

NASFAA MONOGRAPH



DEVELOPING THE COST OF ATTENDANCE

PRACTICAL INFORMATION FOR STUDENT AID PROFESSIONALS

Table of Contents

An Introduction to Cost of Attendance.....	1
Development of COA Principles	2
Purpose of COAs.....	2
Methods of Constructing COA Budgets	4
Responsibility.....	4
Frequency.....	4
Demographics	4
Existing Budget Information	4
Resource Availability.....	5
Sources Within the Institution.....	5
COA Components	6
Basic COA Components	7
Additional Allowances.....	13
Distance Education Programs.....	17
COA Restrictions	17
Less-Than-Half-Time Students.....	17
Correspondence Study	18
Incarcerated Students.....	18
COA Best Practices	19
Conclusion	20
Appendix A: Higher Education Act of 1965, as Amended.	
Section 472. Cost of Attendance	21
Appendix B: Higher Education Act of 1965, as Amended.	
Section 479A(a). Discretion of Student Financial Aid Administrators	24
Appendix C: Cost of Attendance Comparison Chart.....	30
Glossary	31
Resources.....	36

This Monograph is the eighth edition of a NASFAA publication that first appeared in 1977. The current edition reflects revisions resulting from the FAFSA Simplification Act, which was enacted into law as part of the Consolidated Appropriations Act, 2021, giving the U.S. Department of Education the authority to regulate cost of attendance, beginning in the 2024-25 award year. Dear Colleague Letter GEN-22-15 outlined FAFSA Simplification provisions that became effective for the 2023-24 award year, including provisions affecting the cost of attendance. As part of NASFAA’s continuing effort to assist financial aid administrators in fulfilling their professional responsibilities, NASFAA staff have updated and prepared this document to assist its members.

An Introduction to Cost of Attendance

Need analysis is the process of estimating the amount of financial assistance a student will require to supplement the resources theoretically available from the student and their family. The first component of this process is Federal Methodology, a statutory formula used to measure a family's financial strength and ability to fund educational expenses. This formula provides a consistent analysis of the data submitted on the Free Application for Federal Student Aid (FAFSA), resulting in an expected family contribution (EFC).

Cost of Attendance (COA) is the second component of the formula for determining financial aid eligibility. Financial aid administrators (FAAs) subtract the EFC from the COA to determine eligibility for various need-based financial aid programs. Therefore, FAAs must create a systematic method of developing COAs, sometimes called student budgets.

Student budgets are designed to provide students with an accurate projection of reasonable costs and to enable the financial aid office to formulate an appropriate aid package. When costs are understated, students may encounter financial difficulties which may contribute to poor academic performances, retention issues, and higher consumer debt. If students are aware of unmet need (i.e., educational costs not covered by EFC or student financial aid) in advance, they may be able to cover this need by securing alternative funding from other resources prior to the beginning of the academic year.

Student budgets are intended to cover the costs incurred by the student. If the student is married and/or has children, the household understandably has additional costs for rent, food, insurance, etc. However, basic living needs for other family members are accounted for in the formula that derives the EFC. These costs normally cannot be included in the budget for any person other than the student.

The Higher Education Act of 1965 (HEA), as amended, defines the COA components for all Title IV programs. The statutory language is shown in Appendix A. These components include direct and indirect expenses which make it possible for a student to attend college. In addition to establishing allowable costs, the HEA also specifies the allowable components to be included or excluded in a student's COA depending upon the enrollment status of the student, type of instruction, and student circumstances (summarized in Appendix C).

The COA as defined in statute must be used in determining a student's eligibility for all Title IV financial aid program funds, including the Federal Pell Grant Program, Iraq and Afghanistan Service Grant (IASG) Program, Children of Fallen Heroes Scholarship (CFHS) Program, federal campus-based programs [Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work-Study (FWS)], the Federal Direct Student Loan Program (Direct Subsidized Loan, Direct Unsubsidized Loan, and Direct PLUS programs), and the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program.

In addition to providing information useful in establishing standard COAs, this publication may be beneficial to those modifying student budgets using the professional judgment (PJ) authority provided in the law. FAAs may exercise PJ on a case-by-case basis to adjust the student's COA (or data elements used to calculate the EFC). In-depth information related to professional judgments may be found in the Monograph: Professional Judgment in Eligibility Determination and Need Analysis.

Adjustments to the COA require proper documentation and are generally accompanied by data and/or receipts collected from the student to substantiate a budget adjustment. The complete text of the professional judgment statute [Section 479A(a)] is contained in Appendix B.

Development of COA Principles

Purpose of COAs

COAs should reflect reasonable and realistic costs that a typical student in a given set of circumstances will incur, within a moderate lifestyle, to attend an institution for a given period of time. Different "typical" COAs can be constructed for different sets of circumstances that occur among the school's population of students. Properly constructed budgets help ensure equity in financial aid decisions by allowing FAAs to differentiate students according to their various degrees of financial aid eligibility, within categories of appropriately similar circumstances.

COA construction is a separate function from packaging student financial aid. Inclusion of expenses in a budget does not imply the ability or willingness of the institution to fund the costs using financial assistance. COAs are not intended to be used to attract students by suggesting low costs or to ration financial aid or limit borrowing through understated COAs or to increase financial aid eligibility by inflating costs. An overstated or understated budget inhibits the student's ability to establish and maintain an accurate planning of expenses.

Certain principles guide FAAs in devising COAs. Among these principles are the following:

Reasonableness. The guiding principle in defining any COA is reasonableness. From the earliest days of the financial aid profession, the phrase “modest but adequate” has characterized COA discussions. Following this prescriptive norm, FAAs generally accommodate a moderate standard of living when developing COAs.

Professional Judgment to Accommodate Special Circumstances. The use of standard budgets does not imply insensitivity to the needs or circumstances of individual students. Indeed, the HEA allows FAAs to utilize PJ in adjusting COAs when adequate documentation is provided. Adjustments can be made for a range of added expenses not covered in standard budgets through PJ as long as those adjustments fit into one of the statutorily defined categories. Adjustments can increase or decrease the COA. FAAs should develop institutional policies as guidelines for making exceptions to the standard rules to accommodate special expenses in the COA or to use actual expenses when the budget normally uses an average of expenses in any given category. While FAAs may adjust the cost components specified in law for an individual student, FAAs may not create new cost components.

Time period. A COA acknowledges the reasonable costs necessary for the student to attend the educational institution for a defined period of time. The COA may only include expenses that are incurred during the period of enrollment. Minimum budget component levels generally reflect a nine-month expense to correspond with a nine-month academic year. The budget component must be reasonably prorated for academic periods other than nine months or components that extend greater than nine months.

Documentation. The institution’s estimates of COA components should be data driven. The methodologies for gathering appropriate data, including sources, and for deriving estimates from that data should be specified in the financial aid office’s policies and procedures manual. The institution should maintain documentation that supports the amounts allocated to all budget components. Explaining detailed breakdowns of items included in each COA component as well as underlying assumptions is essential for consistency over time, for justifying estimates, for making PJ decisions, and for deriving consumer information.

There are two aspects to documentation: (1) documentation of the process used to develop standard COAs, and (2) documentation when adjustments are made on a case-by-case basis. Expense surveys or other national or regional data collection tools are often used in the development of standard COAs, and all aspects of the surveys should be documented, including sample survey instruments, summarized raw data, data analysis, and conclusions.

Localization. For certain kinds of expenses, the local cost of living will influence the definition of reasonable allowance levels. Housing costs are especially prone to variance based on school location. The recognition of regional, state, and even city variations in prices is essential for the COA to accurately reflect expenses. Care should be taken to distinguish the differences attributable to local costs versus personal lifestyle choices.

Methods of Constructing COA Budgets

Standardized COAs provide summaries of reasonable, expected costs to current and prospective students, to institutional administrators, and to the public. Standard COAs allow timely packaging of financial aid for large numbers of students and provide a framework from which students may appeal special circumstances and expenses not considered in the standardized costs. Some COA components are set by the institution, but allowances for other elements may be determined by the financial aid administrator. When determining standard allowances for non-fixed costs, FAAs should be aware of the proper use of categories to differentiate costs between different groups of students and not to be more generous to a certain category of students whom the institution may view as especially desirable. In making allowances for other costs, these costs must pertain to the cost of education and not unrelated costs, i.e., costs associated with guaranteeing employment of future income.

Responsibility

Responsibility for the development and maintenance of the student COA resides with the FAA. To ensure that student budgets are comprehensive and adequate, periodic reviews of the COA are necessary.

