

**GEN-88-7****Need analysis statutory changes****United States Department of Education**

Washington, D.C. 20202

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Dear Colleague:

The Higher Education Amendments of 1986 (P.L. 99-498) and the Higher Education Technical Amendments Act of 1987 (P.L. 100-50) made major changes in the student aid programs authorized under the Higher Education Act of 1965, as amended. Particularly, statutory changes to the need analysis process and methodologies required substantial modifications to the student aid delivery system for the 1988-89 award year. The purpose of this letter is to transmit to you the Guide to Changes for the 1988-89 Title IV Delivery System.

The following are major changes made to the delivery system by the recent amendments:

- The Pell Grant Family Contribution Schedule, formerly published in the Federal Register, has been incorporated into the statute.
- A single need analysis methodology (Congressional Methodology) for use under the campus-based and Guaranteed Student Loan programs has been incorporated into the statute.
- A simplified need analysis formula may be used under all Title IV programs by qualified students.
- Financial aid administrators have the authority, based on adequate documentation, to make individual adjustments (due to special circumstances) to an individual student's cost of attendance and expected family contribution for all the Title IV programs.
- The Pell Grant Family Contribution Schedule no longer provides for the use of expected year income due to extraordinary circumstances. Therefore, there no longer is a Special Condition Application.

- The Department of Education Appropriations Act, 1987 (P.L. 100-202) provided that the maximum Pell Grant award that a student may receive in the 1988-89 award year is \$2,200. Approximately \$4.26 billion was appropriated for this purpose. This level of funding, however, is insufficient to fund the Pell Grant Program fully. By statute, the linear reduction process must be used, and no awards for the 1988-89 award year may be made for less than \$100. The maximum award remains at \$2,200.

Changes in the Pell Grant Electronic Data Exchange are not addressed in this Guide. The information is being provided to participants separately.

We hope that this information is useful to you.

Sincerely,

Dewey L. Newman  
Deputy Assistant Secretary for  
Student Financial Assistance

Daniel R. Lau  
Director, Student Financial  
Assistance Programs

Enclosure

**GUIDE TO CHANGES FOR THE 1988-89 TITLE IV DELIVERY SYSTEM**

U. S. DEPARTMENT OF EDUCATION  
Office of Postsecondary Education  
Office of Student Financial Assistance  
Washington, D. C.

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## I. GENERAL

### A. Need Analysis

To determine a student's eligibility for Federal assistance under the Title IV student financial assistance programs, a student must submit requested information relating to his or her family's financial situation. These data are analyzed and the applicant's need for aid assessed. NOTE: Title IV student financial assistance programs addressed in this Guide include the Pell Grant, Guaranteed Student Loan (GSL), and campus based (Perkins Loan, College Work-Study, Supplemental Educational Opportunity Grant) programs.

There are two need analysis methodologies used under the Title IV student financial assistance programs for determining a student's financial need. One methodology is the Family Contribution Schedule (FCS) under which eligibility for a Pell Grant is determined. The other methodology is the Congressional Methodology (CM) under which eligibility for the campus-based and GSL programs is determined. As described in part B of this section there are several formulae under either methodology.

The product of the FCS and CM methodologies is called the expected family contribution (EFC). Once an EFC is calculated, a student's eligibility for aid can be determined. The EFC is referred to as the Student Aid Index (SAI) under the Pell Grant Program. The EFC is referred to as the Family Contribution (FC) under the campus based and GSL programs.

There are several ways for a student to apply to have his or her financial need assessed. In order to apply for assistance under all of the Title IV programs, the applicant may complete (1) the Application for Federal Student Aid (AFSA) or (2) an application of a Multiple Data Entry processor (MDE). An MDE is an organization which has a contract with the Department of Education (ED) to collect and transmit to ED student aid application data. A student who completes the AFSA mails it directly to the Central Processor. (A list of post office box numbers is included in Appendix B.) A student using an MDE application forwards a completed application to the MDE processing center as directed in the application. In both cases, the student's data are analyzed, and his or her eligibility is determined under the FCS and the CM.

To apply for only the campus-based and GSL programs a student may complete an application provided by a certified Need Analysis System (NAS). A certified NAS calculates the student's eligibility under only the campus-based and GSL programs and frequently provides estimated calculations of Pell Grant eligibility (estimated calculations of the Pell SAI may not be used to disburse Pell Grants).

NOTE: Institutions may no longer use the SAI to determine eligibility under the campus-based and GSL Programs.

### B. Multiple Data Entry Servicers

Until recently the statute required ED to enter into not less than three contracts with States, institutions of higher education, or private organizations which qualified to become Multiple Data Entry Servicers (MDE). The contracts were offered for bid in March 1986. Four contracts were awarded in December 1986. The

contracts which were awarded cover the 1987-88, 1988-89, and 1989-90 award years. The contracts were awarded to the following:

- American College Testing (ACT) Program.
- College Scholarship Service (CSS).
- Illinois State Scholarship Commission (ISSC).
- Pennsylvania Higher Education Assistance Authority (PHEAA).

### C. Certified Need Analysis System

For award years prior to 1988-89, a notice was published in the Federal Register announcing the procedures for approval of servicers' systems. These systems approval procedures were known as the benchmark process. Under the benchmark process, NASs were not required to compute exact EFCs - rather, ED required that the results for a series of sample cases fall within a certain range. In this manner ED assumed a reasonable uniformity among NASs in calculating EFCs for the campus-based and GSL programs.

