah McAdams, an in-state student living with her parents, enrolls in 19 hours for the fall term and 15 hours for the spring. What will be her academic year COA?

Sarah meets with her advisor and determines that she will be eligible to graduate after the fall term. What will be her new COA based on her fall enrollment only?

NOTES

Other Cost of Attendance Considerations

On a case-by-case basis, financial aid administrators may add the following cost of attendance components to a student's total COA. The school should determine what documentation it will require and the procedure for adjusting the student's budget.

Dependent Care Expenses

HEA Sec. 472(8).

Students with dependents, including children and relatives needing special care, may have associated expenses included in their COA. These allowances are determined by the institution and may be included only when dependent care is necessary to enable the student to attend class and school-related activities.

The student should include the dependent in the student's household size on the Free Application for Federal Student Aid. The allowance amount may be the actual expense incurred by the student, or may be based on an average reasonable for the community where the student resides.

Resources for determining an average expense for dependent care include:

- ♦ Public or private off-campus care facilities.
- ♦ Schedule of fees for on-campus child care.
- ♦ Average number of hours of care per week for each dependent.
- ♦ Local social service agencies and child care services.

Disability-Related Expenses

HEA Sec. 472(9).

Budgets for students with disabilities may include special services, transportation, personal assistance, equipment and supplies. These costs should not be included if the expenses are covered by another assistance program or are provided to the student free of charge.

Study Abroad Expenses

HEA Sec. 472(7).

Schools may include reasonable costs associated with study abroad programs in a student's COA. If the study abroad program is under a consortium agreement, the courses must be approved for credit at the student's home institution. Reasonable costs should be obtained through the host institution.

Cooperative Education Expenses

HEA Sec. 472(11).

The COA for students enrolled in cooperative education programs may include reasonable costs, as determined by the school.

Professional Credentials

HEA Sec. 472(11).

Institutions have the option of including in the cost of attendance the one-time cost of obtaining a first professional license or certificate. To be included, the student must be enrolled in a program in which licensure or certification must be required by a state or commonly accepted as required in order to practice or be employed in the profession. The cost for the licensure or certification must be incurred while the student is enrolled, and this provision does not include costs associated with preparing the student for the test or examination required for licensure or certification unless the preparation is a part of the student's program of study.

NOTES

Case Study

Local College will add dependent care and disability expenses to a student's COA on a case-by-case basis, with appropriate documentation.

Henry Kowalski is an in-state student enrolled in 15 hours for the fall and spring terms. He is a widower with twin boys. He provided documentation showing he pays \$1,750 per semester in day care for each child. How will this be addressed in his COA?



Budget Restrictions

Incarcerated Students

HEA Sec. 472(6).

Students who are incarcerated in local penal institutions may have tuition, fees and required books and supplies included in their COA. Students incarcerated in federal or state penal institutions typically are not eligible for federal aid.

Correspondence Study

HEA Sec. 472(5).

COA figures for students enrolled in correspondence or online programs should include only tuition, fees, books and supplies. If residential training is required, room, board, and transportation may be included for the period of residential training. Rental or purchase of a computer may be included in the COA for students enrolled in distance education programs. Students enrolled solely in correspondence study cannot qualify for federal student aid unless they are enrolled in a degree program.

Less Than Half-Time Enrollment

HEA Sec. 472(4).

The COA for less than half-time enrollment can include tuition and fees, books and supplies, and transportation costs. Miscellaneous or personal expenses cannot be included. The school may include a room and board allowance, but this option cannot be exercised for more than a total of three semesters, of which no more than two semesters may be consecutive. On a case-by-case basis, COA for a student enrolled less than half time also may include dependent care expenses.

COA Payments or Waivers

Budgets represent the costs students pay to attend school. Adjustments to the budget may be necessary when students have their costs waived or paid by outside sources. For example, students who are resident assistants often have their on-campus room and board expenses reduced or paid in full by the institution.

There are two types of situations that may warrant an adjustment: payments and waivers. If the student's cost is actually charged by the institution and subsequently paid by another source, such as a scholarship or outside agency, that budget component should remain in the student's COA. Conversely, if the student is never charged for that particular item, such as an RA having room and board waived, then that component should be removed from the student's COA.

NOTES

Case Study

Local College waives room and board costs for all resident assistants.

Sabrina Lawrence is an in-state student living on campus and has been hired as a resident assistant for the upcoming academic year. What will be her academic year COA?

After the fall semester, Sabrina decides to find another job, but has a scholarship that will cover the cost of her room and board while living on campus. What will be her spring COA?

NOTES

Prorating COA

When awarding ACG, SMART Grants, campus-based aid, TEACH Grants, Stafford or PLUS loans, the cost of attendance should be for the entire period of enrollment. For traditional programs, standard budgets normally cover a nine-month period of enrollment. For other periods of enrollment, schools should prorate costs accordingly.

Non-Pell COA Proration Formulas

$$\frac{\text{Number of months in program}}{\text{Nine months (standard academic year)}} \times \text{Standard Nine-month COA} = \text{Prorated COA}$$

OR

$$\frac{\text{Standard nine-month COA}}{\text{Nine months}} \times \text{Number of months in program} = \text{Prorated COA}$$

Budgets for awarding Federal Pell Grants, however, always are based on the cost for a full-time student for a full academic year. According to the *2009-2010 Federal Student Aid Handbook*, "Note that prorating the cost of attendance usually does not affect the amount of Pell Grant the student receives. However, [schools are] required to report the full-time, full-year Pell budget when reporting disbursements to COD" (p. 3-42). There are two options for prorating the COA for Pell Grant awarding:

Pell COA Proration Formulas

Option 1

Multiply the lesser of the following formulas by the program's COA.

$$\frac{\text{Credit/Clock hours in AY}}{\text{Credit/Clock hours in program}} \quad \text{OR} \quad \frac{\text{Weeks in AY}}{\text{Weeks in program}}$$

NOTES

Option 2

Multiply the hours-based costs by the prorated hours cost, multiply the remaining COA components by the prorated hours and add the two resulting figures together.

$$\frac{\text{Credit/Clock hours in AY}}{\text{Credit/Clock hours in program}} \times \text{Program costs for: tuition, fees, books, supplies and loan fees} = \text{Prorated Hours-based Costs}$$

$$\frac{\text{Weeks hours in AY}}{\text{Weeks hours in program}} \times \text{Program costs for: room, board, transportation, miscellaneous personal expenses, dependent care, disability, study abroad and cooperative education} = \text{Prorated Weeks-based Costs}$$

$$\text{Prorated Hours-based Costs} + \text{Prorated Weeks-based Costs} = \text{Total COA}$$

Case Studies

Local College has a few six-month programs on campus that require the financial aid office to prorate the standard COA. Local College also prorates the COA tuition, books, supplies and transportation expenses in the COA if a student is enrolled in fewer than 15 hours in a semester. All other expense categories in the standard budget remain the same, regardless of enrollment.

Dave Thompson is an out-of-state student living on campus and enrolled in a six-month program. He is not eligible for Federal Pell Grants. What will be his COA?

Dave decides to change programs and enrolls for a nine-month program. However, he cannot afford to attend full time, so he enrolls for seven hours for the fall and seven hours for the spring terms. What will be his academic year COA?

Putting It To Work

The topics covered in this training session are conveyed in general terms to encompass learners from all types of postsecondary institutions. You should consider how the concepts covered in the training session apply to your school.

Schools often are given flexibility in administering and applying guidelines to certain federal student aid programs. That's why it is essential that you discuss these items (shown below) with your supervisor.

Your supervisor can give you institution-specific guidelines on how the material we discussed in this training session can be applied to your job.

1. Who at my institution oversees the creation of student budgets?

2. What sources does my school use to determine COA allowances?

3. What COA components does my school use?

4. What are the categories of budgets at my school (for example, undergraduate, graduate, in-state, out-of-state, on-campus, off-campus)?

5. Does my school use professional judgment to adjust COA allowances?

Trainer's Toolkit

The Trainer's Toolkit is a listing of terms, Web sites and reference material directly related to Budget Construction.

Terms, Acronyms and Abbreviations

ACG

Academic Competitiveness Grant.

The Academic Competitiveness Grant provides up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year of undergraduate study to students who are eligible for a Federal Pell Grant and who have successfully completed a rigorous high school program, as determined by the state or local education agency and recognized by the U.S. Secretary of Education. Students enrolled at least half time qualify for prorated grant amounts.

AY

Academic Year.

An undergraduate academic year for credit-hour programs must consist of at least 30 weeks of instructional time. An undergraduate clock-hour program must consist of at least 26 instructional weeks. For a graduate or professional program of study, an academic year is a period of at least 30 weeks of instructional time.

Campus-Based Aid Programs

Federal Perkins Loans, Federal Work-Study and Federal Supplemental Educational Opportunity Grants are the three campus-based aid programs. Campus-based aid programs are federal financial aid programs administered by the institution, rather than ED. ED provides a fixed pool of money to participating schools, with some programs requiring a contribution from the institution as well.

COA

Cost of Attendance.

The total estimated cost for a student to attend school, including tuition and fees, room and board, allowances for books and supplies, transportation and personal and incidental expenses.

Federal Pell Grant

Federal Pell Grants are the foundation of financial aid awards for students who demonstrate financial need. Because it is the foundation of financial aid award packages, Pell Grant funds always must be awarded to students who are eligible. Students' eligibility is based on the Expected Family Contribution as calculated from information provided on the FAFSA.

Federal Stafford Loans

Federal Stafford loans are available to undergraduate and graduate students enrolled at least half time. Students may borrow up to established annual loan limits, based upon their grade level. Stafford loans may be subsidized (need-based) or unsubsidized (non-need-based). Recipients have a six-month grace period upon ceasing to be enrolled at least half time.

FT

Full Time.

Federal regulations specify a minimum standard full-time definition for undergraduate students but not for graduate students. For graduate and professional students, the school must define what comprises full-time status for each graduate program based on standards developed by the school. For undergraduates, full-time status must be at least one of the following:

- ♦ 12 semester hours or 12 quarter hours per academic term in an educational program using a semester, trimester or quarter system.
- ♦ 24 semester hours or 36 quarter hours per academic year for an educational program using credit hours but not using a semester, trimester or quarter system, or the prorated equivalent for a program of less than one academic year.
- ♦ 24 clock hours per week for an educational program using clock hours.