Frequency

The FAA should establish, as part of the office manual of policies and procedures, a calendar for reviewing student budgets and for collecting new data. Because expenses are affected by economic variables and other external factors, COA review is an ongoing process. Although comprehensive research may not be necessary on an annual basis, a yearly review of COAs is required. Expenses not controlled by the institution (e.g., non-institutionally controlled housing, transportation, books, and supplies) are the focus of the periodic reviews, while institutionally determined components (e.g., institutionally controlled housing, meal plans, tuition, and fees) are adjusted annually, or as changes occur. Computer expenses, however, are subject to ever-changing technological influences, which necessitates a more frequent review to avoid outdated estimates.

Demographics

The COA should reflect typical expenses encountered by students in general, and research is usually conducted using a representative sample of the entire student body. Generally, COAs are developed separately for groups of students facing similar types of expenditures. This recognizes the diversity of the student population, reduces possible anomalies in COAs, and assists the FAA by reducing the number of students for whom exceptional expenses must be documented.

Existing Budget Information

The FAA should examine what COA information already exists or is available from sources both within and outside of the institution. Data may be available from state or regional

cost of living surveys, from the U.S. Bureau of Labor Statistics (BLS), and from professional financial aid associations. Summary statistics for broad expense categories, broken down by institutional type and control, are published annually by organizations, such as the College Board. After surveying available data, the FAA can decide whether the information is sufficient to construct reasonable costs of attendance or if the institution must conduct new research or a survey.

Resource Availability

Research pertaining to student expense budgets requires a commitment of time and personnel. In addition to the personnel resources in the financial aid office, assistance may be available from students, faculty, institutional research, and residence life in conducting surveys and statistical analysis.

Sources Within the Institution

This section suggests how the process of COA research might proceed. It does not prescribe specific strategies or methods, but it does emphasize that some systematic research is essential in establishing accurate and adequate costs of attendance. The frequency of the review and research, the methods used, and the final determination of component costs remain matters of local institutional control. COA research is a fundamental part of responsible administration of student financial aid and must be considered essential to the accountability of FAAs as stewards of financial aid funds.

The FAA can collect data from students who incur expenses and from offices supplying housing, food services, and so forth. Student-reported information provides the only means of determining the specific kinds and amounts of expenses that students at the institution incur. Local sources can substantiate student-reported figures and can help to project future changes in costs.

Data from students. Students may provide expense information by documenting actual or projected expenses. To obtain an accurate sample, all students (not just financial aid recipients) should be included among respondents to surveys of this type, and weighted rather than simple averages should be used where appropriate.

Student expense surveys, including personal interviews, budget questionnaires, and expenditure diaries, can be used to collect retrospective or current information on actual student expenditures. To improve the efficacy of student surveys, consider using short surveys that focus on a single COA component, and time the survey to coincide with applicable expenditures (for example, survey on book and supply expenditures at the start of a term). To achieve better response rates, divide the student population into randomly assigned groups and send these shorter surveys to these smaller groups. Word surveys to match the expenses included in the COA component. Asking a student simply, "How much do you spend on miscellaneous personal expenses?" will lead to inaccurate responses based on what students assume fits in that category. If the institution's COA construction policy defines miscellaneous personal expenses as the cost of entertainment, personal grooming, toiletries, and laundry, then ask students what they spend on specifically those items.

Data from other sources within the institution. Other sources within the institution help verify student data and increase confidence in the established budget figures. Methods to obtain pertinent student expense information from other sources within the institution include review of published information and reliance on the expertise of faculty and administrators.

Institutional publications, such as the catalog, provide information about current and projected institutional costs, such as tuition and fees. In addition to information on direct student charges, the resources may provide data on essential supplies and equipment, campus medical services, recreational costs, parking fees, and so forth. Institutional faculty and staff may be able to provide current costs for institutionally supplied services and estimates of future increases in these costs. The range of housing costs can be obtained from the housing office, fraternity and sorority advisors, or off-campus housing coordinator. Bookstore managers can provide estimates for books and supplies, including cost projections for the coming year. Food service staff can report on the costs of different food plans and students' food plan patterns.

Community sources. Sources of cost information from the local community include off-campus bookstore managers, service representatives from the local utilities, realtors, automobile clubs, managers of local stores, community health and welfare agencies, day care centers, state licensing agencies, and food distributors.

COA Components

This section considers the various COA components that apply to all Title IV programs. Costs that may be included in the COA for Title IV purposes are prescribed by Part F, Section 472 of the Higher Education Act of 1965 (HEA), as amended. Allowable costs included in HEA 472 can be grouped into basic cost components and additional allowances. In each instance, a general definition of the component is provided. An elaboration is given for components that require more detailed explanation, especially those that require PJ in dealing with special circumstances.

Costs that are combined into aggregate components in the law, such as living expenses, including food and housing, should be separated into individual allowances in the institution's COA construction policies when describing and documenting their formulation. To ensure transparency, facilitate the ability of families to understand and compare aid offers, and help students budget their resources and control their expenses, the school should consider carrying this separation through to aid notification letters and consumer information.

For similar reasons, the institution should provide sufficient information about disparate expenses that make up a given component, and assumptions that underlie cost estimates. For example, expenses that constitute miscellaneous personal expenses or transportation are subject to a range of interpretations and may be based on very different assumptions from school to school.

Disclosing the major items, categories of costs, or basis of estimates for each component will greatly help students to compare costs across institutions and to better understand which costs are considered allowable educational expenses.

Basic COA Components

The following components are described in this section:

- Tuition and fees;
- Living expenses, including housing and food;
- Books, course materials, supplies, and equipment, including a reasonable allowance for the documented rental or upfront purchase of a personal computer, as determined by the institution;
- Transportation; and
- Miscellaneous personal expenses.

Tuition and fees. Costs that may be included in the COA are prescribed by the HEA. The COA may include “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution.” Tuition charges are allowed in a COA if the coursework is credited toward the student’s degree or educational program. FAAs may include average or actual tuition costs normally assessed to students carrying the same academic workload. If the student is charged for tuition and fees, even if the charge is eventually paid by someone other than the student (for example, a scholarship agency or other source of aid), then that tuition and fee amount is included in the COA. If the student is never charged for tuition and fees, then the COA would not include the tuition and fees component.

If the institution uses average figures, it must establish separate averages for students carrying the same academic workloads. For example, if an institution assesses tuition and fees at different rates for its full-time, three-quarter-time, half-time, and less-than-half-time enrollment statuses, the institution must have separate averages for full-time, three-quarter-time, half-time, and less-than-half-time students. The institution cannot combine the COA figures for each separate enrollment status and provide aid based on a single combined average COA for all students. Within those enrollment status levels, the institution may use one overall average, or it may establish separate averages for various other categories of students, such as program of study; undergraduate or graduate students; and in-state or out-of-state residency.

If an average tuition charge is calculated without using categories of students, it must be a weighted average. The weighted average accounts for the number of students subject to each of the school’s different charges. The weighted average is calculated according to the following steps.

Step 1: Calculate the total amount of tuition charged by multiplying the tuition charge by the number of students subject to that rate.

Step 2: Add the Step 1 results to get the total amount of tuition charged and the total number of students charged.

Step 3: Calculate the weighted average by dividing the total amount of tuition charged by the total number of students.

When computing average tuition costs at an institution that charges on a per credit hour basis, the average is based on the average credit hour enrollment of all full-time students. The school's registrar can provide the average number of credit hours full-time students enroll in each semester.

When calculating the COA for the campus-based, Direct Loan, and TEACH Grant programs for a student enrolled less than full time, the institution may use the actual less-than-full-time tuition charge or a prorated amount of the full-time tuition average.

Additional tuition charged due to enrollment "overloads" can be included if the additional coursework advances the student's progress toward a degree or educational objective. In the case of some graduate students, tuition may be limited to "continuing student" charges made for students conducting research or working on theses or dissertations.

Schools are not allowed to charge students who are receiving Title IV assistance a different tuition rate than those students who are not receiving Title IV aid. Schools also are prohibited from giving a tuition discount to students who pay in cash or who pay their tuition in full before an established date.

Fees. COAs may include a wide range of fees charged to students by postsecondary institutions. To be included, fees should be required for the student's course of study or be required of all students or broad categories of students, such as undergraduate or graduate students. Optional fees may be included on a case-by-case basis under professional judgment. In general, fees paid by the student to third parties, or paid to the school and then passed on to the third party, cannot be included in the COA. Other fees may not be included in the COA unless they are included by the FAA exercising professional judgment on a case-by-case basis to accommodate an individual's special circumstances.