For the 1988-89 award year, only systems which prove the ability to calculate accurately exact EFCs are certified. Certification is based on the correct processing of up to 5,000 test cases by the system, depending on the level of certification as discussed below. If an institution uses a certified system to calculate an EFC for the 1988-89 award year for the campus-based and GSL programs, the institution can be assured that the EFC produced by that system has been calculated according to the procedures prescribed by the statute. Unlike MDEs, the statute does not establish limits on the number of servicers that may calculate FCs. (NOTE: An MDE must also be certified as an NAS for an institution to be able to rely on the MDE's FC calculation.) A list of certified NASs will be published in the Federal Register in March 1988.

An NAS may have its system certified at one of the four levels as described below:

- Level 1

Each certified system is able to calculate an EFC under the campus-based and GSL programs when a student provides all the data elements necessary for that calculation in a complete and consistent manner. All certified NAS processors' systems perform this function and are certified under at least Level 1.

- Level 2

Under Level 2, the NAS's system performs the function described under Level 1 and selects students for verification according to ED's instructions for verification selection.

- Level 3

Under Level 3, the NAS's system performs the function described under Level 1 and calculates an EFC for the campus-based and GSL programs, even when a student provides incomplete and inconsistent data, through the use of ED specified edits.

- Level 4

Under Level 4, the NAS's system performs the functions described under Levels 1, 2, and 3.

## II. FAMILY CONTRIBUTION SCHEDULE METHODOLOGY - NEED ANALYSIS METHODOLOGY FOR THE PELL GRANT PROGRAM

A number of changes were made to the FCS Methodology which is used to calculate a student's SAI under the Pell Grant Program. The FCS, which was previously established each year by regulations, is now established in the statute. All definitions of data elements, the precise procedures to be used in the methodology as well as all assessment rates, offsets, and asset reserves, are now presented in sections 411A through 411F of the Higher Education Act of 1965, as amended.

### A. Changes Applying to Both the Dependent and Independent Student FCS

#### 1. No Special Condition Formula

There is no longer a Special Condition Application since there is no longer a formula for extraordinary circumstances. Previously, the FCS included a formula which used expected year income for students with extraordinary circumstances. The Special Condition Application listed the set of precise circumstances under which this formula could be used.

NOTE: However, the Financial Aid Administrator (FAA) now has the authority to make necessary individual adjustments to the SAI in any manner he or she deems appropriate to take into account an individual student's special circumstances. (This is discussed further in Section IX - Adjustments.)

#### 2. Dislocated Worker

The methodology provides for special treatment of students, parents of dependent students, and students' spouses who are dislocated workers. For a dislocated worker, the methodology uses expected year income rather than base year income and excludes home assets from assessment. (See Appendix A for the definition of "dislocated worker.")

#### 3. Displaced Homemaker

The methodology provides for special treatment of students, parents of dependent students, and students' spouses who are displaced homemakers. For a displaced homemaker, the methodology excludes all home assets under the formula. (See Appendix A for the definition of "displaced homemaker.")

#### 4. Family Size Offsets

A family has basic subsistence expenses that must be met before any contribution from income can be expected. An allowance is given in the FCS for these expenses and is subtracted from the effective family income. This allowance, called the Family Size Offset, is based on the number of persons in the parents' (or student's, in the case of an independent student) household.

The amounts of the Family Size Offsets are as follows:

Number of Family Members	*1987-88 Offset	1988-89 Offset
1	\$5,200	\$5,300
2	\$6,500	\$6,700
3	\$8,000	\$8,100
4	\$10,100	\$10,400
5	\$12,100	\$12,300
6	\$13,600	\$13,800
7 or more	\$13,600 plus \$1,700 for each member over 6	\$13,800 plus \$1,800 for each member over 6

\*The 1987-88 award year offsets are shown for purposes of comparison.

#### 5. State and Other Tax Allowance Calculation

The FCS methodology includes the calculation of a standard State and Other Tax Allowance to be offset against adjusted family income similar to the procedure used previously in the Uniform Methodology (and for 1988-89 in the CM). The allowance is determined by a percentage based on the amount of the adjusted family income (the percentage differs for incomes below \$15,000 and those equal to or above \$15,000) and the parents', or student's in the case of an independent applicant, State or territory of legal residence.

#### 6. Unreimbursed Elementary and Secondary Tuition Offset Procedure

The FCS methodology limits the amount of unreimbursed tuition paid for other dependents enrolled in elementary and secondary schools that can be used to reduce the amount of discretionary income. In the past, there was no limit on the amount of unreimbursed elementary and secondary tuition that could offset income. Beginning with the 1988-89 award year, the unreimbursed elementary and secondary offset may not exceed the national average per pupil instructional cost, as published by the U.S. Department of Education Center for Education Statistics. The average per pupil instructional cost will be \$3,450. To obtain a maximum tuition allowance, the revised procedure multiplies the number of dependents for whom unreimbursed tuition was paid by \$3,450. If the reported unreimbursed tuition paid (the sum of tuition paid for all dependents) is less than the maximum tuition allowance, then the reported tuition paid is used as the offset against income. If the reported tuition paid is greater than the maximum tuition allowance, then the tuition offset is equal to the maximum tuition allowance.

#### 7. Reserve against Home Asset

The asset reserve against home assets is \$30,000, instead of \$25,000 as in the 1987-88 award year.

8. Treatment of Farm and Business Assets

There is a separate reserve for families reporting only business assets (\$80,000), with an overall cap on reserves of \$110,000. A separate reserve of \$100,000 is provided in the case of families reporting farm assets, or a combination of farm and business assets, with an overall asset cap on reserves in this case of \$130,000. For the last several years, there has been no distinction between farm and business assets in the FCS Methodology. The two types of assets were reported as a combined amount on the application, and the same asset reserve (\$80,000) and total asset cap (\$100,000) was applied. (NOTE: Farm and business assets are still collected as a combined field on the 1988-89 application, but a new data element has been added to determine if this combined amount contains any farm assets. The student's response to this data element determines the reserve level and caps discussed above.)