HEA

Higher Education Act of 1965, as amended.

The HEA is the law that authorizes most federal programs and activities that assist and enable students to enter and succeed in postsecondary education. The primary focus of the HEA is student aid, in the form of grants, loans and work-study assistance.

HT

Half Time.

To be enrolled half time, a student must be taking at least half of the course load of a full-time student. Your school defines a full-time workload, but undergraduate programs must meet the minimum standards set by ED. The school has sole discretion to define its graduate program enrollment requirements, but half-time enrollment for a graduate student also must equate to at least half of the school's full-time enrollment requirement.

LTHT

Less Than Half Time.

To be enrolled less than half time, a student must be taking less than half of the course load of a full-time student. Your school defines a full-time workload, but the definition must meet the minimum standards set by ED.

NASFAA

National Association of Student Financial Aid Administrators.

www.nasfaa.org.

NASFAA supports financial aid professionals at colleges, universities and career schools. NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis and professional development for financial aid administrators.

National SMART Grant

National Science and Mathematics Access to Retain Talent Grant.

A National SMART Grant provides up to \$4,000 for each of the third and fourth years of undergraduate study to students who are eligible for a federal Pell Grant and are majoring in physical, life or computer sciences, mathematics, technology or engineering, or in a foreign language determined critical to national security. The recipient also must have maintained a cumulative grade point average of at least 3.0 in coursework related to the major. The National SMART Grant is awarded in addition to the Pell Grant award.

PJ

Professional Judgment.

PJ is the delegation of authority from the federal government to a financial aid administrator to make changes on a case-by-case basis when extenuating circumstances exist.

PLUS

Formerly Parent Loans for Undergraduate Students.

PLUS loans are federal loans available to parents of dependent undergraduate students and to graduate/professional students. Borrowers may obtain up to the full cost of education, less the amount of any other financial aid received or anticipated. Borrowers must not have adverse credit, as defined in regulation, to qualify for a PLUS loan.

TEACH Grant

Teacher Education Assistance for College and Higher Education Grant.

The College Cost Reduction and Access Act of 2007 created the TEACH Grant program. The program provides grants of up to \$4,000 per year to students who intend to teach in a high-need subject area in a public or private elementary or secondary school that serves students attending Title I schools. In exchange for receiving a TEACH Grant, recipients must agree to teach full time for at least four academic years within eight academic years. If this obligation is not met, the TEACH Grant converts to an unsubsidized Direct Stafford loan.

References, Resources and Web Sites

U.S. Department of Education

2009-2010 Federal Student Aid Handbook

Application and Verification Guide.

Volume 3: Calculating Awards and Packaging.

Chapter 2: Cost of Attendance (Budget).

www.ifap.ed.gov.

National Association of Student Financial Aid Administrators

Monograph 20: Developing the Cost of Attendance

June 2007.

www.nasfaa.org/PDFs/2007/Monograph20.pdf.

Other Resources

National Council of Higher Education Loan Programs

Blackline of P.L. 110-315 - HEOA into HEA Title IV - Parts A, C, E, F, H & J; Title VII, Part E.

Oct. 9, 2008.

www.nchelp.org/elibrary/index.cfm?parent=1945.

Case-Study Answers

Standard budgets are based on a nine-month, two-semester academic year comprised of 15 hours of enrollment per semester. Budgets include tuition, fees, room, board, books, supplies, transportation, miscellaneous personal expenses and loan fees. Calculate the following budgets for Local College:

In-state student living with parents.

Tuition	\$7,500	(\$250 x 15 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$4,200	(\$2,100 x 2 semesters)
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$17,370	

In-state student living off-campus.

Tuition	\$7,500	(\$250 x 15 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$6,500	(\$3,250 x 2 semesters)
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$19,670	

Out-of-state student living on-campus.

Tuition	\$16,500	(\$550 x 15 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$5,500	(\$2,750 x 2 semesters)
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$27,670	

Local College offers students a lower rate on tuition and fees for any enrollment over 15 hours, but the discounted rate only applies to those additional hours. These amounts are then added to the student's COA.

Sarah McAdams, an in-state student living with her parents, enrolls in 19 hours for the fall term and 15 hours for the spring. What will be her academic year COA?

Tuition	\$7,620	(\$250 x 15 hrs x 2 semesters + \$30 x 4 hrs)
Fees	\$640	(\$300 x 2 semesters + \$10 x 4 hrs)
Room and Board	\$4,200	(\$2,100 x 2 semesters)
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$17,530	

Sarah meets with her advisor and determines that she will be eligible to graduate after the fall term. What will be her new COA, based on her fall enrollment only?

Tuition	\$3,870	(\$250 x 15 hrs + \$30 x 4 hrs)
Fees	\$340	(\$300 + \$10 x 4 hrs)
Room and Board	\$2,100	
Books and Supplies	\$575	
Transportation	\$900	
Personal Expenses	\$1,000	
Loan Fees	\$60	
TOTAL	\$8,845	

Local College will add dependent care and disability expenses to a student's COA on a case-by-case basis, with appropriate documentation.

Henry Kowalski is an in-state student enrolled in 15 hours for the fall and spring terms. He is a widower with twin boys. He provided documentation showing he pays \$1,750 per semester in day care for each child. How will this be addressed in his COA?

Tuition	\$7,500	(\$250 x 15 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$6,500	(\$3,250 x 2 semesters)
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Dependent Care	\$4,000	(\$1,000 x 2 children x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$23,670	

Local College waives room and board costs for all resident assistants.

Sabrina Lawrence is an in-state student living on campus and has been hired as an RA for the upcoming academic year. What will be her academic year COA?

Tuition	\$7,500	(\$250 x 15 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$0	Waived due to RA position
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$13,170	

After the fall semester, Sabrina decides to find another job, but has a scholarship that will cover the cost of her room and board while living on campus. What will be her spring COA?

Tuition	\$3,750	(\$250 x 15 hrs x 1 semester)
Fees	\$300	
Room and Board	\$2,750	
Books and Supplies	\$575	
Transportation	\$900	
Personal Expenses	\$1,000	
Loan Fees	\$60	
TOTAL	\$9,335	

Local College has a few six-month programs on campus that require the financial aid office to prorate the standard COA. Local College also prorates the COA tuition, books, supplies and transportation expenses in the COA if a student is enrolled in fewer than 15 hours in a semester. All other expense categories in the standard budget remain the same, regardless of enrollment.

Tuition	\$16,500	(\$550 x 15 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$5,500	(\$2,750 x 2 semesters)
Books and Supplies	\$1,150	(\$575 x 2 semesters)
Transportation	\$1,800	(\$900 x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$27,670	
PRORATED COA	\$18,447	(\$27,670 ÷ 9 months x 6 months)

If Dave Thompson is an out-of-state student living on-campus and enrolled in a six-month program. He is not eligible for Federal Pell Grants. What will be his COA?

Tuition	\$7,700	(\$550 x 7 hrs x 2 semesters)
Fees	\$600	(\$300 x 2 semesters)
Room and Board	\$5,500	(\$2,750 x 2 semesters)
Books and Supplies	\$537	(\$575 ÷ 15 hrs x 7 hrs x 2 semesters)
Transportation	\$840	(\$900 ÷ 15 hrs x 7 hrs x 2 semesters)
Personal Expenses	\$2,000	(\$1,000 x 2 semesters)
Loan Fees	\$120	(\$60 x 2 semesters)
TOTAL	\$17,297	

Dave decides to change programs and enrolls for a nine-month program. However, he cannot afford to attend full time, so he enrolls for seven hours for the fall and seven hours for the spring terms. What will be his academic year COA?

Awarding and Award Notification

Principles for Awarding Financial Aid

Awarding, or packaging, is the process by which financial aid administrators determine students' eligibility for specific federal, state and institutional aid programs. Although awarding philosophies may vary from school to school, most institutions consider federal financial aid the backbone of all financial aid award packages. Schools are expected to ensure equitable distribution of available funds and maintain compliance with program-specific regulations and requirements while also considering the institution's educational mission.

Formulas

The primary components used to determine a student's eligibility for aid are the Expected Family Contribution, based on information reported on the Free Application for Federal Student Aid, and the Cost of Attendance, or student's budget.

Depending on the type of aid awarded, there are two basic formulas to determine students' eligibility for aid:

$$\frac{\begin{array}{l} \text{Cost of Attendance} \\ - \text{Expected Family Contribution} \\ - \text{Estimated Financial Aid} \end{array}}{\text{Eligibility for Need-Based Aid}}$$

$$\frac{\begin{array}{l} \text{Cost of Attendance} \\ - \text{Estimated Financial Aid} \end{array}}{\text{Eligibility for Non-Need-Based Aid}}$$

According to the *2009-2010 Federal Student Aid Handbook*, EFA "refers to aid from the Federal Student Aid 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...for the same period of enrollment as the Stafford or PLUS loan" (p. 3-139). Estimated financial aid could include other educational resources reported by the student prior to funds being received by the school. Some schools automatically include renewable awards as estimated financial aid. Remaining financial need is the maximum amount of additional need-based aid the student may receive.

Types of Aid

The types of federal financial aid determine which formula is used to calculate eligibility. The following is a list of the types of federal aid, and whether it is need-based or non-need-based.

Need-Based	Non-Need-Based
Pell Grants	TEACH Grants
Federal SEOG	Unsubsidized Stafford Loans
Academic Competitiveness Grants	PLUS Loans
National SMART Grants	
Federal Work Study	
Perkins Loans	
Subsidized Stafford Loans	
Health Professions Student Loans	
Loans for Disadvantaged Students	

Trainer's Tidbit

Financial need is considered when awarding ACG, SMART Grants, campus-based aid and subsidized Stafford loans. Pell Grants, however, are awarded exclusively on the basis of the EFC and the student's enrollment status.

Some outside programs, such as private scholarships, also may consider financial need in their awarding criteria.