Note that fees charged but then passed to a third party may be included if charged to broad categories of students. An institution can require that all students have health insurance. The school's standard COA may include a health insurance fee charged by the school to all students or to a broad category of students and not paid directly by the student to an insurance company. This is true even if that fee is "passed through" by the school to an insurance company or is later waived by the school on a case-by-case basis because the student proves that they are otherwise insured. However, if the fee is waived frequently, it may be difficult to demonstrate that the health insurance fee is in fact required of all students and therefore includable as a standard part of COA; in such cases, the fee would have to be added on a case-by-case basis under professional judgment.

If a fee is waived for a particular student but not removed from this component of the student's COA, the FAA should take care to ensure that the waived expense does not mask an overaward. Removing waived fees from the student's COA as a good practice prevents overaward issues if the student later receives additional assistance.

Required equipment rental or purchase expenses. Costs for the rental or purchase of equipment, materials, or supplies required of all students in the same course of study may be included in the tuition and fees component of the COA. Examples include musical instruments for music majors, medical supplies for pre-med or medical students, microscopes and other laboratory equipment, mechanic's tools, or cosmetology kits and supplies. In general, discretionary equipment purchases or rental costs are not allowed in a student's COA. An institution may include the costs of books, course materials, supplies, and equipment as part of tuition and fees if the institution:

- Has an arrangement with a book publisher or other entity that enables it to make these books or supplies available to students at below competitive market rates;
- Provides a way for the student to obtain those materials by the seventh day of the payment period; and
- Has a policy under which the student may opt out of the way the institution provides for the student to obtain those materials under this provision.

Alternately, the institution may include books and supplies in tuition and fees, and use Title IV funds to pay for them without obtaining authorization, if:

- It documents on a current basis that the books or supplies, including digital or electronic course materials, are not available elsewhere or accessible by students enrolled in that program from sources other than those provided or authorized by the institution; or
- The institution demonstrates there is a compelling health or safety reason.

Living expenses, including housing and food. The food and housing allowances are best defined by categorizing the student's place of residence as prescribed in the HEA:

1. Students without dependents living in institutionally owned or operated housing;
2. Students with dependents living in institutionally owned or operated housing;
3. Students living off campus and not in institutionally owned or operated housing;
4. Dependent students residing at home with parents;
5. Students living in on-base military housing or in housing for which the military provides a basic allowance for housing (BAH); and
6. All other students.

At a minimum, there must be separate living expense allowances for the groups listed above; however, an institution may establish different categories within the groups established in statute. These categories will be further discussed below.

Housing. Institutions must determine an allowance for housing based on the category of student. For students living in institutionally owned or operated housing, both with and without dependents, the housing allowance must be based on the greater of the average or median amount assessed to those resident students for housing charges. The housing allowance for students not living in institutionally owned or operated housing must include an allowance for rent or other housing costs.

The housing component of a budget is constructed based on reasonable expenses for the student and includes housing costs only for the student, whether dependent or independent. Allowances for dependents of independent students are, as a rule, not included in the student's COA because such costs are considered as part of the Income Protection Allowance (IPA) that offsets income when deriving the student's EFC (see the discussion under Dependent Care Allowance, below, for exceptions). However, FAAs often assume that a single student will share costs if he lives off campus but may have separate allowances for married students or students with dependents because the opportunity to share with another student is reduced. FAAs may consider adjusting housing costs if a student changes housing status during the academic year (e.g., on campus to off campus, medical rotations, cooperative education, and study abroad). Housing costs include items such as rent, insurance, internet access and utilities.

Food. In general, the food component of the living expense allowance must provide for the equivalent of three meals per day. If the institution's meal plan does not provide the equivalent of three meals per day, the food allowance will be greater than the actual cost of the meal plan to allow the student to purchase food that the plan does not provide. Reference to local, regional, or national governmental data or to data obtained through institutional surveys may be used in this situation. Note that the food component for dependent students living at home may include three meals per day, or it may include fewer than three, as some students may eat some meals at home. If students have special dietary needs for medical, religious, or personal reasons (diabetic, kosher, vegetarian, etc.), these requirements can be addressed using PJ on a case-by-case basis with documentation.

If food or housing is supplied at no charge, that component of the COA would be zero. If the student is charged for housing or food and the charge is then waived, the value of the waiver is included in the COA, and the waiver is considered estimated financial assistance (EFA).

Students with or without dependents living in institutionally owned or operated housing.

For students with or without dependents who live in institutionally owned or operated housing, the housing component must be based on the average or median amount assessed to residents, whichever is greater. The actual charges cannot be used in the initial COA assignment; however, actual charges may be substituted on a case-by-case basis using PJ. Facilities may include residence halls operated by or for the institution, or alternate housing if it is owned or operated by the institution.

If the student must live in institutional housing for short periods between academic terms or during holidays or breaks because of distance from home, any additional costs for housing and meals during these periods may be included in the budget. However, the longer summer period in a traditional term-based calendar may not be covered by the COA if it is a period of nonattendance for the student.

FAAs may consider adjusting the standard housing allowance using PJ, for example, to allow a private room when a student has a medical condition that would inconvenience or distract a roommate.

Students living off-campus. For students living off campus and not in institutionally owned or operated housing, the housing component must include a reasonable amount for rent or other housing costs. Institutions could use surveys or other methods to determine typical housing costs incurred by students living off campus.

Some students may own their own home. In these situations, the student has already established a standard of living and may have the encumbrances of a mortgage and other expenses associated with home ownership. It may be more reasonable for a student to continue to live in established housing rather than to relocate. The FAA may use professional judgment on a case-by-case basis with documentation when a mortgage and other expenses associated with homeownership differ from the standard component.

Dependent students living with their parent(s). For dependent students living with their parent(s), institutions must develop an amount that is greater than zero that is reasonable and supportable. The institution may take into consideration that these students may have lower food and housing costs than those not living at home, but the allowance may not be zero. It is inappropriate to assume no food and housing costs for students who reside at home. For example, commuter students are likely to purchase more meals outside the home when they are on campus, and while some expenses are reduced, they may pay rent to their parents. The federal need analysis formula, used to derive the EFC, shifts living expenses for students in college from the family's budget to the student's COA; excluding the cost of supporting the student from both the allowances against parental income and the student's cost of attendance is punitive.

Students living in on-base military housing or in housing for which the military provides a basic allowance for housing (BAH). For students living in on-base military housing or in housing for which the military provides a BAH, the COA cannot include an allowance for housing. The institution may only include an allowance for food expenses reasonably incurred by such students. This provision applies to an independent student who receives, or whose spouse receives, a BAH. It also applies to a dependent student living with his parents who are living in on-base military housing or receiving a BAH. For this component, PJ cannot be used to add back a housing allowance; doing so would intentionally be circumventing the law.

Other student living arrangements. For all other living arrangements, the housing and food allowances are based on the expenses reasonably incurred by such students.

Books, course materials, supplies, and equipment. An allowance for books, course materials, supplies, and equipment in the COA provides for the cost of educational materials related to the student's course of study. It may be necessary to develop separate allowances for students pursuing certain curricula such as art, architecture, medicine, nursing, law, and engineering because of special needs for books and supplies. For students enrolled three-quarter time, half, or less than half time, the allowance for books and supplies will generally be proportional to the individual's course load. Additional expenses, such as remedial materials, may be included on a case-by-case basis using PJ. Such need for additional expenses can be documented by institutional academic support services staff, instructors, or other designated campus offices.

Personal computer allowance. The books, course materials, supplies, and equipment component of the COA may include the reasonable cost for the documented rental or purchase of a personal computer. The personal computer does not have to be required by the student's program of study. The computer may be purchased in the summer for use during the following fall enrollment period. The school's policies and procedures should include the conditions under which the allowance is permitted, the amount permitted, and what documentation is required. Statute requires that the school document the rental or purchase, but the school is not required to document the cost. The school can assign a reasonable allowance to the student's COA once documentation is obtained. If the school's policy requires that the actual cost be used, then it would have to document both the rental/purchase and the cost.

In general, discretionary purchases of books, course materials, supplies, and equipment are not accommodated in the COA. However, professional judgment can be exercised in determining allowances for materials related to optional projects, such as an optional senior thesis.

Transportation. The transportation allowance may include the cost of travel between the student's residence, place of work, and the institution, and travel necessary to complete a course of study including internships, student teaching, etc. Typically, separate categories of transportation allowances are appropriate for on-campus, off-campus, and students living with parents. Note, however, that institutions should not make across-the-board assumptions about transportation costs based on enrollment status; class schedules may require more frequent trips to campus than enrollment status can predict. Costs may vary because of the student's place of permanent residence, the student's place of residence while in school, and the availability of public transit services. If public transportation is not available, the standard transportation allowance may include the costs of operating and maintaining a car (for example, gas, oil, license, insurance, and repair).