9. Multiple Postsecondary Applicant Adjustment

There no longer is a schedule of percentage reductions used to adjust the parents', or student's, in the case of an independent student, contribution from income and assets when more than one family member is enrolled in postsecondary education on at least a half-time basis. Instead, the FCS now divides the total contribution from income and assets by the number of family members enrolled in postsecondary education on at least a half-time basis to obtain the adjusted contribution.

B. Changes Applying Only to the Dependent Student FCS

1. Use of Dependent Student Base Year Income Only

The reported base year income is always used in the calculation of the contribution from dependent student income, unless the student or student's spouse was a dislocated worker. Previously, expected year dependent student income was used in the FCS methodology if it was less than or equal to 60% of the amount of the reported base year (prior tax year) income.

2. Married Dependent Student Income Offset

The offset against income for married dependent students is \$5,100 instead of \$5,200 as in the 1987-88 award year. (NOTE: There is no change in the offset (\$3,500) for single dependent students.)

3. Income Assessment Rate for Married Dependent Students

The assessment rate applied to the student's (and spouse's) discretionary income for married dependent students is 75% instead of the 25% in the 1987-88 award year.

4. Asset Treatment for Married Dependent Students

There is no asset reserve for married dependent students. Therefore, the entire amount of net assets is assessed at 33%. The treatment of the student's assets, therefore, is identical for both single and married dependent students.

Previously, a married dependent student received a \$25,000 reserve for his or her net assets. The subsequent amount of assessable assets was then multiplied by 5% to obtain the contribution from the student's (and spouse's) assets.

C. Changes Applying Only to the Independent Student FCS

1. Income Assessment Rate for Independent Students with Dependents (other than a Spouse)

The assessment of discretionary income for independent students with dependents (other than a spouse) is similar to that used for the parents of dependent students. Instead of applying the flat 25% assessment rate to discretionary income to obtain the contribution from income as in the 1987-88 award year, independent students who have dependents (other than a spouse) now receive the following graduated assessment treatment:

<u>Discretionary Income</u>	<u>Expected Contribution</u>
\$0 to \$5,000	11% of discretionary income
\$5,001 to \$10,000	\$550 + 13% of amount over \$5,000
\$10,001 to \$15,000	\$1,200 + 18% of amount over \$10,000
\$15,001 and above	\$2,100 + 25% of amount over \$15,000

2. Income Assessment Rate for Married Independent Students without Other Dependents

The assessment rate on the discretionary income of married independent students who have no other dependents is 75% instead of the 25% in the 1987-88 award year.

### III. CONGRESSIONAL METHODOLOGY - NEED ANALYSIS METHODOLOGY FOR CAMPUS-BASED AND GSL PROGRAMS

#### A. Congressional Methodology - A Prescribed Methodology

A specific methodology, CM, is now provided by statute for use in determining a student's FC. Prior to the 1988-89 award year, institutions were required to use a system of need analysis approved by ED in awarding aid under the campus-based programs and for certifying a GSL. Most of the approved systems were modeled after the Uniform Methodology (UM). ED has never regulated the UM. It is a "community developed" methodology for determining an FC. Prior to the 1988-89 award year, ED approved systems of need analysis through an annual benchmark procedure which involved a review of outputs using a series of sample cases. The purpose of these sample cases was to assure reasonable uniformity among servicers in calculating an EFC since the UM was considered a set of precepts rather than a formula resulting in a precise answer, unlike the CM formula.

#### B. Differences between CM and UM

Although the CM is modeled after the UM, there are a number of important differences. These issues are discussed below.

##### 1. Veterans' Benefits

In the UM, the family contribution for both dependent and independent students included 100 percent of veterans' benefits. Under the CM, veterans' benefits are excluded in determining a dependent applicant's contribution. For an independent student with dependents, veterans' benefits are included as income and subject to the 22 to 47 percent marginal assessment. Veterans' benefits are also excluded in the short needs test. NOTE: Although veterans' benefits are not included in the calculation of the dependent student's family contribution and in the short needs test, and only a portion is included in the family contribution of an independent student with dependents, campus-based regulations require that veterans' benefits not included in the EFC be included as a resource in awarding campus-based aid. These benefits must also be considered as estimated financial assistance for the purpose of certifying GSLs.

To comply with these requirements, for independent students with dependents, institutions should use the following formula to determine the amount of veterans' benefits to be treated as a resource for the campus-based programs and estimated financial assistance for the Guaranteed Student Loan Program:

Resource/Estimated

$$\text{Financial Assistance} = \$\text{Veteran's Benefits} \times \left( 1 - \frac{22\%}{\text{Number in College}} \right)$$

##### 2. Home Assets

Net home value, (i.e., home value less debt) is considered an appropriate element in measuring financial strength and is included in both the dependent and independent formulae. The UM always included net home values; however, net home values are excluded from the CM (dependent and independent) formulae for both dislocated workers and displaced homemakers. (For a definition of "dislocated worker" or "displaced homemaker" see Appendix A - Glossary.)

3. Contribution from Earnings Replaces Summer Savings Expectation

The dependent student contribution in the CM includes a contribution from earnings. That is, a portion of the dependent student's base year income is assessed for contribution purposes. This assessment differs from the practice under the UM in which earned income is not considered, but rather a standard amount (a summer savings expectation) is added to assets and untaxed income in computing the dependent student's contribution.