Trainer's Tidbit

Veterans benefits are no longer treated as estimated financial assistance. As in the past, they are also not to be counted as income, and therefore are not reported as income on the FAFSA. Americorps is still considered as EFA except for the purposes of calculating eligibility for a subsidized Stafford loan.

NOTES

Case Study

Lamar is a fourth-year independent undergraduate student at your institution. Using the information below, determine his eligibility for both subsidized (need-based) and unsubsidized (non-need-based) loans.

Type of Aid	Amount	Need/Non-Need
COA	\$12,500	N/A
EFC	\$2,500	N/A
Pell Grant	\$1,860	Need-based
FSEOG	\$4,000	Need-based

How would Lamar's eligibility for subsidized and unsubsidized loans change if he has \$2,200 in Americorps benefits?

NOTES

Policies and Procedures

34 CFR 668.16(b)(4).

Federal regulations require schools to have written policies for awarding all aid programs they administer. After financial need is calculated, schools determine the makeup of financial aid awards based on federal regulations, institutional policy and availability of funds to award. The U.S. Department of Education regulates specific program requirements and financial aid administrators must comply with these requirements. Schools must make aid reasonably available to all students to the extent that specific program parameters and funding levels allow. Program-specific selection criteria and award limits must be followed and policies concerning fund distribution should be documented in writing.

Limited-Funding Programs

Schools should develop processes to determine an estimate of the total funds available to award in each of the limited-funding programs. Processes should consider annual allocations, carry-over funds, historical funding patterns and a projection of the aggregate need of the eligible student population.

Schools typically set application priority dates to help manage their limited-funding programs. They also may establish categories of applicants and prioritize the categories for packaging purposes. Funds can be awarded in successive categories until exhausted, or a portion of each funding resource can be made available to each category. Categories should not be used to consistently exclude particular types of students from consideration.

Campus-Based Programs

Campus-based programs have special awarding parameters in addition to general eligibility criteria for federal financial aid programs. For example, FSEOG and Perkins loan funds are restricted to students who demonstrate exceptional financial need. First priority for FSEOG funds must be given to Pell Grant-eligible undergraduates. Additionally, uneven disbursements of FSEOG and Perkins loans are allowed for students who have uneven resources for the terms awarded. Students enrolled in summer school or special sessions may receive campus-based aid if they meet the same eligibility criteria for students enrolled in regular sessions.

Trainer's Tidbit

According to the *2009-2010 Federal Student Aid Handbook*, "If any part of a school's FSEOG, FWS, or Federal Perkins Loan allocation is directly or indirectly based on the financial need of independent students or students who are attending part-time, then you must offer a reasonable proportion of the FSEOG allocation, the FWS allocation, and the dollar amount of the loans made from the Perkins revolving fund to such students" (p. 3-131).

NOTES

Awarding Order

34 CFR 682.201(a).
34 CFR 685.200(a).

Institutions should determine the order that federal, state, institutional and outside funds are awarded to students. The 2009-2010 (p.3-138) *Federal Student Aid Handbook* indicates that Pell Grants should be the initial source of financial aid packages. Once the Pell Grant amount is awarded, financial aid administrators determine eligibility for the other types of aid available to award. In addition to an award order, a reduction order should be developed for overaward situations.

The reduction order will vary among schools, based on the same philosophies that determine the awarding order. Some policies may adjust loans first to reduce student debt; others may adjust campus-based funds or institutional funds first so limited funds can be re-awarded to other students.

Trainer's Tidbit

Institutions use their own funding in a number of ways. Some schools award scholarships, others have grants or discretionary funds, and finally some offer loans to their students.

Sample Award Orders

Sample 1	Sample 2	Sample 3
Pell Grant	Pell Grant	Pell Grant
FSEOG	FSEOG	FSEOG
Scholarships	Federal loans	Institutional grants
Work-study	Work-study	Scholarships
Federal loans	Institutional grants	Federal loans
Private loans	Scholarships	Private loans
Institutional grants	Private loans	Work-study

NOTES

Packaging Philosophies

School packaging philosophies vary based on institution size, population demographics, availability of funds, as well as many other considerations. Institutional mission and philosophy should be considered when developing a packaging philosophy. Packaging policies should be in writing and allow qualified applicants access to educational funds to the extent practical. When developing institutional packaging policies, financial aid administrators should consider the institution’s mission and philosophy and, perhaps, consult with other campus administrators, such as:

- ◆ President/Chancellor/Chief Executive Officer.
- ◆ Fiscal Officer.
- ◆ Director of Admissions.
- ◆ Dean of Students.
- ◆ Financial Aid Colleagues.
- ◆ Faculty Members.

Packaging Models

Financial aid awards are made on an individual basis in consideration of specific student needs, costs and resources available. ED does not require schools to use a specific type of packaging model. There are, however, several basic packaging models schools commonly use when awarding financial aid. The type of packaging model chosen should encompass schools’ philosophies and structures, as well as their enrollment management goals. Schools may blend several different models or develop their own models for packaging.

First-Come, First-Served Model

Schools that award on a first-come, first-served basis award aid as applications are received until resources are exhausted. In this model, a priority application date serves as the primary factor in determining awards, especially from limited-funding programs. This model may be good for allocating institutional funds. The model is not appropriate for awarding FSEOG because regulations specify that priority be given to students with the lowest EFCs who also are Pell Grant-eligible students. Students meeting these criteria may not necessarily apply early.

Students applying early or before the priority date are more likely to receive the most desirable aid first (institutional funds or work-study before loans). Students applying late may be less likely to receive institutional funds.

Sample Awards: Priority Application Date = March 1					
Student 1		Student 2		Student 3	
Application Date	2/7	Application Date	3/1	Application Date	4/17
Pell Grant	\$3,233	Pell Grant	\$3,233	Pell Grant	\$3,233
FSEOG	\$500	FSEOG	\$500	FSEOG	\$500
Institutional grant	\$1,000	Institutional grant	\$1,000	Institutional grant	\$0
Perkins loan	\$2,000	Perkins loan	\$2,000	Perkins loan	\$0

Student 1: Received all limited-funding programs because student applied well before priority date.

Student 2: School still had institutional grant and Perkins loan funding available.

Student 3: Did not receive any limited-funding programs because student applied after priority date.

Ladder Model

Schools use financial need as the primary consideration for awarding financial aid in the ladder model. Students with similar financial need are placed on the same “rung” and awarded the same types of aid in a previously determined order. This model typically awards more desirable aid first (for example, grants before loans).

Sample Awards					
Group 1		Group 2		Group 3	
Need	\$0-\$4,999	Need	\$5,000-\$9,999	Need	\$10,000 and up
Pell Grant*	\$0	Pell Grant*	\$1,020	Pell Grant*	\$3,233
FSEOG	\$0	FSEOG	\$500	FSEOG	\$1,000
Perkins Loan	\$0	Perkins Loan	\$2,000	Perkins Loan	\$4,000

* Award amount varies based on EFC.

Group 1: Did not receive any aid from limited-funding programs due to lack of financial need.

Group 2: Received some aid from limited-funding programs due to higher financial need.

Group 3: Received higher amount of aid from limited-funding programs according to level of financial need.

Self-Help Model

The self-help model works much the same as the ladder model. The focus, however, is placed on awarding need-based self-help aid (work-study and loans) before gift aid (grants and scholarships).

Sample Awards					
Student 1		Student 2		Student 3	
Need	\$5,000	Need	\$7,500	Need	\$5,000
Pell Grant	\$0	Pell Grant	\$1,020	Pell Grant	\$3,000
FSEOG	\$0	FSEOG	\$500	FSEOG	\$1,000
Perkins loan	\$2,000	Perkins loan	\$2,000	Perkins loan	\$2,000
Subsidized loan	\$3,000	Subsidized loan	\$3,500	Subsidized loan	\$3,500
Institutional grant	\$0	Institutional grant	\$480	Institutional grant	\$1,000

Student 1: Received Perkins and subsidized Stafford loans up to need. Not eligible for other limited-funding programs.

Student 2: After Pell Grant and FSEOG, received Perkins and subsidized Stafford loan eligibility. Institutional grant awarded after self-help.

Student 3: Higher need, so more eligibility for FSEOG. Larger institutional grant awarded after self-help based on financial need.

NOTES

Equity Model

The equity model establishes equity levels based on a set dollar amount (absolute equity) or a fixed percentage of the cost of attendance. Students are awarded institutional grant funds, which when combined with EFC, Pell Grants, FSEOG and other outside gift aid, bring the total gift aid to the school's equity level.

Absolute Equity		
COA		\$14,000
Absolute Equity	-	\$5,000
EFC	\$590	
Pell Grant	\$3,760	
FSEOG	\$500	
Institutional grant	\$150	
	<u>\$5,000</u>	
Remaining need to be addressed with loans and FWS.		<u>\$9,000</u>

Fixed Percentage Equity = 40%		
COA		\$14,000
Fixed-Percentage Equity (COA x 40%)	-	\$5,600
EFC	\$590	
Pell Grant	\$3,760	
FSEOG	\$500	
Institutional grant	\$750	
	<u>\$5,600</u>	
Remaining need to be addressed with loans and FWS.		<u>\$8,400</u>

NOTES

Case Study

Your institution is considering changing its packaging philosophy. To determine how students will be affected by the various packaging models, you decide to test-package a few students with the different models.

One of the students you test is Grace, who will be a dependent, second-year student during the next academic year. Using the information below and the packaging models discussed, calculate the various award packages available to Grace.

Grace’s Application Data

Application date: March 27

COA: \$12,500

EFC: \$2,500

Pell Grant: \$1,500

Need: \$10,000

General Award Amounts (unless otherwise specified)

Maximum FSEOG = \$1,000.

Maximum Perkins loan = \$4,000.

Maximum FWS = \$2,500.

Maximum institutional grant = \$1,000.

NOTES

Notes for Each Model

First-Come, First-Served Model

Institution ran out of Federal Work-Study funds on March 15.

Ladder Model

Group 1

Need = \$1-\$7,500

Max. FSEOG = \$0

Max. Institutional Grant = \$250

Max Perkins loan = \$0

Group 2

Need = \$7,501-\$15,000

Max. FSEOG = \$500

Max. Institutional Grant = \$500

Max Perkins loan = \$2,000

Group 3

Need = \$15,001 and up

Max. FSEOG = \$1,000

Max. Institutional Grant = \$1,000

Max Perkins loan = \$4,000

Self-Help Model

Institution policy is to first award Perkins, then subsidized Stafford loans, next FWS, and finally, institutional grants.