Mileage allowances set by the institution for staff travel or by the federal government for income tax purposes can serve as a guide for FAAs. The IRS has three mileage rates: business travel, medical care or moving purposes, and volunteerism. The rate for business is calculated using an annual study of the fixed and variable costs of operating a vehicle including gas, oil, maintenance, repairs, tires, insurance, and depreciation. Mileage rates for medical care or moving include the variable costs of gas, oil, parking fees and tolls. The rate for volunteerism also includes the variable costs of parking fees, tolls, and public transit. These rates are adjusted annually and can be found at www.irs.gov. Schools should document the rate used to determine the transportation allowance, and PJ decisions should be made with the mileage rate selected taken into consideration. For instance, if a school chooses to use the business mileage rate, which includes the cost of repairs, it may not be appropriate for the school to use PJ to increase a student's COA for repairs.

Additional costs inherent in commuting can be added to the allowance for mileage. Such costs may include campus registration of the vehicle, parking, and highway or bridge tolls. Payments for the purchase or lease of a car may not be included.

For students who live in institutional housing, the institution should consider travel to and from school during scheduled breaks as well as travel from school to work. The standard allowance for round trips home could be based on the least expensive air fares which are

available if the student were to book the flight in advance of the departure date or reasonable mileage rates.

The transportation allowance may be individually constructed for each student, or standard budgets may be developed by the FAA according to ranges of commuting distances from the campus for groups of students. Some students may seek help in paying unusual and unanticipated transportation costs for emergency travel (e.g., high air travel costs due to death in the immediate family). FAAs may consider using professional judgment to include such expenses on a case-by-case basis with documentation.

Miscellaneous personal expenses. The allowance for miscellaneous personal expenses includes clothing; personal items (e.g., toiletries, laundry and cleaning, personal hygiene, and grooming); mobile phone plan; recreation/entertainment; and uninsured health care costs (copays, prescriptions, over-the-counter medicines, contact lenses, eyeglasses), taking into consideration that 11% of the IPA is intended to cover health care costs. This allowance should permit the student a moderate standard of living while enrolled.

FAAs may rely on institutional surveys, outside authoritative sources such as the College Board, or governmental data for guidance in determining reasonable levels of expense. However, be aware that estimates provided by some research entities include expenses that are not related to educational costs and should not be covered by aid. For instance, the College Board emphasizes that their living expense figures are intended only as a tool to assist financial aid professionals in developing their cost of attendance budgets. Their figures are based on the Consumer Expenditure Study (CES) conducted by the U.S. Bureau of Labor Statistics (BLS). The BLS purpose for collecting this data does not necessarily align with the principles of cost of attendance, and the demographic data used in the CES may not be representative of a typical college student.

The amount included in the allowance for recreation considers the recreational activities available on the campus and whether these activities are totally or partially covered by standard fees paid by all students and therefore already included in the budget under direct educational costs.

Additional Allowances

Additional allowances are provided in the COA for students who incur the following costs:

- Costs associated with obtaining a license, certification, or a first professional credential, for a student in a program that prepares them to enter a profession that requires such a qualification;
- Federal educational loan fees;
- Dependent care expenses;
- Disability-related expenses;
- Cooperative education program expenses; and
- Study abroad expenses.

Cost of obtaining license, certification, or professional credential. The COA must include the cost of obtaining the first professional credential for a student in a field requiring professional licensure or certification (for example, fees charged for taking a licensing exam, costs of applying for and obtaining the license or certification, costs incurred in traveling to a residency interview for a medical student, etc.) if the expense is incurred while the student is enrolled, even if the credentialing activity occurs after the student's enrollment period ends. Because these costs must be included in the budget for students who incur such expenses, it is important that the FAA work with academic departments or the registrar to determine which programs requires licensure, certification, or a credential, as well as to determine students' costs that are incurred as a result.

A school may choose to use actual or average costs, but if average costs are used, the school must develop a reasonable basis for calculating the average amount using the actual costs of a first professional credential that they are aware of for the profession that the program prepares the student to enter. A school may also include costs for multiple license or credentialing attempts, if appropriate. The school's policies and procedures may set a reasonable limit on the number of attempts allowed to be included in the student's budget.

Federal educational loan fees. The law provides for the inclusion of federal loan fees in the student's COA. An institution must include a loan fee allowance if the student or parent borrower borrows a Direct Loan. Nonfederal student loan fees cannot be included in the COA.

When including Direct Loan fees, an institution may use the actual loan fee amount, or an average based on the same type of loan borrowed for attendance at the school. The institution may choose to use the actual or an average loan fee amount based on the type of loan borrowed (that is, Direct Subsidized Loan, Direct Unsubsidized Loan, or Direct PLUS), the type of loan borrowed for different categories of students, or on a case-by-case basis.

There are several methods to calculate an average loan fee.

Method 1: Calculate a single average for all students by multiplying the average loan amount borrowed by the school's students by the loan fee percentage.

Method 2: Calculate separate loan fee averages for undergraduate and graduate students. This is the recommended method since the averages more accurately reflect loan fee amounts associated with these two categories of students.

Method 3: Calculate an average loan fee amount for each annual loan limit (freshman, sophomore, graduate, etc.).

If the institution packages an "estimated" Direct Subsidized Loan or Direct Unsubsidized Loan, the student's COA may include the required loan fees even though the student has not yet accepted or applied for the estimated loan. The school is not required to adjust the loan fee amount included in the COA if the student declines the loan or requests a lower amount, but it may be a good practice to do so depending on the institution's procedures for handling additional unanticipated resources. If the student declines the loan or requests a lower amount of loan and no adjustment to the student's COA is made,

the school must ensure that the continued inclusion of the loan fees in the COA does not mask a potential overaward. Of course, if the school uses an average loan fee amount, any reduction in the requested loan amount would not affect the loan fee amount included in the COA.

Dependent care expenses. The COA includes, for a student with one or more dependents, an allowance based on the estimated actual expenses incurred for dependent care based on the number and age of the dependents. The student's dependent may be the student's child or other person, such as a parent or spouse. Dependent care expenses can be accommodated for periods of time including, but not limited to, class time, study time, field work, research, internships, commuting time, and other educational endeavors.

To include the allowance, the school must determine and document that the student has a dependent who is included in the student's household size, care is required for the student to attend school, and the student incurred or will incur dependent care expenses. This might be accomplished through questions on an institutional application, material in the student's file, or other similar means that would enable the financial aid administrator to determine the number and ages of dependents and the employment status of the student's spouse.

The amount of the allowance may vary depending on the number and age of dependents; the availability of childcare services or social service agencies; and whether the student's spouse, the children's grandparent(s), or other relatives or friends assume some of the care responsibilities at no cost to the student.

To determine the amount of the allowance, the institution may request the actual dependent care expense amount from the student, or the institution may have on file averages of estimated actual expenses, based on the number and age of dependents, for purposes of determining a standard allowance amount. The averages may be obtained from a survey of affected students from the prior year that may be used in the COA construction or listings at college or university facilities providing such services. The allowance may not exceed the reasonable cost in the community in which the student resides for the kind of care provided. The institution must use typical costs for dependent care in the student's community. State or other standards cannot be used.

In some instances, special assistance from public welfare or vocational rehabilitation agencies may be available to assist with child or adult dependent care costs; in other cases, institutionally operated or cooperative childcare services may be available at costs significantly below the costs for private or commercial childcare services. In such cases, the expense allowance is adjusted accordingly.

Similarly, if the institution has knowledge that the student's expenses are lower than the community standard, the lower amount must be used for the allowance. It is the responsibility of the student to notify the institution if the student's actual expenses are lower than the allowance or change significantly during the enrollment period.

Although the COA generally may only include the student's costs, the dependent care allowance may include the maintenance expenses of dependents when the family's

income is insufficient to cover basic maintenance costs (for example, costs for food and shelter). The costs of maintaining and supporting the family are accounted for in the Federal Methodology via the IPA, which offsets income. Income less than the IPA is an indicator that the family's income is insufficient to cover basic maintenance costs.

If the school chooses to include maintenance expenses of dependents in the dependent care allowance when the family's income is insufficient, it may do so either on a case-by-case basis under professional judgment or as a standard approach to budget construction. A school's COA policies and procedures should state whether it automatically provides a dependent care allowance when family income is insufficient to cover basic maintenance costs. If the school has such a policy, it is not necessary to document the decision to include unmet basic maintenance costs. The allowed amount should be determined on an individual basis (that is, the negative difference between income and the IPA).

Disability-related expenses. The COA for a student with a disability includes reasonable allowances for costs associated with the disability if the expenses are not already covered by another organization. A student is considered to have a disability if she has a physical or mental impairment that substantially limits one or more major life activities, has a record of such an impairment, or is regarded as having such an impairment. Disability-related expenses include:

- Special services;
- Personal assistance;
- Transportation;
- Equipment; and
- Supplies.