4. Independent Student Formula

- a) Independent students with dependents. This formula is very similar to the parental contribution calculation in the dependent student formula. That is, allowances for taxes (Federal income, state and local, and social security), employment expenses, elementary and secondary school expenses, unreimbursed medical/dental expenses, and living expenses are subtracted from base year income prior to a marginal assessment using the same 22 to 47 percent assessment schedule that applies to the parental contribution. There is no analogous calculation under UM. That is, the UM does not differentiate among types of independent students. (NOTE: Independent students with dependents are considered to be students who are married or have at least one legal dependent.)
- b) Independent students without dependents. This formula is similar to the independent student formula under UM in that there is a minimum \$ 1,200 contribution expected from a student's earnings. Unlike the UM, however, the CM provides for an income protection for periods of nonenrollment.

5. Base Year Income Used for Both the Independent and Dependent Student Formulae

Generally, the CM uses base year income information for all students. The one exception, as in the FCS methodology, is the formula for dislocated workers. The contribution for a dislocated worker is based on income which is expected in the first calendar year of the academic year for which the student is applying for aid, for example, calendar year 1988 for award year 1988-89. Under the UM dependent student formula, the parents' base year financial information is the basis for determining the parents' contribution. For independent students, the UM considers the student's and his or her spouse's income that is expected for the academic year and the summer preceding it.

C. Recalculations to the FC for Periods of Enrollment other than Nine Months

The FC calculation prescribed by statute is based on an assumption of student enrollment for nine months. The following discusses how the recalculation is made for periods of enrollment other than nine months.

NOTE: These adjustments are not made directly to the FC (except for the independent student with dependents). These adjustments are made within the calculation of the FC to the contribution from the adjusted available income of a dependent student's parents or the student, or from the student's available taxable income.

1. Dependent Students

In those cases involving enrollment periods of other than nine months, the FAA may not use the FC, including the FC produced by the Central Processor, calculated on an assumption of a nine-month period of enrollment, without making an adjustment. The FAA must recalculate the parents' contribution for dependent students enrolled for periods other than nine months as follows:

- o For periods of enrollment less than nine months

$$\frac{\text{Revised Parents' Contribution}}{\text{Contribution}} = \frac{\text{Standard Parents' Contribution}}{9} \times \text{Number of Months Enrolled}$$

- o For periods of enrollment more than nine months

$$\text{STEP 1. Revised Parents Adjusted Available Income} = \text{Standard Parent's Adjusted Available Income} + \$2,370$$

$$\text{STEP 2. Intermediate Parents' Contribution} = \frac{\text{Revised Parents' Adjusted Available Income assessed according to the Assessment Schedule (*see next page)}}{\text{Number in College}}$$

$$\text{STEP 3. Monthly Adjustment Amount} = \frac{\text{Intermediate Parents' Contribution Determined in STEP 2} - \text{Standard Parents' Contribution}}{12}$$

$$\text{STEP 4. Revised Parents' Contribution} = \text{Standard Parents' Contribution} + [(\text{Number of Months Enrolled} - 9) \times \text{Monthly Adjustment Amount Determined in STEP 3}]$$

\*Assessment Schedule for the 1988-89 Award Year

If Adjusted Available Income (AAI) is --	Then the assessment is --
Less than - \$3,409	- \$750
- \$3,409 to \$7,700	22% of AAI
\$7,701 to \$9,900	\$1,694 + 25% of AAI over \$7,700
\$9,901 to \$11,800	\$2,244 + 29% of AAI over \$9,900
\$11,801 to \$13,800	\$2,795+ 34% of AAI over \$11,800
\$13,801 to \$15,500	\$3,475+ 40% of AAI over \$13,800
\$15,501 or more	\$4,155+ 47% of AAI over \$15,500

Note: The dependent student's contribution is not adjusted.

### Independent Students

#### – Maintenance Allowance

The statute requires that in calculating the student's available taxable income a maintenance allowance for periods of nonenrollment (not to exceed \$600 per month) be used in the formula for independent students without dependents. The Central Processor and certified systems, in calculating this CM FC, use \$1800 as the maintenance allowance for periods of nonenrollment based on a nine-month enrollment period. The FAA must recalculate the FC for independent students without dependents enrolled for periods other than nine months and may not use the FC calculated by the Central Processor or certified systems, without modifications. The formula for independent students without dependents found in the Congressional Methodology Formula Book should be used in recalculating the FC.

The statute does not require that a comparable revision be made to the FC (*i.e.*, to the maintenance allowance) of an independent student with dependents who is enrolled for other than nine months. However, to ensure that such a student's treatment is equitable to the treatment of a dependent student, the FAA may use his or her discretion to adjust the independent student's FC in a manner similar to that of the dependent student. That is, the FAA can prorate the student's FC for periods of enrollment of less or more than nine months. (Adjustments are discussed further in Section IX - Adjustments.)

#### – Veterans' Benefits

The veterans' benefit calculation for an independent student is based on an assumption of student enrollment for nine months. Consequently, in the case of an independent student, for periods of enrollment other than nine months, veterans' benefits must be recalculated. The appropriate recalculation is to multiply the monthly amount of benefits by the lesser of the number of months reported or the number of months enrolled.

#### IV. SIMPLIFIED NEEDS TEST FORMULA

##### A. Simplified Needs Test Formula and Full Data Element Formula

Within each of the methodologies (FCS and CM), a student's EFC are determined using the following:

- The Simplified Needs Test Formula, which refers to a formula that uses a limited number of data elements to calculate a student's EFC. As illustrated in Appendix E, there are three possible variations of this formula under each methodology.
- Full Data Element Formula, which refers to a formula which uses the full range of data elements in calculating a student's EFC. As illustrated in Appendix E, there are nine possible variations of this formula under each methodology.

##### B. Data Used in the Simplified Needs Test Formula

- Adjusted gross income.
- Student's (Parents'/Spouse's) earnings.
- Federal taxes paid.
- Untaxed income and benefits.
- The number of family members.
- The number of family members in postsecondary education.
- An allowance for State and local taxes. (While this is not an actual question asked on the application, this information is computed based on the student's State of residency.)