Fixed Percentage Equity Model

Equity level is 45 percent of the COA.

Grace's Potential Awards

Complete the following table with the award order and amount based on the information provided about each packaging model.

	First-Come, First-Served Model		Ladder Model		Self-Help Model		Fixed Percentage Equity Model	
	Award Order	Amount	Award Order	Amount	Award Order	Amount	Award Order	Amount
Pell Grant	1	\$1,500	1	\$1,500	1	\$1,500	1	\$1,500
FSEOG	2		2		2		2	
Institutional Grant	3		3		3		3	
FWS	4		4		4		4	
Perkins loan	5		5		5		5	
Subsidized FFELP	6		6		6		6	
Unsubsidized FFELP	7		7		7		7	

NOTES

Award Notifications

Award notifications are not a guarantee of financial aid. Schools use award notifications to provide students with information on eligibility and funding amounts through various aid programs. The notification also may provide a means to disseminate other important information about financial aid programs, policies and procedures.

Federal regulations do not dictate a specific format or method for award notifications. Increasingly schools are sending electronic versions of award letters to students instead of mailing paper copies. Regardless of the method, award notifications that are clear and easy to understand will assist students in understanding their financial aid award, as well as reduce questions to the financial aid office.

Some key items schools may communicate through award notifications include:

- ◆ How financial need was determined, including cost of attendance and expected family contribution figures.
- ◆ Programs for which the student is eligible and the award amounts for each term during the academic year.
- ◆ Eligibility requirements for each type of aid included in the notification.
- ◆ An opportunity to accept or decline the awards offered.
- ◆ Deadlines to submit any additional documents that are required, including accepting/declining the awards.
- ◆ Anticipated date of disbursement of aid to the student or student’s account.
- ◆ Contact information for the financial aid office.

A sample award letter is included in the Trainer’s Toolkit.

Trainer’s Tidbit

As result of the Higher Education Opportunity Act, ED will establish a group of financial aid constituents to review financial aid award notifications and develop a model form "in a consumer-friendly manner that is simple and understandable" (GEN-08-12, p. 92).

NOTES

Putting It To Work

The topics covered in this training session are conveyed in general terms to encompass learners from all types of postsecondary institutions. You should consider how the concepts covered in the training session apply to your school.

Schools often are given flexibility in administering and applying guidelines to certain federal student aid programs. That's why it is essential that you discuss these items (shown below) with your supervisor.

Your supervisor can give you institution-specific guidelines on how the material we discussed in this training session can be applied to your job.

1. What packaging model does our institution use? Does our institution follow one of the standard models or an alternative version of one of the models?

2. How can I access my institution's written procedures for awarding financial aid?

3. What is the financial aid application deadline for my institution?

4. Does my institution use software that automates the awarding process?

5. In which campus-based federal student aid programs does my institution participate?

6. How does my office determine award/reduction order?

7. What order does my office use to award/reduce aid?

Trainer's Toolkit

The Trainer's Toolkit is a listing of terms, Web sites, and reference material directly related to Awarding and Award Notification.

Terms, Acronyms and Abbreviations

ACG

Academic Competitiveness Grant.

The Academic Competitiveness Grant provides up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year of undergraduate study to students who are eligible for a Federal Pell Grant and who have successfully completed a rigorous high school program, as determined by the state or local education agency and recognized by the U.S. Secretary of Education. Students enrolled at least half time qualify for prorated grant amounts.

Awarding/Packaging

The process used by institutions to combine the various forms of financial aid — including aid such as grants, loans, scholarships and work-study — for students to attend school.

Campus-Based Aid Programs

Federal Perkins Loans, Federal Work-Study and Federal Supplemental Educational Opportunity Grants are the three campus-based aid programs. Campus-based aid programs are federal financial aid programs administered by the institution, rather than ED. ED provides a fixed pool of money to participating schools, with some programs requiring a contribution from the institution as well.

CFR

Code of Federal Regulations.

The CFR is a collection of federal regulations disseminated by the U.S. government. ED's regulations are codified in Volume 34 of the CFR. Search the most recent CFR at www.access.gpo.gov/nara/cfr/cfr-table-search.html#page1 or go to www.ifap.ed.gov and click on "Code of Federal Regulations (GPO Compilation)" under "Laws & Regulations."

COA

Cost of Attendance.

The total estimated cost for a student to attend school, including tuition and fees, room and board, allowances for books and supplies, transportation and personal and incidental expenses.

ED

U.S. Department of Education.

www.ed.gov.

ED was created in 1980 when several federal agencies were combined. Its mission is to ensure equal access to education and to promote educational excellence throughout the nation. ED's purpose is to:

- ◆ Establish policies on federal financial aid for education.
- ◆ Distribute and monitor federal student aid funds.
- ◆ Collect data on schools and disseminate that research.
- ◆ Focus national attention on key educational issues.
- ◆ Prohibit discrimination and ensure equal access to education.

EFA

Estimated Financial Assistance.

The school's estimate of the amount of financial assistance that a student has been or will be awarded for the enrollment period for which a loan is sought. The EFA includes assistance from federal, state, institutional, scholarship, grant, financial need-based employment, or other sources.

EFC

Expected Family Contribution.

The EFC figure is determined by Congressionally-approved Federal Methodology need-analysis formulas. The EFC is an index that colleges use to determine financial aid eligibility.

FAFSA

Free Application for Federal Student Aid.

The FAFSA is ED's official form used to apply for aid from all federal student aid programs.

Federal Pell Grant

Federal Pell Grants are the foundation of financial aid awards for students who demonstrate financial need. Because it is the foundation of financial aid award packages, Pell Grant funds always must be awarded to students who are eligible. Students' eligibility is based on the Expected Family Contribution as calculated from information provided on the FAFSA.

Federal Perkins Loans

Federal Perkins loans are intended to assist students with exceptional need by providing long-term federal loans with a fixed interest rate of 5 percent. Interest does not accrue on Perkins loans while the student is in school and during authorized periods of deferment. Individual award amounts and awarding policies are determined by the school.

Federal Stafford Loans

Federal Stafford loans are available to undergraduate and graduate students enrolled at least half time. Students may borrow up to established annual loan limits, based upon their grade level. Stafford loans may be subsidized (need-based) or unsubsidized (non-need-based). Recipients have a six-month grace period upon ceasing to be enrolled at least half time.

FSEOG

Federal Supplemental Educational Opportunity Grant.

FSEOG is a federal grant program for undergraduate students with exceptional financial need. FSEOG grants are awarded by schools and they provide up to \$4,000 per year to students. First priority for FSEOG funds must go to students with the lowest EFC who also receive Pell Grants. If funds remain after Pell Grant recipients receive FSEOG, funds may be awarded to students with the lowest EFCs who are not receiving Pell Grants.

FWS

Federal Work-Study.

FWS is a self-help form of financial aid that provides students with part-time employment during the school year. The federal government pays a portion of the student's salary, while the employer pays the remaining portion. Eligibility for FWS is based on financial need. Money earned from a FWS job is not counted as income for the subsequent year's need-analysis process.

Gift Aid

Awards that do not have to be repaid, including scholarships, grants and waivers.

HEOA

Higher Education Opportunity Act of 2008.

The HEOA (P.L. 110-3154) reauthorized the Higher Education Act of 1965, as amended. The HEOA was signed into law on Aug. 14, 2008, with some provisions retroactively applied to the 2008-2009 academic year; others are to be implemented at dates through July 1, 2010.

National SMART Grant

National Science and Mathematics Access to Retain Talent Grant.

A National SMART Grant provides up to \$4,000 for each of the third and fourth years of undergraduate study to students who are eligible for a federal Pell Grant and are majoring in physical, life or computer sciences, mathematics, technology or engineering, or in a foreign language determined critical to national security. The recipient also must have maintained a cumulative grade point average of at least 3.0 in coursework related to the major. The National SMART Grant is awarded in addition to the Pell Grant award.

PLUS

Formerly Parent Loans for Undergraduate Students.

PLUS loans are federal loans available to parents of dependent undergraduate students and to graduate/professional students. Borrowers may obtain up to the full cost of education, less the amount of any other financial aid received or anticipated. Borrowers must not have adverse credit, as defined in regulation, to qualify for a PLUS loan.

Self-Help Aid

Awards that are earned by students through work-study or provided as loans that require repayment.

TEACH Grant

Teacher Education Assistance for College and Higher Education Grant.

The College Cost Reduction and Access Act of 2007 created the TEACH Grant program. The program provides grants of up to \$4,000 per year to students who intend to teach in a high-need subject area in a public or private elementary or secondary school that serves students attending Title I schools. In exchange for receiving a TEACH Grant, recipients must agree to teach full time for at least four academic years within eight academic years. If this obligation is not met, the TEACH Grant converts to an unsubsidized Direct Stafford loan.

References, Resources and Web Sites

Federal Legislation or Regulations

Technical Corrections Bill

To make technical corrections to the Higher Education Act of 1965, as amended, and for other purposes.

P.L. 111-39.

July 1, 2009.

www.govtrack.us.

U.S. Department of Education

2009-2010 Federal Student Aid Handbook

Volume 3: *Calculating Awards and Packaging*.

www.ifap.ed.gov.

Appendices

Appendix A

Case Study Answers

Appendix B

Sample Award Notification

Appendix A

Case Study Answers

Lamar

Lamar is a fourth-year, independent undergraduate student at your institution. He recently received Americorps benefits for \$2,200. Using the information below, determine his eligibility for both subsidized (need-based) and unsubsidized (non-need-based) loans.

Subsidized Loan Eligibility	
COA	\$12,500
EFC	- \$2,500
Eligibility for Need-Based Aid	= \$10,000
Pell Grant	- \$1,860
FSEOG	- \$4,000
Maximum Subsidized Loan	= \$4,140

Unsubsidized Loan Eligibility	
COA	\$12,500
Pell Grant	- \$1,860
FSEOG	- \$4,000
Subsidized Loan	- \$4,140
Maximum Unsubsidized Loan*	= \$2,500
*Capped at \$2,500 to not exceed COA.	