FAAs may consult with disability resource centers on campus when determining the types of expenses that are not provided by other assisting agencies as well the reasonable costs for such equipment or services.

While it is not a professional judgment, the school must determine and document any disability-related expenses included in the COA on a case-by-case basis. The nature and extent of the student's disability should be considered in determining what allowances may be included in the COA.

Cooperative education program expenses. For students placed in a work experience under a cooperative education program, an allowance for reasonable costs associated with such employment, as determined by the institution, shall be accommodated in the student's COA. Expenses encompassed by this allowance might include commuting or transportation costs, meals away from home, work clothes or uniforms, and any other costs the student incurs as a result of the work experience.

The school must document on a case-by-case basis any cooperative education expenses included in the student's COA. What it accepts as appropriate and reasonable documentation is at the discretion of the institution.

Study abroad expenses. For a student enrolled in a program of study abroad approved for credit by the student's home institution, the COA includes reasonable costs associated with such study. Examples of such costs include:

- Additional transportation costs;
- Surcharges or administrative fees charged by the institution or coordinating agency; and
- Required documents and vaccinations required to travel (passport, visa, etc.).

The study abroad program need not be a requirement of the student's academic program. However, it must be approved for credit. If the study abroad program is under a consortium or contractual agreement, the student's home institution must accept for credit the study abroad coursework.

The school must document any study abroad expenses included in the student's COA on a case-by-case basis. What it accepts as appropriate and reasonable documentation of the student's study abroad expenses is at the discretion of the institution.

Distance Education Programs

Students enrolled in an online program with no coursework taken in a traditional classroom setting are allowed the same cost of attendance components as students in all other programs. The law states that "no distinction shall be made with respect to the mode of instruction in determining costs." Many aid officers feel these students' budgets need not include food or housing or childcare expenses but without solid documentable reasoning for excluding these costs from the student's budget, they must be included. However, the law also says that a student's eligibility to receive Title IV grants, loans, or work "shall be reduced" if the FAA determines under his or her professional judgment authority "that distance education results in a substantially reduced cost of attendance to such student." Therefore, lower costs for these students, as in those used for commuter students, are allowable if properly documented.

COA Restrictions

There are some categories of students for whom the COA must be modified. Certain cost components are excluded from the COA for students who are:

- Enrolled less than half time;
- Enrolled in correspondence programs; or
- Confined or incarcerated.

Less-Than-Half-Time Students

The COA for less-than-half-time enrollment may include:

- Tuition and fees;

- Books, course materials, supplies, and equipment;
- Transportation costs;
- Professional licensure, certification, or a first professional credential costs if the academic program leads to a professional licensure, certification, or credential; and
- Dependent care expenses; disability-related expenses, study abroad expenses, and cooperative education costs, if applicable.

At the institution's option, a living expense allowance for not more than three semesters or the equivalent, of which not more than two semesters may be consecutive, also may be added to the less-than-half-time student's COA. Inclusion of the food and housing allowance applies on an institution-by-institution basis. Therefore, institutions are not required to monitor COA components from other institutions attended by the student.

Miscellaneous personal expenses may not be included.

Correspondence Study

A correspondence course is one for which the school provides instructional materials and exams for students who do not physically attend classes at the school.

This differs from a distance education course, which is offered principally through television, audio, or computer transmission. Distance education courses do not have COA restrictions.

For a student enrolled in a program of study by correspondence, the COA components are limited to:

- The student's actual contractual tuition and fees;
- The student's actual contractual costs of books, course materials, supplies, and equipment (if required); and
- Transportation, housing, and food costs incurred specifically for a period of residential training if the student has such costs.

Incarcerated Students

The COA for incarcerated students may include only:

- Tuition and fees,
- Books, course materials, supplies, and equipment; and
- The cost of obtaining a license, certification, or a first professional credential if enrolled in a program leading to licensure, certification, or credential.

COA Best Practices

Cost of attendance can be a political hot issue on a campus. For example, if there are several regional public universities in an area, a school may find itself pressured to keep its COA in line with the other schools nearby. For institutional budgetary reasons, an FAA may be pressured to keep COA low or not increase it over a certain amount each year. With net price calculators and new measures of evaluating institutions based on net price, the pressure to be more affordable can lead to scrutiny of the COA by senior administrators.

The purpose of the COA is to determine realistically how much money it will take to get the student through the enrollment period. Other offices on campus may want to either increase or decrease the COA for other purposes. Worse, these pressures can be contradictory. For example, the office responsible for enrollment management or the president's office might want to hold cost estimates down to enhance competitiveness with other institutions, while an academic or athletic department might want to see higher cost estimates to enable more scholarship or grant funding. These other issues should not be allowed to influence the process by which COA is determined, or to result in inappropriate packaging of aid.

Items that are part of the legitimate costs of education should be included, but other items that are not related to a student's educational program should not. For example, an athlete can obtain insurance that protects against loss of future income due to injury, but this is not an educational expense. Assistance that is received specifically because the recipient is a student is considered EFA, unless it is non-need-based employment. In some cases, money received or paid on behalf of the student (such as payment of a bill) is included as untaxed income. It may be confusing to determine whether assistance received is EFA or income, but that determination is independent of whether the intended use of the assistance is encompassed by the COA.

If an institution has not documented the way in which it derived its COA budgets for some time, an FAA can use the College Board's "Trends in Pricing" publication to estimate the reasonableness of the current budgets. Regional or state budgets can be used until there is time to construct budgets based on a solid documented methodology. Aid administrators should be sure to update the office's policies and procedures manual to formalize the schedule, methodologies, and data sources for reviewing and updating each COA component.

One way to judge if COA budgets are realistic is to track the requests from students asking for more funds for the semester. If most students say they needed more money to get their books or that their rent or transportation expenses are substantially more than was allotted for in the budget, this suggests it is time to evaluate the method used to set the amount for that category.

Students have a wide range of choices for obtaining books and course materials, sometimes facilitated by instructors, with a correspondingly wide range of costs. Some schools have found that estimates based on bookstore charges do not reflect actual

expenses related by students themselves. For this reason, student surveys should be employed as a contributing source of data or as a check against other sources of data.

A school's policy should state how often a student may receive funds for a new computer. If it is acceptable for a student to get a new computer every year, the policy should state this; but if an institution wants to limit computer purchases to one per undergraduate degree and/or graduate degree, its policy should explicitly say so and it should be communicated to students.

Documenting a lower cost for students in distance learning programs can be difficult. If an FAA can show that most of the students remain employed while taking classes, using a lower living expense budget can be justified, but the budget must contain some allowance for housing and food. If most students are not employed and attend full time, it would be more reasonable to use the regular off-campus budget constructed for other students.

Pressures external to the primary purpose of estimating realistic costs of attendance make the methods by which the COA is established even more important. An institution must be able to prove it used sound judgment and research techniques to set the amounts for each category of costs in the COA. If an aid administrator feels he must give in to pressure to increase or decrease the COA more or less than his research suggests, he should not hesitate to request a memo directing him in that manner. This documentation should be retained for federal program review and/or audit purposes.

Finally, remember that the institution's student consumer information should be updated in line with its COA construction policies and revisions. The same principles for facilitating transparency and clarity that are used in constructing costs of attendance should inform the school's consumer information. Consumer information should balance transparency with simplicity, providing enough information so that students can compare schools by cost, see where they might have opportunities to reduce costs, and budget their resources effectively—but not so much detail as to overwhelm or confuse them.

Conclusion

The National Association of Student Financial Aid Administrators is concerned that access to postsecondary education be preserved. FAAs play a vital role in helping to ensure that financial barriers for students are removed or can be overcome. The setting of realistic COAs is a basic part of the function of FAAs in providing access to further education. In many instances, FAAs must use professional judgment in deciding an appropriate course. This monograph provides guidance in constructing COAs, explaining the requirements set by statute as well as the latitude given to FAAs.

Appendix A—Section 472 of the HEA, as Amended

Higher Education Act of 1965, as Amended. Section 472. Cost of Attendance

Section 472 of the HEA, as amended, defines the cost of attendance components.