##### C. Qualifying for the Simplified Needs Test Formula

In order to determine whether a student qualifies for the simplified needs test formula, two factors are considered: (1) whether the family's adjusted gross income is \$15,000 or less, and (2) whether the family members filed appropriate tax returns. For a dependent student to qualify for the simplified need analysis, the total of the adjusted gross incomes of the student and his or her parents and spouse must equal \$15,000 or less, and the student and his or her parents and spouse must have filed a 1987 IRS 1040A or 1040EZ tax form or be non-tax filers. For an independent student to qualify for the simplified needs test formula, the total of the adjusted gross incomes of the student and his or her spouse must equal \$15,000 or less, and the student and his or her spouse must have filed a 1987 IRS 1040A or 1040EZ tax form or be non-tax filers.

In some cases, even though a student qualifies for the simplified needs test formula, it may be to his or her advantage to use the full data element formula. The full data element formula takes into consideration things such as education allowances and medical offsets that are not provided for under the simplified needs test formula.

Furthermore, the full data element formula allows special treatment of income and asset information when the student, the student's spouse, or the student's parent is a dislocated worker or a displaced homemaker. If a student elects to undergo a full data element formula, the results of the simplified needs test formula are provided as the primary number on the SAR and the results of the full data element formula are provided as the secondary number. The FAA determines which SAI for the Pell Grant Program and which FC for the other Title IV programs to use in awarding Title IV funds. (This is discussed in Section XI - Primary and Secondary Numbers.)

V. 1988-89 APPLICATION FOR FEDERAL STUDENT AID

A number of changes have been made to the Application for Federal Student Aid (AFSA) for the 1988-89 award year. The most substantive changes were made in the areas of format and design and addition or deletion of data elements.

A. Changes to the Format of the AFSA

The 1988-89 AFSA follows a "combined" application approach which uses a single application and instructions for all students. The 1987-88 AFSA follows a "split" application approach which uses separate applications and instructions depending on the status of the application.

Since the statute provides for the use of the simplified needs test formula, the 1988-89 application package has been redesigned to accommodate this provision. (For further information see Section IV - Simplified Needs Test Formula.) In the process of redesigning the application, the following format changes have been made:

- The application has been reformatted so that the data elements common to applicants under both the simplified needs test and the full data element formulae appear first.
- The College Release and Certification information appears in the middle of the application rather than at the end of the application so that students whose families qualify for the simplified needs test can stop at that point if they wish, sign the AFSA, and mail it to the Central Processor.
- A "Supplemental Information" page which consists of data elements used only in the full data element formulae has been created on the AFSA. This page, along with the first part of the AFSA, provides the data necessary for a calculation to be made under the full data element formula. This page must be completed by students who either do not meet the criteria for the simplified needs test or are dislocated workers and may be completed by those who choose to undergo the full need formula for other reasons (e.g., the student wishes to be considered for State or institutional aid or the full formula might be more favorable to the student).

Every student must complete the first part of the application containing the common data elements. The student is then instructed to go to the "worksheets" to see if he or she qualifies for the simplified needs test. If the student does not qualify for the simplified needs test, he or she must complete the Supplemental Information page.

A student who qualifies for the simplified needs test is instructed to see his or her FAA before mailing the application if 1) the student wishes to be considered for State and college aid; or 2) either the student, the student's spouse or the student's parent is a dislocated worker. Many students should fill out the Supplemental Information page even though they qualify for the simplified needs test. Institutions need the additional data if the student, the student's spouse, or the student's parent is a dislocated worker. The FAA may also need additional information if the student wants to be considered for State and college aid.

B. New Items - AFSA

The following items have been added to the AFSA:

1. Dependency Status

The new and revised questions and instructions for student status (Step 1) are based on those provisions of the independent student statutory definition. The statutory definition of an "independent student" requires changes each year in the questions used to determine dependency status. For the 1988-89 form, the following new questions are added:

- Did you receive Federal student aid in 1987-88?
- Did you have total resources of \$4,000 or more, not including parents' support in 1985 and 1986?

2. Dislocated Worker

In the full data element formulae under both the FCS and the CM, the expected year income, i.e., the first calendar year of the award year, must be used for dependent students (and spouses), parents of dependent students, and independent students (and spouses) who are dislocated workers. In addition, home assets are excluded for dependent and independent applicants and for parents of dependent students who are dislocated workers. Therefore, in order to determine if expected year income is to be used in calculating a student's eligibility and if home assets are to be excluded for dislocated workers, the following questions have been incorporated into the Supplemental Information page:

- Are you, or is your spouse, a dislocated worker?
- Is either of your parents a dislocated worker?

The following expected year income items are incorporated in the Supplemental Information page:

- 1988 income earned from work (applicant/parents/spouse).
- 1988 other taxable income (applicant/parents/spouse).
- 1988 untaxed income and benefits (applicant/parents/spouse).

(For a definition of "dislocated worker" see Appendix A - Glossary.)

3. Displaced Homemaker

Home assets are excluded in calculating a student's eligibility, if either parent of a dependent student or the student (or spouse) in the case of a dependent or independent student is a displaced homemaker. Therefore, in order to apply the correct treatment of home assets for displaced homemakers, the following questions are incorporated in the Supplemental Information page:

- Are you, or is your spouse, a displaced homemaker?

- Is either of your parents a displaced homemaker?

**NOTE:** In order for an individual (i.e., father, mother, student, or spouse) to be considered a displaced homemaker, he or she must meet all of the requirements in the definition of a displaced homemaker. (For a definition of "displaced homemaker" see Appendix A - Glossary.)