How would Lamar's eligibility for subsidized and unsubsidized loans change if he has \$2,200 in Americorps benefits?

His subsidized loan amount would not change because Americorps benefits are not included in the calculation of subsidized Stafford loans. His unsubsidized loan, however, would be reduced to \$300.

Unsubsidized Loan Eligibility	
COA	\$12,500
Pell Grant	- \$1,860
FSEOG	- \$4,000
Subsidized Loan	- \$4,140
Americorps Benefit	- \$2,200
Maximum Unsubsidized Loan*	= \$300
*Capped at \$300 to not exceed COA.	

Grace

Your institution is considering changing its packaging philosophy. To determine how students will be affected by the various packaging models, you decide to test-package a few students with the different models.

One of the students you test is Grace, who will be a dependent, second-year student during the next academic year. Using the information below and the packaging models discussed, calculate the various award packages available to Grace.

Grace's Application Data

Application date: March 27

COA: \$12,500

EFC: \$2,500

Pell Grant: \$1,860

Need: \$10,000

General Award Amounts (unless otherwise specified).

Maximum FSEOG = \$1,000.

Maximum Perkins loan = \$4,000.

Maximum FWS = \$2,500.

Maximum institutional grant = \$1,000.

Notes for Each Model

First-Come, First-Served Model

Institution ran out of Federal Work-Study funds on March 15.

Ladder Model

Group 1

Need = \$1-\$7,500

Max. FSEOG = \$0

Max. Institutional Grant = \$250

Max Perkins loan = \$0

Group 2

Need = \$7,501-\$15,000

Max. FSEOG = \$500

Max. Institutional Grant = \$500

Max Perkins loan = \$2,000

Group 3

Need = \$15,001 and up

Max. FSEOG = \$1,000

Max. Institutional Grant = \$1,000

Max Perkins loan = \$4,000

Self-Help Model

Institution policy is to first award Perkins, then subsidized Stafford loans, next FWS, then institutional grants, and finally, unsubsidized Stafford loans.

Fixed Percentage Equity Model

Equity level is 45 percent of the COA.

	First-Come, First-Served Model		Ladder Model		Self-Help Model		Fixed Percentage Equity Model	
	Award Order	Amount	Award Order	Amount	Award Order	Amount	Award Order	Amount
Pell Grant	1	\$1,500	1	\$1,500	1	\$1,500	1	\$1,500
FSEOG	2	\$1,000	2	\$500	2	\$1,000	2	\$1,000
Institutional Grant	3	\$1,000	3	\$500	3	\$0	3	\$625
FWS	4	\$0	4	\$2,500	4	\$0	4	\$2,500
Perkins loan	5	\$4,000	5	\$2,000	5	\$4,000	5	\$4,000
Subsidized FFELP	6	\$2,500	6	\$3,000	6	\$3,500	6	\$375
Unsubsidized FFELP	7	\$2,500	7	\$2,500	7	\$2,500	7	\$2,500

First-Come, First-Served Model

Grace applied by the priority date of April 1. Pell and FSEOG were awarded first, based on the general award amounts established by the school. Because she applied by the application priority date, she was eligible for the institutional grant and Perkins loans. She was not eligible for Federal Work-Study funds because the institution ran out of funds by her application date. Her remaining need of \$2,500 was met with a subsidized loan. She was eligible to obtain an unsubsidized loan of \$2,500. The total of subsidized and unsubsidized loans would be \$5,000 which is less than the maximum loan amount of \$6,500 for a dependent second-year student.

Ladder Model

Grace was eligible for all limited-funding programs, based on Group 2 award amounts. Her remaining need was met with a \$3,000 subsidized loan. Remaining loan eligibility of \$2,500 was awarded in an unsubsidized loan. Her total FFELP loan funds of \$5,500 are less than her maximum eligibility.

Self-Help Model

After awarding Pell and FSEOG, Grace was eligible for the maximum Perkins loan amount. Remaining need was met with a \$3,500 subsidized loan. She did not qualify for FWS or institutional grants because her financial need was met through loan programs first. She can, however, qualify for an additional \$2,500 in unsubsidized loans since her maximum Stafford loan eligibility is \$6,500.

Fixed Percentage Equity Model

Institutional policy sets the equity level at 45 percent of the COA, which equals \$5,625. Grace's EFC (\$2,500), combined with her Pell, FSEOG and institutional grants, total the established equity level. Based on her remaining financial need, she also qualified for the maximum Perkins and FWS awards. She had a remaining subsidized loan eligibility of \$375. Her unsubsidized loan eligibility was reduced to \$2,500 so that she would not exceed her established COA.

Appendix B

Sample Award Notification



Institution of Higher Learning

Financial Aid Award Offer 2010-2011 Academic Year

Henry Watson
10050 Morris Street
Winter Park, FL 32765

Student ID Number: 45689

Dear Student: This award offer is made based on information you and your family have provided to our office via the Free Application for Federal Student Aid or other documents requested for application clarification. We are pleased to provide the resources listed below to you as you strive to complete your educational goals. It is your responsibility to provide follow-up applications, promissory notes and other paperwork on a program specific basis to ensure that all of your awards will properly credit to your account. Documents enclosed outline specific program requirements, which may apply to your situation.

This award is also made on institutionally approved policies and funds available. This award offer must be returned to the Office of Financial Aid within 30 days of its receipt if you wish to decline or reduce an award amount.

Review the following information and indicate your program preference.

Financial Aid Program	Fall Award	Spring Award	Summer Award	Total	Accept (A) Decline (D) Reduce (R) (Circle One)
Federal Pell Grant	\$ 1,550	\$ 1,550		\$ 3,100	A
Federal Supplemental Educational Opportunity Grant	\$ 375	\$ 375		\$ 750	A
Subsidized Federal Stafford Loan	\$ 1,750	\$ 1,750		\$ 3,500	A D R
Total Awards	\$ 3,675	\$ 3,675		\$ 7,350	

The awards noted are based on your status as a FULL TIME student with an anticipated cost of attendance including tuition, fees, room, board, books and personal items of: \$ 12,500
Your calculated minimum Expected Family Contribution for the school year is: \$ 1,000

Read and sign below prior to returning the offer to the financial-aid office:

I have read and understand the information provided to me with the award, including program parameters and eligibility requirements. I understand my right to appeal in writing if I question the content of this offer.

STUDENT SIGNATURE: _____ **DATE:** _____

Types and Sources of Financial Aid

Types and Sources of Financial Aid

According to the U.S. Department of Education, the primary responsibility for funding postsecondary education falls on students and their families. Financial aid was designed to supplement students' resources. There are many types of financial aid available for students who need assistance financing their education. Financial aid administrators have been charged with assisting students in qualifying for as much funding as they are eligible to receive. To fulfill these responsibilities, financial aid administrators need to understand the types and sources of financial aid available to students and their families.

Gift Aid vs. Self-Help Aid

Financial aid can be divided into two general categories: gift aid and self-help aid.

Awards that do not have to be repaid constitute gift aid, including:

- ♦ **Scholarships.** These awards typically are merit-based, such as academic awards, athletic scholarships and community-service awards.
- ♦ **Grants.** Grants are awarded to students based on their demonstrated financial need.
- ♦ **Tuition-and-fee waivers.** These awards occur when charges are set aside by the institution the student is attending and include resident-hall assistantships, employee tuition waivers and graduate fellowships.

Self-help aid requires that the student work for the award while in school or repay the award at some point in the future.

- ♦ **Work programs.** Students may participate in the Federal Work-Study program or campus-employment programs.
- ♦ **Student loan programs.** Loan programs are offered by the federal government, private lenders and some states and institutions.

Sources of Financial Aid

Primary sponsors of the funding and regulating of financial aid programs are called the sources of financial aid. There are four main sources of financial aid awards.

- ♦ Federal government.
- ♦ State governments.
- ♦ Postsecondary institutions.
- ♦ Private sources.

Federal Government Programs

The federal government is the largest provider of financial assistance in the United States. Financial aid offices generally administer federal financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Students apply for these programs by completing the Free Application for Federal Student Aid.

Federal Pell Grant

Federal Pell Grants are the foundation of financial aid awards for undergraduate students who demonstrate financial need. Because Pell Grants are considered to be an entitlement, funds always must be awarded to students who are eligible. Students' eligibility is based on the Expected Family Contribution as calculated from information provided on the FAFSA. Students with lower EFCs demonstrate greater financial need. Thus, the neediest students are eligible for larger Pell Grants. Conversely, as EFCs increase, there is less financial need, and the award amount of the Pell Grant decreases.

Eligibility for Federal Pell Grants is limited to students seeking a first undergraduate degree. The amounts of the grants are pro-rated based on students' enrollment statuses. Unlike many other types of aid, students who are enrolled less than half time may be eligible to receive a Pell Grant. For the 2009-2010 academic year the minimum annual grant amount is \$976 and the maximum grant is \$5350.

The Higher Education Opportunity Act of 2008 allows students to receive two consecutive scheduled Pell Grant awards during a single award year, allowing them to accelerate progress toward degree completion, effective July 1, 2009.

New regulations (34 CFR 690.67) published Oct. 29, 2009, state that a second Scheduled Award may be awarded to a student in an award year if the student is enrolled for credit or clock hours that are attributable to the student's second academic year in the award year.

To qualify, students must be:

- ◆ Enrolled at least half time for more than one academic year during a single award year.
- ◆ In an associate or baccalaureate degree or a certificate program.

The HEOA limits students who first receive a Pell Grant on or after July 1, 2008, to receive awards for a maximum of 18 semesters or its equivalent. Only the percentage of time that a student is enrolled will count toward that time limit.

The HEOA allows for the EFC for a Pell-eligible student to be set to zero if a parent or guardian died as a result of military service in Iraq or Afghanistan after Sept. 11, 2001, if the student was either under 24 years of age or enrolled in an institution of higher education. ED will receive a monthly file from the Department of Defense that will be matched to FAFSA records to identify students who may be eligible to receive increased aid under this new provision.