(a) In general

For the purpose of this subchapter, the term “cost of attendance” means-

(1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution;

(2) an allowance for books, course materials, supplies, and equipment, which shall include all such costs required of all such students in the same course of study, including a reasonable allowance for the documented rental or upfront purchase of a personal computer, as determined by the institution;

(3) an allowance for transportation, which may include transportation between campus, residences, and place of work, as determined by the institution;

(4) an allowance for miscellaneous personal expenses, for a student attending the institution on at least a half-time basis, as determined by the institution;

(5) an allowance for living expenses, including food and housing costs, to be incurred by the student attending the institution on at least a half-time basis, as determined by the institution, which shall include-

(A) for a student electing institutionally owned or operated food services, such as board or meal plans, a standard allowance for such services that provides the equivalent of three meals each day;

(B) for a student not electing institutionally owned or operated food services, such as board or meal plans, a standard allowance for purchasing food off campus that provides the equivalent of three meals each day;

(C) for a student without dependents residing in institutionally owned or operated housing, a standard allowance determined by the institution based on the average or median amount assessed to such residents for housing charges, whichever is greater;

(D) for a student with dependents residing in institutionally owned or operated housing, a standard allowance determined by the institution based on the average or median amount assessed to such residents for housing charges, whichever is greater;

(E) for a student living off campus, and not in institutionally owned or operated housing, a standard allowance for rent or other housing costs;

(F) for a dependent student residing at home with parents, a standard allowance that shall not be zero determined by the institution;

(G) for a student living in housing located on a military base or for which a basic allowance is provided under section 403(b) of title 37, a standard allowance for food based upon such student's choice of purchasing food on-campus or off-

campus (determined respectively in accordance with subparagraph (A) or (B)), but not for housing costs; and

(H) for all other students, an allowance based on the expenses reasonably incurred by such students for housing and food;

(6) for a student engaged in a program of study by correspondence, only tuition and fees and, if required, books and supplies, travel, and housing and food costs incurred specifically in fulfilling a required period of residential training;

(7) for a confined or incarcerated student, only tuition, fees, books, course materials, supplies, equipment, and the cost of obtaining a license, certification, or a first professional credential in accordance with paragraph (14);

(8) for a student enrolled in an academic program in a program of study abroad approved for credit by the student's home institution, reasonable costs associated with such study (as determined by the institution at which such student is enrolled);

9) for a student with one or more dependents, an allowance based on the estimated actual expenses incurred for such dependent care, based on the number and age of such dependents, except that-

(A) such allowance shall not exceed the reasonable cost in the community in which such student resides for the kind of care provided; and

(B) the period for which dependent care is required includes, but is not limited to, class-time, study-time, field work, internships, and commuting time;

(10) for a student with a disability, an allowance (as determined by the institution) for those expenses related to the student's disability, including special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided for by other assisting agencies;

(11) for a student receiving all or part of the student's instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs;

(12) for a student engaged in a work experience under a cooperative education program, an allowance for reasonable costs associated with such employment (as determined by the institution);

(13) for a student who receives a Federal student loan made under this subchapter or any other Federal law, to cover a student's cost of attendance at the institution, an allowance for the actual cost of any loan fee, origination fee, or insurance premium charged to such student or the parent of such student on such loan, or the average cost of any such fee or premium, as applicable; and

(14) for a student in a program requiring professional licensure, certification, or a first professional credential, the cost of obtaining the license, certification, or a first professional credential.

(b) Special rule for living expenses for less-than-half-time students

For students attending an institution of higher education less than half-time, an institution of higher education may include an allowance for living expenses, including food and housing costs in accordance with subsection (a)(4) for up to three semesters, or the equivalent, with no more than two semesters being consecutive.

(c) Disclosure of cost of attendance elements

Each institution shall make publicly available on the institution's website a list of all the elements of cost of attendance described in paragraphs (1) through (14) of subsection (a), and shall disclose such elements on any portion of the website describing tuition and fees of the institution.

Appendix B—Section 479(a) of the HEA, as Amended

Higher Education Act of 1965, as Amended.

Section 479(a). Discretion of Student Financial Aid Administrators

(a) In general

(1) Authority of financial aid administrators

A financial aid administrator shall have the authority to, on the basis of adequate documentation, make adjustments to any or all of the following on a case-by-case basis:

- (A) For an applicant with special circumstances under subsection (b) to-
 - (i) the cost of attendance;
 - (ii) the values of the data used to calculate the student aid index; or
 - (iii) the values of the data used to calculate the Federal Pell Grant award.
- (B) For an applicant with unusual circumstances under subsection (c), to the dependency status of such applicant.

(2) Limitations on authority

(A) Use of authority

No institution of higher education or financial aid administrator shall maintain a policy of denying all requests for adjustments under this section.

(B) No additional fee

No student or parent shall be charged a fee for a documented interview of the student by the financial aid administrator or for the review of a student or parent's request for adjustments under this section including the review of any supplementary information or documentation of a student or parent's special circumstances or a student's unusual circumstances.

(C) Rule of construction

The authority to make adjustments under paragraph (1)(A) shall not be construed to permit financial aid administrators to deviate from the cost of attendance, the values of data used to calculate the student aid index or the values of data used to calculate the Federal Pell Grant award (or both) for awarding aid under this subchapter in the absence of special circumstances.

(3) Adequate documentation

Adequate documentation for adjustments under this section must substantiate the special circumstances or unusual circumstances of an individual student, and may include, to the extent relevant and appropriate-

- (A) a documented interview between the student and the financial aid administrator;
- (B) for the purposes of determining that a student qualifies for an adjustment under paragraph (1)(B)-

- (i) submission of a court order or official Federal or State documentation that the student or the student's parents or legal guardians are incarcerated in any Federal or State penal institution;
 - (ii) a documented phone call or a written statement, which confirms the specific unusual circumstances with-
 - (I) a child welfare agency authorized by a State or county;
 - (II) a Tribal welfare authority or agency;
 - (III) an independent living case worker, such as a case worker who supports current and former foster youth with the transition to adulthood; or
 - (IV) a public or private agency, facility, or program servicing the victims of abuse, neglect, assault, or violence, which may include domestic violence;
 - (iii) a documented phone call or a written statement from an attorney, a guardian ad litem, or a court-appointed special advocate, or a person serving in a similar capacity which confirms the specific unusual circumstances and documents the person's relationship to the student;
 - (iv) a documented phone call or written statement from a representative under division 1 or 2 of subpart 2 of part A, which confirms the specific unusual circumstances and documents the representative's relationship to the student;
 - (v) documents, such as utility bills or health insurance documentation, that demonstrate a separation from parents or legal guardians; and (vi) in the absence of documentation described in this subparagraph, other documentation the financial aid administrator determines is adequate to confirm the unusual circumstances, pursuant to section 1087vv(d)(9) of this title; and
- (C) supplementary information, as necessary, about the financial status or personal circumstances of eligible applicants as it relates to the special circumstances or unusual circumstances based on which the applicant is requesting an adjustment.

(4) Special rule

In making adjustments under paragraph (1), a financial aid administrator may offer a dependent student financial assistance under a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to provide their parent information on the Free Application for Federal Student Aid if the student does not qualify for, or does not choose to use, the unusual circumstance option described in section 1087vv(d)(9) of this title, and the financial aid administrator determines that the parents of such student ended financial support of such student or refuse to file such form.

(5) Public disclosure

Each institution of higher education shall make publicly available information that students applying for aid under this subchapter have the opportunity to pursue adjustments under this section.

(b) Adjustments for students with special circumstances**(1) Special circumstances for adjustments related to Pell Grants**

Special circumstances for adjustments to calculate a Federal Pell Grant award-

(A) shall be conditions that differentiate an individual student from a group of students rather than conditions that exist across a group of students; and

(B) may include-

- (i) recent unemployment of a family member or student;
- (ii) a student or family member who is a dislocated worker (as defined in section 3102 of title 29);
- (iii) a change in housing status that results in an individual being a homeless youth;
- (iv) an unusual amount of claimed losses against income on the Federal tax return that substantially lower adjusted gross income, such as business, investment, or real estate losses;
- (v) receipt of foreign income of permanent residents or United States citizens exempt from Federal taxation, or the foreign income for which a permanent resident or citizen received a foreign tax credit;
- (vi) in the case of an applicant who does not qualify for the exemption from asset reporting under section 1087ss of this title, assets as defined in section 1087vv(f) of this title; or
- (vii) other changes or adjustments in the income, assets, or size of a family, or a student's dependency status.

(2) Special circumstances for adjustments related to cost of attendance and student aid index

Special circumstances for adjustments to the cost of attendance or the values of the data used to calculate the student aid index-

(A) shall be conditions that differentiate an individual student from a group of students rather than conditions that exist across a group of students, except as provided in sections 1087uu and 1087uu-1 of this title; and

(B) may include-

- (i) tuition expenses at an elementary school or secondary school;
- (ii) medical, dental, or nursing home expenses not covered by insurance;
- (iii) child care or dependent care costs not covered by the dependent care cost allowance calculated in accordance with section 1087ll of this title;
- (iv) recent unemployment of a family member or student;
- (v) a student or family member who is a dislocated worker (as defined in section 3102 of title 29);
- (vi) the existence of additional family members enrolled in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 1094 of this title;

- (vii) a change in housing status that results in an individual being a homeless youth;
- (viii) a condition of severe disability of the student, or in the case of a dependent student, the dependent student's parent or guardian, or in the case of an independent student, the independent student's dependent or spouse;
- (ix) unusual amount of claimed losses against income on the Federal tax return that substantially lower adjusted gross income, such as business, investment, or real estate losses; or
- (x) other changes or adjustments in the income, assets, or size of a family, or a student's dependency status.