#### 4. Farm Assets

In order to apply the correct farm and/or business asset reserve level and reserve cap, the following question was incorporated in the Supplemental Information page: "Does any part of item 10-6 include a farm?" (For further information concerning changes to the treatment of farm and business assets see Section II Family Contribution Schedule Methodologies.)

#### C. Items Which Are Deleted from the AFSA

The following items appeared on the 1987-88 AFSA and are now deleted from the 1988-89 AFSA:

- Is your spouse attending college at least half-time?
- Your taxable income
  - Summer of 1987.
  - School year of 1987-88.
- Your spouse's taxable income
  - Summer of 1987.
  - School year of 1987-88.
- Your Veterans' Contributory Benefits (VEAP) - Dependent Students only (retained for independent students).
- Number of parents in college.
- Married couple deduction (eliminated by the Tax Reform Act of 1986).
- Payments to an IRA and/or KEOGH Plan (**Note:** This data element was removed as a separate item and placed in the untaxed income and benefits worksheets).
- Parents' 1987 expected taxable and untaxed income.

D. Changes to the Instructions

1. Special Condition Application

Since there is no longer a statutory formula prescribing the use of expected year income in certain special circumstances, there is no longer need for the Special Condition Application.

2. Dependency Determination Override

As was the case during 1987-88, the FAA has the authority to override a dependent student's dependency determination in exceptional circumstances and may reclassify a student who meets the dependent student criteria as an independent student. In addition, beginning with the 1988-89 award year, the FAA must, when appropriate, override the dependency determination and reclassify an independent student as a dependent applicant. The AFSA has been redesigned to gather the information needed to determine if a student meets one of these special circumstances. (For more information on the procedure for completing dependency overrides, see Section VII - Dependency Override.)

3. Citizenship Status

The instructions for the citizenship question have been modified to reflect more accurately program regulations and to accommodate students who are from areas that were formerly part of the Trust Territory of the Pacific Islands, which have recently signed "Compacts of Free Association" with the United States. (For further information see "Dear Colleague" P-87-2.)

4. Family Contribution (FC) Number

A brief paragraph has been added in the instructions describing the Family Contribution (FC) number.

5. Veteran Status

The term "active service" has been added to the instructions for purposes of question 1-1B, "Are you a veteran of the U.S. Armed Forces?"

6. Orphan or Ward of the Court

Question 1-1D: "Are you an orphan or ward of the court?" has been changed to read: "Are you a ward of the court, or are both your parents dead?" Also, the terms "ward of the court" and "legal guardian" have been defined.

7. Legal Dependent

The term "legal dependent" has been defined for purposes of question 1-1D, "Do you have legal dependents other than a spouse?" .

8. Total Resources

- The term "total resources" has been defined for purposes of questions 1-5 and 1-6.

- The student is instructed that when determining his or her "total resources" for question 1-5 or 1-6, the student should not include parental support such as any resources (e.g., money, gifts) that the student received from his or her parents .

9. Parents' Household Size - Dependent Student

The instructions have been modified to determine the parents' household size. The student is to include the following family members in the parents' household: (1) parents, (2) student, (3) parents' other children if they get more than half of their support from the parents or if they would be required to provide parental information when applying for Federal student aid, and (4) other people, including the student's spouse, if they now live with and get more than half of their support from the student's parents.

E. Untaxed Income and Benefit Worksheets

The following data elements have been deleted from the untaxed income and benefits worksheets because of changes in the tax laws:

- Dividend exclusion.
- Married couple deduction.
- Untaxed portions of capital gains.
- Untaxed portions of unemployment compensation.

## VI. STUDENT AID REPORT (SAR)

The substantial changes made to the AFSA and revised processing requirements have caused corresponding changes in the SAR. The format of the Student Aid Report includes a--

- Part 1 - Information Summary,
- Part 2 - Information Review Form or Information Request Form, and
- Part 3 - Payment Document.

The color of the 1988-89 SAR is pink.

### A. Format of the SAR

The "Information Review Form" and "Information Request Form" (Part 2) for dependent students will consist of two pages. Part 2 for independent students continues to be one page. In addition, the "School Use" box on Parts 1 and 2, which some schools used to record enrollment status and other payment information, has been eliminated because of lack of space. The "School Use" box will be used solely for reporting 1) FAA's recalculations and adjustments, and 2) for requesting SAI calculations based upon FAA-adjusted data. The Information Request Form does not contain the "School Use" box since no recalculation or adjustments can be done for rejected applicants. The "School Use" box on the Information Review Form (Part 2) for eligible applicants will consist of two sections, as shown below:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 19, for the graphic.]\*\*

The "School Use" box on Part 2 for ineligible applicants consists of three sections, depicted below:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 19, for the graphic.]\*\*

Since FAAs can report SAI adjustments to eligible students directly to the Pell Disbursement System, the "School Use" box for such applicants omits the "FAA SAI Adjustment" section.

For the first time, the SAR includes the same income and asset information for both dependent and independent applicants. The SAR has been rearranged so that data elements used for the Simplified Needs Test Formula are presented first, followed by data elements from the Supplemental Data Sheet, used in the full data element formula. Parental data is now separate from applicant data.

B. New Items on the SAR

The following items have been added to the SAR:

- Independent student data based on new definition.
- Child support received.
- Tuition paid for how many children?
- Assets include a farm?
- Applicant/spouse/parent a dislocated worker?
- Applicant/spouse/parent a displaced homemaker?