Note: Under a very limited provision, students enrolled at least half time in post-baccalaureate teacher certification or licensure programs may be eligible for Federal Pell Grants.

Trainer's Tidbit

Iraq and Afghanistan Service Grants

Effective July 1, 2010, a new Title IV grant program will be available to undergraduate students pursuing a first baccalaureate degree who are not Pell-eligible, but whose parents or guardians died as a result of military service in Iraq or Afghanistan after Sept. 11, 2001. To qualify, the students must have been either under 24 years of age or enrolled in an institution of higher education at the time of their parents' or guardians' death. Financial need is not required and the grant award will not count as part of the EFA. Award amounts will be based on the maximum Pell Grant award for each year, including adjustments for less than full-time enrollment, and cannot exceed the cost of attendance. Funding will be subject to the federal appropriations process.

Academic Competitiveness Grant

The Academic Competitiveness Grant provides up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year of undergraduate study to eligible students who are Pell Grant recipients.

Second-year students also must have maintained a cumulative grade point average of at least 3.0 on a 4.0 scale for their first academic year of study. The Academic Competitiveness Grant is awarded in addition to the student's Pell Grant.

Recipients must have successfully completed a rigorous high-school program, as determined by the state or local education agency and recognized by the U.S. Secretary of Education, that includes the following:

- ◆ Four years of English.
- ◆ Three years of math.
- ◆ Three years of science.
- ◆ Three years of social studies.
- ◆ At least one year of a language other than English.

The Ensuring Continued Access to Student Loans Act of 2008 changed eligibility for an ACG, effective July 1, 2009, to include:

- ◆ Eligible non-citizens qualify.
- ◆ Students enrolled at least half time qualify for an ACG, with prorated awards for all recipients who are not enrolled full time in a manner similar to proration of Pell Grants awards.
- ◆ Grade level progression is redefined in terms of "year," rather than "academic year."
- ◆ For purposes of qualifying for ACG, students enrolled in one- and two-year certificate programs at degree-granting institutions will be considered first- and second-year students, respectively.

NOTES

National SMART Grant

A National Science and Mathematics Access to Retain Talent Grant provides up to \$4,000 for each of the third and fourth years of undergraduate study to eligible students who are federal Pell Grant recipients and majoring in physical, life or computer sciences, mathematics, technology or engineering, or in a foreign language determined critical to national security. The recipient must also have maintained a cumulative grade point average of at least 3.0 in coursework related to the major. The National SMART Grant is awarded in addition to the Pell Grant award.

Guidance from ED clarifies that an otherwise-eligible student can receive a National SMART Grant for a payment period only if the student is enrolled in at least one course that meets the specific requirements of the student's National SMART Grant-eligible major. It is not necessary that the course be offered by the academic department conferring the degree in the eligible major as long as the course is required for the major. Students taking only general-education classes or electives that satisfy general degree requirements for the National SMART Grant-eligible program would not be eligible for payment.

ECASLA included provisions that changed National SMART Grants, effective July 1, 2009:

- ◆ Provides fifth-year SMART grant eligibility.
- ◆ Extends eligibility to half-time students.
- ◆ Allows eligible noncitizens to qualify.
- ◆ Redefines eligible programs for liberal arts curriculums and certificate programs.
- ◆ Grade-level progression is redefined in terms of "year" rather than "academic year."

TEACH Grant

The Teacher Education Assistance for College and Higher Education Grant program provides financial assistance for students who wish to pursue a teaching career. TEACH grants are not need-based, but the student must complete the FAFSA. Students applying to, or enrolled in, teacher education programs may receive up to:

- ◆ \$4,000 per year for four years of undergraduate education.
- ◆ \$4,000 per year for two years of graduate education.

Recipients must have either a 3.25 grade point average on a 4.0 scale, or a score above the 75th percentile on at least one of the batteries in an undergraduate, post-baccalaureate or graduate school admissions test.

TEACH Grant recipients must complete an Agreement to Serve and receive counseling regarding the requirements of the TEACH Grant program prior to receiving each grant award.

Recipients agree to teach full time in a low-income school, in a designated high need field, for at least four years within eight years of graduation. High need fields include:

- ◆ Mathematics.
- ◆ Science.
- ◆ Foreign language.
- ◆ Bilingual education.
- ◆ Special education.
- ◆ Reading specialist.
- ◆ Other field approved by ED.

If a TEACH Grant recipient does not fulfill these requirements, the grant reverts to a Federal Direct unsubsidized Stafford loan and is subject to established repayment regulations. The interest on this loan will be retroactive to the date the grants were disbursed to the student.

NOTES

Campus-Based Aid

There are three federal programs that comprise campus-based aid: the Federal Supplemental Educational Opportunity Grant, Federal Work-Study and Federal Perkins Loan programs. Each year schools are allocated a certain amount of funding for FSEOG, FWS and Federal Perkins loans from the U.S. Department of Education. Although these are federal programs, schools are responsible for administering them and deciding how much funding to award to each eligible student within the federal guidelines. Not all schools participate in the campus-based programs.

Federal Supplemental Educational Opportunity Grants

This campus-based grant program provides awards to those students with the highest need based on the amount of funds available at individual institutions and their packaging policy. Amounts can range from \$100 to \$4,000. FSEOG is limited to students seeking a first undergraduate degree and priority must be given to students who are eligible for Pell Grants. An exception to the annual limits for FSEOG allows students who are enrolled in study-abroad programs to receive up to \$4,400 annually.

Federal Work Study

Federal Work-Study funds are earned by undergraduate or graduate students for part-time work in institutionally approved jobs. These jobs can be either on- or off-campus. A major portion of the FWS wages is paid by the federal government; the balance is to be paid by the employer. Students must be paid at least federal minimum wage on an hourly basis. Students receive a paycheck in exchange for their hours worked, and those who do not work a sufficient number of hours may not earn their full award. FWS earnings are excluded from the wages earned on the student's FAFSA for the following year, unlike earnings from a regular part-time job.

Schools are required to spend a minimum of seven percent of their FWS funding for community-service jobs, and must have at least one student employee who provides service to a family literacy program or serves as a reading tutor for elementary or preschool children.

The Higher Education Opportunity Act of 2008 made several changes to the FWS program effective Aug. 14, 2008:

Funds may be used to compensate students employed in projects that:

- ◆ Teach civics in schools.
- ◆ Raise awareness of government functions or resources.
- ◆ Increase civic participation, which includes compensation for training and travel directly related to civic education and participation activities.

Institutions are directed to give priority to the employment of students participating in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism and other emergency situations. Schools are also expected to ensure that any student compensated receives appropriate training to carry out the educational services required. The federal share of such compensation for these items may exceed 75 percent.

Institutions may make payments to students prevented from fulfilling Federal Work-Study obligations because of a national disaster, for the period of time not to exceed one academic year.

Trainer's Tidbit

The HEOA amended the definition of "community service" to include "responding to the needs of the community." Under this definition, community services may include activities in preparation for and during emergencies and natural disasters.

NOTES

Federal Perkins Loans

Federal Perkins loans are intended to assist students with exceptional need by providing long-term federal loans with a fixed interest rate of 5 percent. Interest does not accrue on Perkins loans while the student is in school and during authorized periods of deferment. Individual award amounts and awarding policies are determined by the school. Among the features of Federal Perkins loans are cancellation provisions, which allow borrowers to have their loans forgiven.

The HEOA increased annual Perkins loan limits to \$5,500 from \$4,000 for undergraduate students and to \$8,000 from \$6,000 for graduate and professional students. The HEOA increased aggregate Perkins loan limits to \$27,500 from \$20,000 for undergraduate students who have completed two years of study, to \$60,000 from \$40,000 for graduate and professional students, and to \$11,000 from \$8,000 for all other students.

Federal Perkins Loan		Annual Loan Limit	Aggregate Loan Limit
Undergraduate	Years 1 and 2	\$5,500	\$11,000
	Remaining periods	\$5,500	\$27,500
Graduate and Professional		\$8,000	\$60,000

Students must complete a FAFSA in order for schools to determine eligibility for available funds at each individual institution. Recipients must also complete a Master Promissory Note and entrance counseling before funds can be disbursed.

Repayment begins nine months after students graduate or cease to be enrolled at least half-time. The maximum repayment period is 10 years. Monthly payment amounts are calculated based upon the total amount borrowed, but the minimum monthly payment is \$40.

Deferments and loan cancellations are available under certain conditions for some teachers, military and law enforcement personnel, and in some cases of bankruptcy and disability.

Family Federal Education Loan Program Loans

The largest self-help program available to students is the Federal Family Education Loan Program, which consists of subsidized and unsubsidized Federal Stafford loans, Federal PLUS loans (parent and graduate or professional student) and Federal Consolidation loans. Each of these loans is borrowed from private lenders, such as banks and credit unions.

Federal Stafford Loans

Federal Stafford loans are long-term, low-interest rate loans available to students. Stafford loans disbursed on or after July 1, 2006, have a fixed interest rate during in-school, grace, deferment and repayment periods. Interest rates for Stafford loans disbursed prior to July 1, 2006, have a variable rate that is adjusted each July 1.

Eligibility for a subsidized Stafford loan is based on financial need, and the federal government pays the interest while the students are in school and during their grace and eligible deferment periods.

Unsubsidized Stafford loans are non-need-based loans and can be used to replace a student's EFC, even if they do not have financial need. Dependent students whose parents are unable to borrow PLUS loans and all independent students are eligible for additional unsubsidized Stafford funds.

NOTES

The College Cost Reduction and Access Act of 2007 provides for a reduction in borrower interest rates on subsidized Federal Stafford Loans for undergraduate students as follows:

- ◆ 5.6 percent for loans first disbursed July 1, 2009, through June 30, 2010.
- ◆ 4.5 percent for loans first disbursed July 1, 2010, through June 30, 2011.
- ◆ 3.4 percent for loans first disbursed July 1, 2011, through June 30, 2012.

The rate will revert to 6.8 percent for loans first disbursed beginning July 1, 2012.

Stafford loans have federally established annual and aggregate limits, and students are allowed a six-month grace period after they have graduated or ceased to be enrolled in school at least half time. Students are not required to make principal payments during the grace period.