(c) Unusual circumstances adjustments

(1) In general

Unusual circumstances for adjustments to the dependency status of an applicant shall be-

- (A) conditions that differentiate an individual student from a group of students; and
- (B) based on unusual circumstances, pursuant to section 1087vv(d)(9) of this title.

(2) Provisional independent students

(A) Requirements for the Secretary

The Secretary shall-

- (i) enable each student who, based on an unusual circumstance described in section 1087vv(d)(9) of this title, may qualify for an adjustment under subsection (a)(1)(B) that will result in a determination of independence under this section or section 1087uu-2 of this title to complete the Free Application for Federal Student Aid as an independent student for the purpose of a provisional determination of the student's Federal financial aid award, with the final determination of the award subject to the documentation requirements of subsection (a)(3);
- (ii) upon completion of the Free Application for Federal Student Aid provide an estimate of the student's Federal Pell Grant award, and other information as specified in section 1090(a)(3)(A) of this title, based on the assumption that the student is determined to be an independent student; and
- (iii) specify, on the Free Application for Federal Student Aid, the consequences under section 1097(a) of this title of knowingly and willfully completing the Free Application for Federal Student Aid as an independent student under clause (i) without meeting the unusual circumstances to qualify for such a determination.

(B) Requirements for financial aid administrators

With respect to a student accepted for admission who completes the Free Application for Federal Student Aid as an independent student under subparagraph (A), a financial aid administrator shall-

- (i) notify the student of the institutional process, requirements, and timeline for an adjustment under this section and section 1087vv(d)(9) of this title that will result in a review of the student's request for an adjustment and a determination of the student's dependency status under such sections within a reasonable time after the student completes the Free Application for Federal Student Aid;
- (ii) provide the student a final determination of the student's dependency status and Federal financial aid award as soon as practicable after all requested documentation is provided;
- (iii) retain all documents related to the adjustment under this section and section 1087vv(d)(9) of this title, including documented interviews, for at least the duration of the student's enrollment, and shall abide by all other record keeping requirements of this chapter; and
- (iv) presume that any student who has obtained an adjustment under this section and section 1087vv(d)(9) of this title and a final determination of independence for any preceding award year at an institution of higher education to be independent for each subsequent award year at the same institution unless-
 - (I) the student informs the institution that circumstances have changed; or
 - (II) the institution has specific conflicting information about the student's independence.

(C) Eligibility

If a student pursues provisional independent student status and is not determined to be an independent student by a financial aid administrator, such student shall only be eligible for a Federal Direct Unsubsidized Stafford Loan for that award year unless such student subsequently completes the Free Application for Federal Student Aid as a dependent student.

(d) Adjustments to assets or income taken into account

A financial aid administrator shall be considered to be making a necessary adjustment in accordance with this section if-

- (1) the administrator makes adjustments excluding from family income or assets any proceeds or losses from a sale of farm or business assets of a family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or a voluntary or involuntary liquidation; or
- (2) the administrator makes adjustments for a condition of disability of a student, or in the case of a dependent student, the dependent student's parent or guardian, or in the case of an independent student, the independent student's dependent or spouse, so as to take into consideration the additional costs incurred as a result of such disability.

(e) Refusal or adjustment of loan certifications

On a case-by-case basis, an eligible institution may refuse to use the authority provided under this section, certify a statement that permits a student to receive a loan under part D, certify a loan amount, or make a loan that is less than the student's determination of need (as determined under this part), if the reason for the action is documented and provided in writing to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, ethnicity, national origin, religion, sex, marital status, age, or disability status.

(f) Special rule regarding professional judgment during a disaster, emergency, or economic downturn**(1) In general**

For the purposes of making a professional judgment under this section, financial aid administrators may, during a qualifying emergency-

- (A) determine that the income earned from work for an applicant is zero, if the applicant can provide paper or electronic documentation of receipt of unemployment benefits or confirmation that an application for unemployment benefits was submitted; and
- (B) make additional appropriate adjustments to the income earned from work for a student, parent, or spouse, as applicable, based on the totality of the family's situation, including consideration of unemployment benefits.

(2) Documentation

For the purposes of documenting unemployment under paragraph (1), documentation shall be accepted if such documentation is submitted not more than 90 days from the date on which such documentation was issued, except if a financial aid administrator knows that the student, parent, or spouse, as applicable, has already obtained other employment.

(3) Program reviews

The Secretary shall make adjustments to the model used to select institutions of higher education participating under this subchapter for program reviews in order to account for any rise in the use of professional judgment under this section during the award years applicable to the qualifying emergency, as determined by the Secretary.

(4) Qualifying emergency

In this subsection, the term "qualifying emergency" means-

- (A) an event for which the President declared a major disaster or an emergency under section 5170 or 5191, respectively, of title 42;
- (B) a national emergency related to the coronavirus declared by the President under section 1621 of title 50; or
- (C) a period of recession or economic downturn as determined by the Secretary, in consultation with the Secretary of Labor.

Appendix C: Cost of Attendance Comparison Chart

Cost of Attendance Comparison Chart

	Half Time	Less Than Half Time	Correspondence Study	Incarcerated
Tuition/Fees	x	x	x	x
Living Expenses, Including Food and Housing	x	x ¹	x ²	
Books, Course Materials, Supplies, and Equipment	x	x	x	x
Transportation	x	x	x ²	
Miscellaneous, Personal expenses	x			
Licensure, Certification, or First Professional Credential	x	x		x
Federal Educational Loan Fees	x			
Dependent Care Expenses	x	x		
Disability-Related Expenses	x	x		
Study Abroad Expenses	x	x		
Cooperative Education Costs	x	x		

¹ At the institution’s option, a housing and food allowance may be included for not more than three semesters or the equivalent, of which not more than two semesters may be consecutive.

² Living expense and transportation costs incurred specifically in fulfilling a required period of residential training.

Glossary

Award year: The period from July 1 of one year to June 30 of the following year.

Confined or incarcerated individual: An individual who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, juvenile justice facility, or other similar correctional institution. An individual is not considered incarcerated if that individual is subject to or serving an involuntary civil commitment, in a half-way house or home detention, or is sentenced to serve only weekends.

Cooperative education program: A credit-bearing academic program that combines professional work experience in a student's field of study with academic research and coursework.

Correspondence course: A course provided by an institution under which the institution provides instructional materials, by mail or electronic transmission, including examinations on the materials, to students who are separated from the instructor. Interaction between the instructor and student is limited, is not regular and substantive, and is primarily initiated by the student. Correspondence courses are typically self-paced. If a course is part correspondence and part residential training, the course is a correspondence course. A correspondence course is not distance education.

Cost of attendance (COA): Costs the student is expected to incur during the period of enrollment, including tuition, fees, housing, food, books, course materials, supplies, equipment, transportation, miscellaneous personal expenses, and other items allowed under Section 472 of the HEA. The COA usually is calculated for a full academic year.

COA recalculation: Adjustment to COA components that may be required or optional. Required COA recalculations may be due to a failure to begin enrollment in all courses, change in enrollment before the start of a term, a change in the EFC, or an overaward. Optional COA recalculations may be due to institutional policy, e.g., a change of enrollment during the term, or a change to a COA component such as housing and food.

Dependent student: A student who does not meet the definition of an independent student as prescribed under section 480(d) of the HEA.

Distance education: Education that uses one or more technologies to deliver instruction to students who are separated from the instructor, and to support regular and substantive interaction between the students and the instructor, either synchronously or asynchronously. Technology that may be used in the delivery of instruction includes: the Internet; one-way or two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications; audio conferencing; and other media used in conjunction with the above listed technologies.

Documentation: The collection and analysis of materials for future reference. The material should be sufficient to allow another individual to recreate a process or procedure.

Enrollment status: A measure of the amount of coursework in which a student is enrolled or will enroll, usually expressed in credit or clock hours. Common enrollment statuses include full time, three-quarter time, half time, and less than half time.