C. Revisions

The following items have been revised:

1. The Statement of Educational Purpose has been retitled the "Statement of Educational Purpose/Certification Statement on Refund and Default" because it now also encompasses the student eligibility requirement that a student certify that he or she is not in default on any Title IV, HEA loan and does not owe a refund on any Title IV, HEA grant.
2. All references to the Pell Grant Processing Center in comments and preprinted text have been changed to refer to the "Federal Student Aid Application Processing Center." This change merely reflects the title of the application itself which was made several years ago.
3. Part 3 of the SAR (Payment Document) has also been revised. "Verification Status" (Item 4) now includes the code for "Selected - Not Verified" for those students not verified because of the new thirty percent verification limitation in the law. "FAA Adjustment Reason and Adjusted SAI" have been added as Item 10. (For further information see Section XII - Verification.)

## VII. DEPENDENCY OVERRIDE

### A. Instances When an FAA May Override the Dependency Status of a Dependent Student

The circumstances and procedures for changing a student's status from dependent to independent are the same as the ones that were implemented for the 1987-88 award year, with the following exceptions: 1) there are no longer split forms for use under the Central Processing System, and 2) there is no longer a Special Condition application, for use under the Central Processing System.

### B. Instances When an FAA Must Override the Dependency Status of Certain Independent Students

Starting with the 1988-89 award year, under some circumstances an FAA must now override the dependency status of certain independent students to make them dependent. A student who would normally be considered to be independent as a graduate or professional student, a married student, or a single undergraduate with at least \$4000 in resources for each of the two relevant calendar years, may not be treated as an independent student in 1988-89 if he or she was -

- Treated as an independent student in the 1987-88 award year; and
- Claimed as a dependent for income tax purposes for 1987 by any other individual (other than a spouse).

In most cases, the students affected by this provision are students claimed by their parents as income tax exemptions on their parents' 1987 tax returns. In addition to the required signed statement from the applicant that they were not claimed by any other person in 1987, for students in these categories who were independent in 1987-88, the FAA may request a copy of the student's parental 1987 tax return since the parents are the most likely individuals to have claimed the student in 1987. If, after receiving this documentation or any other documentation, it is determined that the student was claimed by his or her parents or any other person, then the student must be considered to be dependent on his or her parents, and the FAA must change the student's dependency status by using the dependency status override procedure.

### C. Processing a Dependency Status Override under the Central Processing System

#### 1. Completion of the Correction Application by the Applicant

The Correction Application continues to be used for dependency override transactions at institutions using the AFSA and for all dependency status override transactions subsequent to the first transaction. In no circumstances may the SAR be used to change dependency status. As in the past, the Correction Application must be used to correct or update dependency status after the student already has applied for aid. However, as was the case for the dependency status override in the 1987-88 award year, the Correction Application for the 1988-89 award year may also be used when a student is first applying for aid, as well as after a student already has applied for aid. NOTE: The dependency status override is the only condition when a Correction Application may be used for a first, or "01", transaction.

If the FAA determines that a student should be considered independent due to unusual circumstances, the FAA should instruct the student to fill out the white and gray shaded areas of the Correction Application. The student should complete "Step 1: Student Status" on the Correction Application with the correct information. However, the student should fill out the gray shaded (independent) items even though the directions indicate that the red shaded items should be used. The student must complete the gray shaded areas of the Correction Application and then return the Correction Application to the FAA for completion of the "override code."

In the 1988-89 award year the FAA must override the dependency status of certain independent students and reclassify them as dependent (as described above in Part B). In these circumstances, the student should answer "Step 1: Student Status" on the application with the correct information. However, the FAA should instruct the student to fill out the white area common to all students and the red shaded (dependent only) items even though the instructions indicate that gray shaded items should be used. The student must return the Correction Application to the FAA for completion of the "override code."

## 2. Completion of the Correction Application by the FAA

After the student has completed the correction application, the FAA must complete the application with the "override code." The override code for the 1988-89 award year is a nine-digit number which combines the Pell Institution ID number with the student's social security number and the type of override requested. The first six digits of the code are the Pell Institution ID number, and the next two digits are the middle two digits of the student's social security number. The last digit, which is new, is the type of override requested by the FAA. The FAA must enter this code in the bottom row of boxes in the "Department of Education Use Only" box on the Correction Application.

For Pell institutions:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 23, for the graphic.]\*\*

D = Changes status from dependent to independent

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 23, for the graphic.]\*\*

I = Changes status from independent to dependent

Unless a valid and complete override code is given on the correction application by the FAA, the student is processed according to the answers to "Step 1: Student Status," i.e., as a student who has completed the incorrect sections of the Correction Application.

For institutions without a Pell Institution ID number, the FAA completes the "Dept. of ED Use Only" box with the middle two digits of the Social Security number in spaces 7 and 8 and the override code in the last space as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 23, for the graphic.]\*\*

The institution must also attach a note to the Correction Application explaining that it does not have a Pell Institution ID number.

### 3. Indicators of Dependency Status Override Printed on the SAR

When the student receives the SAR, there is a comment in the letter text of Part 1 under the heading labeled "Instructions" that reads:

"This report responds to the application you recently submitted as a result of your Financial Aid Administrator's review of your DEPENDENCY STATUS. If you have questions about this report, contact your Financial Aid Office for assistance."

On the front pages of Part 1 and Part 2 of the SAR, at the bottom of the page, in the three lines printed below the bold line, ED prints the type of override (D, I, E, F) in line one, for example:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 24, for the graphic.]\*\*

The name of the institution whose ID number is used in the "override code" appears in the "College Name" fields on Part 1 and Part 2 of the SAR. If the override is processed for a non-Pell institution, no institution name will be printed on the SAR.

NOTE: On the bottoms of the fronts of Part 1 and 2 of the SAR, in the three lines printed below the bold line, ED prints the type of override. The D or I code means the same as explained earlier in this section. The E and F codes correspond to the D and I codes reported by FAAs at schools without Pell Institution ID numbers

#### 4. Dependency Status Override on Rosters and Tapes

As in the 1987-88 award year, the institution of record also receives notification on the hard copy roster, abbreviated data tape, and/or the full data tape that the dependency status override has been used.