Annual limits on the amount students may borrow for an academic year are based on the student's dependency status and current grade level.

Stafford Loan Limits **Effective for Stafford loans first disbursed on or after July 1, 2008**

Academic Grade Level/ Loan Type	Maximum Loan Amount	
Preparatory Coursework for Enrollment in Undergraduate Programs	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Base Stafford loan eligibility (subsidized and unsubsidized)	\$2,625	\$2,625
Additional unsubsidized Stafford loan eligibility	N/A	\$6,000
Maximum Preparatory Undergraduate Coursework Totals	\$2,625	\$8,625
First-Year Undergraduates	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Base Stafford loan eligibility (subsidized and unsubsidized)	\$3,500	\$3,500
Additional unsubsidized Stafford loan eligibility	\$2,000	\$6,000
Maximum First-Year Total	\$5,500	\$9,500
Second-Year Undergraduates		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$4,500	\$4,500
Additional unsubsidized Stafford loan eligibility	\$2,000	\$6,000
Maximum Second-Year Total	\$6,500	\$10,500
Third- and Subsequent-Years Undergraduates		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$5,500	\$5,500
Additional unsubsidized Stafford loan eligibility	\$2,000	\$7,000
Maximum Third- and Subsequent-Years Total	\$7,500	\$12,500
Preparatory Coursework for Enrollment in Graduate/Professional Programs	Dependent Student	Independent Student or Dependent Student Whose Parent is Ineligible for PLUS
Base Stafford loan eligibility (subsidized and unsubsidized)	\$5,500	\$5,500
Additional unsubsidized Stafford loan eligibility	N/A	\$7,000
Maximum Preparatory Graduate Coursework Totals	\$5,500	\$12,500

Academic Grade Level/ Loan Type	Maximum Loan Amount	
Teacher Certification		
Base Stafford loan eligibility (subsidized and unsubsidized)	\$5,500	\$5,500
Additional unsubsidized Stafford loan eligibility	N/A	\$7,000
Maximum Teacher Certification Totals	\$5,500	\$12,500
Graduate and Professional Students		
Base Stafford loan eligibility (subsidized and unsubsidized)	N/A	\$8,500
Additional unsubsidized Stafford loan eligibility	N/A	\$12,000
Maximum Graduate/Professional Total	N/A	\$20,500

The aggregate loan limit is the maximum cumulative amount for a student's entire undergraduate and graduate career. This includes all amounts that the student has outstanding in loans from Direct Loan and FFEL programs. Once this limit is reached, the student must repay some loan funds before the student can be eligible to borrow more.

ECASLA increased the undergraduate student aggregate loan limits effective for loans first disbursed on or after July 1, 2008.

Aggregate Loan Limits	
Dependent Undergraduate Student	\$31,000 (no more than \$23,000 of which may be subsidized)
Independent Undergraduate Student or Dependent Student Whose Parent Is Ineligible for PLUS	\$57,500 (no more than \$23,000 of which may be subsidized)
Graduate/Professional Student*	\$138,500 (no more than \$65,500 of which may be subsidized)

*Higher limits may apply to certain health professions students.

Because of the high costs of attendance for many students in health-related fields, certain health professions students may borrow increased unsubsidized Stafford loan amounts to replace loan funds that otherwise would have been available under the Health Education Assistance Loan Program. The HEAL program was discontinued Sept. 30, 1998.

Unsubsidized Stafford-loan borrowers are responsible for all interest that accrues during in-school and deferment periods. Repayment begins six months after the student graduates or ceases to be enrolled at least half time.

FFELP loans are insured by guarantors, which are fully or partially reimbursed by the federal government if they must purchase loans due to default or certain other reasons. Guarantors may charge up to a 1 percent federal default fee. The law requires the federal default fee to be deposited into a guarantor's reserve fund. The guarantor uses this 1-percent fee to pay lender claims and support the guarantor's default-aversion activities. The federal default fee may be deducted from the student's loan proceeds or paid by the guarantor or lender from nonfederal sources on behalf of the student.

In addition, lenders are required to pay a loan-origination fee to ED. Provisions of the Higher Education Reconciliation Act phase out Stafford origination fees in the FFELP by 2010. Lenders may pay the origination fee on behalf of Federal Stafford borrowers but are required to charge the origination fee to PLUS loan borrowers.

NOTES

Federal PLUS Loans

Federal PLUS loans are available to eligible parents of dependent students or graduate and professional students borrowing on their own behalf.

PLUS loans help parents and students meet costs of attendance. Eligibility is not based on financial need, which means that a student's EFC is not considered when awarding PLUS loans. Dependent students and parents are not required to submit a FAFSA; graduate/professional students, however, are required to submit a FAFSA to be considered for a PLUS loan. Parents and graduate/professional students may borrow up to the cost of attendance minus any other financial aid the student is receiving. Both parent and graduate/professional student borrowers, however, are subject to a credit check for adverse credit history.

ECASLA included provisions that addressed adverse credit for the period Jan. 1, 2007 - Dec. 31, 2009. The following situations may be allowed as extenuating circumstances for parent or graduate student PLUS borrowers:

- ♦ Delinquencies of up to 180 days on a mortgage for the borrower's primary residence or on medical bill payments and
- ♦ The applicant must not have been more than 89 days past due on the repayment of any other debt.

Repayment Options

Federal Stafford- and PLUS-loan borrowers may choose from several flexible options for repaying their loans.

Standard Repayment

Borrowers repaying loans under the standard repayment plan pay a fixed amount of at least \$50 each month for up to 10 years, not including deferment and forbearance periods. The repayment period length depends on the borrower's total loan amount.

Graduated Repayment

Borrowers' payments are lower at the beginning of the repayment term and increase as the term continues. An important feature of this plan is that no monthly payment will exceed more than three times any other monthly payment. Borrowers using this plan typically repay a greater amount of interest than they would under the standard repayment plan.

Income-Sensitive Repayment

Monthly payments are based on annual income and total loan amounts. As a borrower's income rises or falls, so does the student loan payment amount. Each payment must at least equal the interest accrued on the loan between scheduled payments. Borrowers must apply for this option each year.

Extended Repayment

Borrowers may repay over a 25-year period on a standard- or graduated-repayment plan if they have FFELP loans totaling more than \$30,000.

Income-Based Repayment

Effective July 1, 2009, student-borrowers who meet the definition of "partial financial hardship" can limit their monthly loan payments to 15 percent of the amount by which their adjusted gross income exceeds 150 percent of the poverty level applicable to the borrower's family size.

Federal Consolidation Loans

Consolidation loans allow borrowers to combine all qualifying educational loans into one loan with a fixed interest rate. The interest rate is based on the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest one-eighth of 1 percent, not to exceed 8.25 percent. The length of the repayment period is determined by the total education loan balance, with a maximum repayment period of 30 years. Often borrowers can obtain a lower monthly payment due to a longer repayment period. Federal Consolidation loans offer the same repayment plans to borrowers as are available through the Stafford and PLUS loan programs.

NOTES

State Government Programs

Most states offer programs to assist students with meeting their education expenses. State sponsored programs may include grants and scholarships, work programs or loans. The amount of funding available can vary dramatically from state to state.

The majority of states require that funds be used at a school within that state, and most programs also include residency requirements. The procedures for applying for these programs are different from state to state. Some states only require students to complete the FAFSA; others may require separate or additional applications.

Institutional Programs

Many postsecondary institutions offer financial assistance from their own revenues or endowments to be used at that particular school. These programs include grants and scholarships, loans and work programs. Criteria for these programs can vary widely. Some schools require separate institutional financial aid applications in addition to or instead of the FAFSA to qualify for institutional programs, and many schools establish application priority dates.

Private Resources

Many corporations and community or faith-based organizations offer grants and scholarships, and some even offer private and alternative student loan programs. Each entity sets its own selection criteria, and separate applications are usually required. Students may search for these types of resources at www.collegeanswer.com, as well as at other scholarship search engines.

NOTES

Putting It To Work

The topics covered in this training session are conveyed in general terms to encompass learners from all types of postsecondary institutions. You should consider how the concepts covered in the training session apply to your school.

Schools often are given flexibility in administering and applying guidelines to certain federal student aid programs. That's why it is essential that you discuss these items (shown below) with your supervisor.

Your supervisor can give you institution-specific guidelines on how the material we discussed in this training session can be applied to your job.

- 1. In what federal financial aid programs does my school participate?

- 2. What state-sponsored student aid programs are offered at my school?

- 3. How can students learn about scholarships and private sources of aid at my school?

Trainer's Toolkit

The Trainer's Toolkit is a listing of terms, Web sites and reference material directly related to Types and Sources of Financial Aid.

Terms, Acronyms and Abbreviations

ACG

Academic Competitiveness Grant.

The Academic Competitiveness Grant provides up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year of undergraduate study to students who are eligible for a Federal Pell Grant and who have successfully completed a rigorous high-school program, as determined by the state or local education agency and recognized by the U.S. Secretary of Education. Students enrolled at least half time qualify for prorated grant amounts.

Adverse Credit

Adverse credit is defined in the regulations as the applicant being 90 days or more delinquent on a debt or having been subject in the last five years to a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of an Federal Student Aid debt. Lenders are permitted to establish their own, more restrictive, standards but must comply with at least the minimum federal standards.

CCRAA

College Cost Reduction and Access Act of 2007.

The College Cost Reduction and Access Act (P.L. 110-84) provides numerous changes in federal financial aid administration. The CCRAA was signed into law on Sept. 27, 2007, with some provisions retroactively applied to the 2007-2008 academic year; others were implemented Oct. 1, 2007 and the majority took effect either July 1, 2008, or July 1, 2009. Technical amendments to the CCRAA were signed into law on Dec. 21, 2007 (P.L. 110-153).

Consolidation Loans

Consolidation loans allow borrowers to combine all qualifying educational loans into one loan with a fixed interest rate. The interest rate is based on the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest one-eighth of 1 percent, not to exceed 8.25 percent. The length of the repayment period is determined by the total education loan balance, with a maximum repayment period of 30 years.

Dependent Student

A student who does not meet the eligibility requirements for an "independent student," under the Higher Education Act of 1965, as amended.