Estimated financial assistance (EFA): The estimated amount of assistance for a period of enrollment that a student (or a parent on behalf of a student) will receive from federal, state, institutional, or other sources, such as scholarships, grants, net earnings from need-based employment, or loans, including—but not limited to—

- The estimated amount of other federal student financial aid, including but not limited to a Federal Pell Grant, TEACH Grant, and campus-based aid, and the gross amount (including fees) of subsidized and unsubsidized Direct Loans and Direct PLUS; and
- Except for Direct Subsidized Loans, national service education funds or post-service benefits under Title I of the National and Community Service Act of 1990 (AmeriCorps);
- Any educational benefits paid because of enrollment in a postsecondary education institution, or to cover postsecondary education expenses;
- Fellowships or assistantships, except non-need-based employment portions of such funds; and
- Insurance programs for the student’s education.

EFA does not include—

- Those amounts used to replace the EFC, including the amounts of any TEACH Grant, Direct Unsubsidized Loans, Direct PLUS, and nonfederal non-need-based loans, including private, state-sponsored, and institutional loans. However, if the sum of the amounts received that are being used to replace the student’s EFC exceed the EFC, the excess amount must be treated as EFA;
- Federal Perkins Loan and FWS funds that the student has declined;
- Non-need-based employment earnings;
- Assistance not received under this part if that assistance is designated to offset all or a portion of a specific amount of the COA and that component is excluded from the COA as well. If that assistance is excluded from either EFA or COA, it must be excluded from both;
- Federal veterans’ education benefits paid under:
 - Chapter 103 of Title 10, USC (Senior Reserve Officers’ Training Corps),
 - Chapter 106A of Title 10, USC (Educational Assistance for Persons Enlisting for Active Duty),
 - Chapter 1606 of Title 10, USC (Selected Reserve Educational Assistance Program),
 - Chapter 1607 of Title 10, USC (Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Certain Other Operations),
 - Chapter 30 of Title 38, USC (All-Volunteer Force Educational Assistance Program, also known as the “Montgomery GI Bill—active duty”),
 - Chapter 31 of Title 38, USC (Training and Rehabilitation for Veterans with Service-Connected Disabilities),

- Chapter 32 of Title 38, USC (Post-Vietnam Era Veterans' Educational Assistance Program),
 - Chapter 33 of Title 38, USC (Post 9/11 Educational Assistance),
 - Chapter 35 of Title 38, USC (Survivors' and Dependents' Educational Assistance Program),
 - Section 903 of the Department of Defense Authorization Act, 1981 (USC 2141 note) (Educational Assistance Pilot Program),
 - Section 156(b) of the "Joint Resolution making further continuing appropriations and providing for productive employment for the fiscal year 1983, and for other purposes" (42 USC 402 note) (Restored Entitlement Program for Survivors, also known as "Quayle benefits"),
 - The provisions of chapter 3 of Title 37, USC, related to subsistence allowances for members of the Reserve Officers Training Corps (ROTC), and
 - Any program determined by ED to be covered by section 480(c)(2) of the HEA;
- Iraq and Afghanistan Service Grants; and
 - For Direct Subsidized Loans, national service education funds or post service benefits paid under AmeriCorps.

Expected family contribution (EFC): Estimate of a family's ability to contribute toward postsecondary educational costs, derived by a formula known as "Federal Methodology."

FAFSA Simplification Act: The FAFSA Simplification Act was passed as part of the Consolidated Appropriations Act of 2021. It was enacted into law on December 27, 2020, making significant changes to the HEA and the FAFSA.

Federal Student Aid (FSA): The office within the U.S. Department of Education with administrative oversight for Title IV aid.

Financial need: The difference between the institution's cost of attendance and the family's ability to pay (i.e., EFC). Ability to pay is represented by the EFC for federal need-based aid and for many state and institutional programs.

Free Application for Federal Student Aid (FAFSA®): The application used to apply for all Title IV aid. The FAFSA collects financial and other information used to calculate the EFC and to confirm a student's eligibility via various database matches with other federal agencies.

Half-time student: An enrolled student who is carrying a half-time academic workload, as determined by the institution, that amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student in 34 CFR 668.2(b) of the General Provisions regulations. Also, a student enrolled solely in a program of study by correspondence who is carrying a workload of at least 12 hours of work per week, or is earning at least six credit hours per semester, trimester, or quarter; however, a student enrolled solely in correspondence study is not considered more than a half-time student regardless of the coursework being completed.

Higher Education Act of 1965 (HEA), as amended: The authorizing legislation for most of the federal student financial assistance programs. Established in 1965 by Congress, Title IV of the HEA authorizes the following programs: Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG), Children of Fallen Heroes Scholarship (CFHS), Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins Loan, and Federal Direct Student Loan (Direct Loan). Collectively, these programs are known as the Title IV programs and are administered by ED.

Income protection allowance (IPA): An allowance within the FM need analysis calculation which serves as a benchmark based on an income level below which a household is assumed to have no discretionary income. It covers essential family expenses and recognizes that such expenses must be met before calculating a contribution for educational expenses. The IPA varies based on the number of people in the household and the number of household members in college.

Independent student: Under section 480(d) of the HEA, a student who:

- Will be 24 years of age by December 31 of the award year;
- Is married;
- Is a graduate or professional student;
- Is currently serving on active duty in the U.S. Armed Forces for purposes other than training;
- Is a veteran of the U.S. Armed Forces;
- Has children who will receive more than half of their support from the student during the award year;
- Has legal dependents other than children or a spouse who will receive more than half of their support from the student during the award year;
- Is or was an orphan, in foster care, or a dependent/ward of the court at any time since turning age 13;
- Is or was an emancipated minor as determined by a court in the student's state of legal residence;
- Is or was in legal guardianship as determined by a court in the student's state of legal residence;
- Was an unaccompanied youth who was homeless at any time on or after July 1 preceding the award year, as determined by a high school, school district homeless liaison, or director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development;
- Was homeless or self-supporting and at risk of being homeless at any time on or after July 1 preceding the award year, as determined by the director of a runaway or homeless youth basic center or transitional living program; or
- Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

Indices: Publications and reports which track and analyze trends in the costs of various goods and services.

Indirect costs: Postsecondary expenses a student does not pay to an institution, such as books, course materials, supplies, equipment, transportation, and miscellaneous personal expenses.

Individual with a disability: Under the Americans with Disabilities Act (ADA), an individual who has a physical or mental impairment that substantially limits one or more major life activities, who has a record of such an impairment, or who is regarded as having such an impairment.

Institutional costs: Items usually charged by the institution and assessed directly to the student. Examples include tuition, fees, and on-campus residences.

Noninstitutional costs: Costs not set by the school, but which are driven by local market conditions, reflecting costs and availability of goods and services in the surrounding community.

Primary data source: Data provided directly by students for the purpose of determining costs reasonably incurred because of enrollment in a postsecondary institution. Surveys, expenditure diaries, and personal interviews are methods of collecting data from a primary source.

Professional judgment (PJ): The authority provided under the HEA for financial aid administrators to exercise discretion and deal with unique circumstances affecting individual students on a case-by-case basis in specific areas of federal student aid administration.

Secondary data source: Sources other than students that are referenced for determining enrollment-related costs.

Title IV: The section of the HEA pertaining to administration of the federal student financial assistance programs.

U.S. Department of Education (ED): The Cabinet-level department of the United States government with oversight of the programs and funds authorized under the HEA that provide financial assistance to eligible students enrolled in postsecondary educational programs.

Waiver: A charge that is normally assessed the student and is covered by another source, such as the institution, agency, or employer.

Resources

Bureau of Labor Statistics, United States Department of Labor, *Consumer Expenditure Survey*, compiled annually based on demographic and geographic regions. Available at <http://www.bls.gov/cex>

Presents expenditure and income data collected in Consumer Expenditure Surveys by both diary and interview methods. Includes data on consumer spending and income reported for various demographic and geographic groupings.

The College Board. *Living Expense Budget*, Updated annually. Available at <https://professionals.collegeboard.org/highered/financial-aid/living-expense>

The College Board's nine- and twelve-month living expense budgets show living expense costs by region and metropolitan area. Both a moderate and a low budget are provided.

The College Board. *Trends in College Pricing*. Updated annually from the College Board's Annual Survey of Colleges. Available at <https://research.collegeboard.org/trends/collegepricing>

Provides up-to-date information on tuition and other expenses associated with attending public and private nonprofit institutions of postsecondary education in the United States.

National Council for Education Statistics, *Price of Attending an Undergraduate Institution*. Updated annually. Available at <https://nces.ed.gov/programs/coe/indicator/cua/undergrad-costs?tid=>

Provides statistical data on the costs of attending a post-secondary institution.

United States Census Bureau, *American Community Survey*, Updated annually. Available at <https://www.census.gov/programs-surveys/acs>

Provides nationwide survey designed to provide communities with data on income, employment, occupations, commuting, housing values and costs, utilities costs, etc.

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