ECASLA

Ensuring Continued Access to Student Loans Act of 2008.

The ECASLA (P.L. 110-227) provides numerous changes in federal financial aid administration. The ECASLA was signed into law on May 7, 2008, to ensure that students and families would continue to be able to borrow federal student loans for the 2008-2009 academic year. The bill was enacted less than one month after its introduction. Subsequent revisions clarified some of this bill's provisions.

ED

U.S. Department of Education.

www.ed.gov.

ED was created in 1980 when several federal agencies were combined. Its mission is to ensure equal access to education and to promote educational excellence throughout the nation. ED's purpose is to:

- ◆ Establish policies on federal financial aid for education.
- ◆ Distribute and monitor federal student aid funds.
- ◆ Collect data on schools and disseminate that research.
- ◆ Focus national attention on key educational issues.
- ◆ Prohibit discrimination and ensure equal access to education.

FAFSA

Free Application for Federal Student Aid.

The FAFSA is ED's official form used to apply aid from all federal student aid programs.

FAO

Financial Aid Office.

The FAO is the college or university office that is responsible for determining students' financial need and awarding them financial aid.

FDSLPL

Federal Direct Student Loan Program.

The FDSLPL is similar to the Federal Family Education Loan Program. The funds for these loans are provided by the U.S. government directly to students and their parents through their schools.

Federal Pell Grant

Federal Pell Grants are the foundation of financial aid awards for students who demonstrate financial need. Because it is the foundation of financial aid award packages, Pell Grant funds always must be awarded to students who are eligible. Students' eligibility is based on the Expected Family Contribution as calculated from information provided on the FAFSA.

Federal Stafford Loans

Federal Stafford loans are available to undergraduate and graduate students enrolled at least half time. Students may borrow up to established annual loan limits, based upon their grade level. Stafford loans may be subsidized (need-based) or unsubsidized (non-need-based). Recipients have a six-month grace period upon ceasing to be enrolled at least half-time.

FFELP

Federal Family Education Loan Program.

Loan programs authorized by Title IV, Part B of the Higher Education Act of 1965, as amended, that includes the Federal Stafford Loan, Federal Unsubsidized Stafford Loan, Federal PLUS Loan and Federal Consolidation Loan programs. These loan programs are funded by lenders, guaranteed by guarantors and reinsured by the federal government. These programs are defined individually in 34 CFR 682.

FSEOG

Federal Supplemental Educational Opportunity Grant.

FSEOG is a federal grant program for undergraduate students with exceptional financial need. FSEOG grants are awarded by schools and they provide up to \$4,000 per year to students. First priority for FSEOG funds must go to students with the lowest EFC who also receive Pell Grants. If funds remain after Pell Grant recipients receive FSEOG, funds may be awarded to students with the lowest EFCs who are not receiving Pell Grants.

FWS

Federal Work-Study.

FWS is a self-help form of financial aid that provides students with part-time employment during the school year. The federal government pays a portion of the student's salary, while the employer pays the remaining portion. Eligibility for FWS is based on financial need. Money earned from a FWS job is not counted as income for the subsequent year's need-analysis process.

Grace Period

The period that begins the day after a Stafford loan borrower ceases to be enrolled at least half time at an eligible school, ends the day before the repayment period begins, and during which payments of principal are not required.

Independent Student

A student who meets one or more of the criteria listed on the FAFSA that classify a student as independent for Title IV purposes. Students also may be classified as independent if a financial aid administrator determines and documents that the student is independent based on the financial aid administrator's professional judgment of the student's unusual circumstances.

National SMART Grant

National Science and Mathematics Access to Retain Talent Grant.

A National SMART Grant provides up to \$4,000 for each of the third and fourth years of undergraduate study to students who are eligible for a Federal Pell Grant and are majoring in physical, life or computer sciences, mathematics, technology or engineering, or in a foreign language determined critical to national security. The recipient also must have maintained a cumulative grade point average of at least 3.0 in coursework related to the major. The National SMART Grant is awarded in addition to the Pell Grant award.

PLUS

Formerly Parent Loans for Undergraduate Students.

PLUS loans are federal loans available to parents of dependent undergraduate students and to graduate/professional students. Borrowers may obtain up to the full cost of education, less the amount of any other financial aid received or anticipated. Borrowers must not have any adverse credit to qualify for a PLUS loan.

TEACH Grant

Teacher Education Assistance for College and Higher Education Grant.

The College Cost Reduction and Access Act of 2007 created the TEACH Grant program. The program provides grants of up to \$4,000 per year to students who intend to teach in a high need subject area in a public or private elementary or secondary school that serves students attending Title I schools. In exchange for receiving a TEACH Grant, recipients must agree to teach full time for at least four academic years within eight academic years. If this obligation is not met, the TEACH Grant converts to an unsubsidized Direct Stafford loan.

Title IV Aid

Federal student financial aid programs administered by ED under Title IV of the Higher Education Act of 1965, as amended, including Pell Grants, Academic Competitive Grants, National SMART Grants, Federal Supplemental Educational Opportunity Grants, TEACH Grant, Federal Work-Study Program, Federal Perkins loans, Subsidized FFEL/Direct Stafford loans, unsubsidized FFEL/Direct Stafford loans, FFEL/Direct PLUS loans for parents and FFEL/Direct PLUS loans for graduate or professional students.

References and Resources

U.S. Department of Education

Electronic Announcement

Summary: CCRAA Operational Implementation Guidance (CPS, COD System and EDESuite) — Student Aspects of TEACH Grant Processing Operational for July 1, 2008.

June 27, 2008.

www.ifap.ed.gov.

Electronic Announcement

Summary: CCRAA Operational Implementation Guidance (CPS, COD System and EDESuite) — Additional/Updated TEACH Grant Operational Implementation Information.

June 19, 2008.

www.ifap.ed.gov.

Dear Colleague Letter GEN-08-08

Subject: The Ensuring Continued Access to Student Loans Act of 2008.

Publication Date: June 19, 2008.

www.ifap.ed.gov.

Dear Colleague Letter GEN-08-01

Subject: The College Cost Reduction and Access Act of 2007, Public Law 110-84.

Publication Date: Jan. 8, 2008.

www.ifap.ed.gov.

2009-2010 Federal Student Aid Handbook

Volume 1: Student Eligibility.

Chapter 6: ACG and National SMART Grant Eligibility.

Chapter 7: Other Program-related Eligibility Requirements.

Volume 3: Calculating Awards and Packaging.

Chapter 3: Calculating Pell Grant Awards.

Chapter 4: Calculating ACG and National SMART Grants.

Chapter 5: Calculating TEACH Grants.

Chapter 7: Awarding Campus-Based Aid.

Volume 6: Campus-based Programs.

Teacher Education Assistance for College and Higher Education Grant (TEACH Grant)

Initial and Subsequent Counseling Guide.

June 16, 2009.

<https://teach-ats.ed.gov/ats/images/gen/factsheet.pdf>.

TEACH Grant Program Website

www.teachgrant.ed.gov.

Other Resources

National Council of Higher Education Loan Programs e-Library

Higher Education Opportunity Act of 2008 text integrated into sections of the Higher Education Act of 1965, as amended.

www.nchelp.org/elibrary/index.cfm?parent=1945&wwparam=1220619349.

SOURCES OF AID MATCH GAME

_____ Federal Consolidation Loan Program	1. Awards that do not have to be repaid, such as scholarships.
_____ FSEOG	2. Students work for the awards while in school or repay the awards at some point in the future.
_____ FWS	3. A grant for undergraduates based on financial need and enrollment status. It is the foundation of financial aid packages.
_____ Gift aid	4. A grant for the exceptionally needy student, awarded by the financial aid office.
_____ National SMART Grant	5. Available for the first and second years of undergraduate study to full-time students who are eligible for a Federal Pell Grant and who had successfully completed a rigorous high-school program.
_____ Pell Grant	6. Part-time employment opportunities for undergraduate and graduate students.
_____ PLUS	7. Loan based on need. Borrower is not responsible for interest during the in-school period.
_____ Academic Competitiveness Grant	8. Loan that is not based on need.
_____ Self-help aid	9. Available for the third and fourth years of undergraduate study to full-time students who are eligible for a Federal Pell Grant and are majoring in physical, life or computer sciences, mathematics, technology or engineering, or in a foreign language deemed critical to national security.
_____ Community-service activities	10. Loan that combines all qualifying educational loans into one loan with a fixed interest rate.
_____ Unsubsidized Federal Stafford loan	11. Fixed interest rate loan available to parents of dependent undergraduate students and graduate/professional students.
_____ Subsidized Federal Stafford loan	12. An institution must expend at least 7 percent of its FWS allocation on this.

SOURCES OF AID MATCH GAME

<u>10</u> Federal Consolidation Loan Program	1. Awards that do not have to be repaid, such as scholarships.
<u>4</u> FSEOG	2. Students work for the awards while in school or repay the awards at some point in the future.
<u>6</u> FWS	3. A grant for undergraduates based on financial need and enrollment status. It is the foundation of financial aid packages.
<u>1</u> Gift aid	4. A grant for the exceptionally needy student, awarded by the financial aid office.
<u>9</u> National SMART Grant	5. Available for the first and second years of undergraduate study to full-time students who are eligible for a Federal Pell Grant and who had successfully completed a rigorous high-school program.
<u>3</u> Pell Grant	6. Part-time employment opportunities for undergraduate and graduate students.
<u>11</u> PLUS	7. Loan based on need. Borrower is not responsible for interest during the in-school period.
<u>5</u> Academic Competitiveness Grant	8. Loan that is not based on need.
<u>2</u> Self-help aid	9. Available for the third and fourth years of undergraduate study to full-time students who are eligible for a Federal Pell Grant and are majoring in physical, life or computer sciences, mathematics, technology or engineering, or in a foreign language deemed critical to national security.
<u>12</u> Community-service activities	10. Loan that combines all qualifying educational loans into one loan with a fixed interest rate.
<u>8</u> Unsubsidized Federal Stafford loan	11. Fixed interest rate loan available to parents of dependent undergraduate students and graduate/professional students.
<u>7</u> Subsidized Federal Stafford loan	12. An institution must expend at least 7 percent of its FWS allocation on this.