#### 5. FAA Monitoring of Submission of Part 2 of SAR

As in the 1987-88 award year, a situation may occur in which a student submits applications as both dependent and independent and consequently receives two SARs - one of which indicates that the student is dependent and the other indicates that the student is independent. This possibility may arise under the following circumstances:

- A dependent student may have completed the application and sent it to the processor. The FAA may determine that, due to unusual circumstances, the student should be considered independent. While the FAA is instructing the student to complete the Correction Application to reverse the dependency determination, the original application is processed since the system accepts both records for the student, and a new SAR is generated.
- A student may have applied as independent and received a SAR indicating such status. The FAA may determine that the student's status must be overridden due to statutory provisions. The student completes a correction application, and a new SAR is generated.

If a student has two SARs, only one of the SARs may be submitted for payment for a single period of enrollment, and the dependency status on the submitted SAR must reflect the institution's records. If an FAA at a second institution receives an SAR which is the result of a decision made by an FAA at the first

institution, the FAA at the second institution must determine in accordance with the second institution's standards if the student should be considered independent if the student's status was changed from dependent to independent. (The only time a student's status can be changed from dependent to independent is due to unusual circumstances as determined by the institution.) If the FAA agrees with the first institution's determination, the FAA must document the circumstances in the student's file. If the FAA disagrees with the first institution's determination, the FAA must obtain a SAR for the student which shows the student to be dependent either by obtaining the student's SAR based on his or her application as a dependent student or by having the student file a correction AFSA which subsequently results in a new SAR being produced by the Central Processor. The FAA must continue to consider the student to be dependent if the student's independent status was overridden as dependent unless, of course, the FAA determines that due to unusual circumstances the applicant should be considered independent. (The only time a student's status is overridden from independent to dependent is when the statute requires that the change be made as described in Part B above.)

The FAA must ensure that a student making corrections to a SAR submits to the Central Processor the "Information Review Form" or "Information Request Form" (Part 2 of the SAR) **that reflects the same dependency status** as the application which is the student's application of record at the institution, i.e., the one on which he or she is awarded his or her Pell Grant. For example, a dependent student must fill out Part 2 of the SAR that reflects dependent student status. Part 2 of the SAR may not be used if it reflects independent status.

#### D. Processing Dependency Status Overrides under MDE Systems

ACT and CSS are continuing processing of dependency overrides on their first, or "01" transactions for 1988-89. FAAs should follow the procedures established by those agencies for their individual forms. PHEAA and ISSC are not processing dependency overrides. Dependency overrides for those applicants should be filed as outlined above in Part B.

### VIII. PELL GRANT PROGRAM - RECALCULATIONS AND PAYMENT WITHOUT A VALID SAR

This same process was established in the 1987-88 award year except that in 1988-89 the FAA may receive the student's application information and SAI from an MDE in addition to a full data tape or SAR. However, FAAs must now be aware that "recalculations" as discussed here are not the same as adjustments" to data, methodology, or EFC (SAI/FC) as discussed in Section IX - Adjustments. "Recalculations" refer only to computations of EFCs reflecting corrected data. For example, an applicant reports his or her AGI on the application as \$10,000. The FAA determines that the applicant's AGI was not \$10,000 but rather was \$8,000 and recomputes the SAI. An "adjustment" is the circumstance in which the data reported on the application is correct, but the FAA determines that it should be adjusted to reflect more realistically the student's circumstances. For example, the student has an expense not considered in the formula which makes the income figure not reflective of the family circumstances. The FAA, therefore, determines to make an adjustment to income to reflect this special circumstance. This circumstance results in computations of EFCs too; but the outcome is now based on adjusted data rather than the data originally reported on the application. This distinction is important because it affects which boxes the FAA is to fill out in the "School Use Only" box and comments printed on the SAR. Thus, the portability of the SAR is affected.

NOTE: A change in a student's dependency status requires the completion of an entirely new application (the Correction Application). A change in a student's dependency status can not be accomplished through an SAI recalculation. (For further information see Section VII - Dependency Override.)

#### A. Recalculation of SAI Not Required

If the FAA has a student's SAI and application information on a full data tape or from an MDE, and a recalculation of the SAI for a student is not required because the institution does not have any information indicating that the application information is inaccurate, initial disbursement may be made prior to receipt of the valid SAR. NOTE: The institution is liable for any disbursements for which it does not receive a valid SAR.

#### B. Recalculation of a Student's SAI by FAA

Except for changes in dependency status, the FAA may recalculate a student's SAI upon receipt of an official SAI and the application information 1) on a full data tape, 2) on a SAR, or 3) from an MDE. The FAA may then make the initial disbursement of a Pell Grant for the first payment period based on the recalculated SAI. NOTE: Recalculation may not be based on a rejected SAR or an MDE's or other NAS's estimated SAI.

#### C. Reporting Recalculated SAIs

The FAA must report the change in the student's application data and SAI to the Central Processor, as described below, within deadline dates established by ED. All corrections to Pell Grant application data, whether initiated by the FAA or by the student, may be made only through the Central Processor.

As in 1987-88, if an institution recalculates a student's SAI, it is imperative that the SAR be reprocessed because the reprocessed eligible record is needed for the Central Processor. The FAA may not cross out the SAI on an earlier Part 3 and write in the recalculated SAI. If an SAI is recalculated based on a full applicant data tape, the FAA may not return the tape, with corrections, to the Central Processor. Rather, the FAA must wait until the student submits the SAR to the institution. In order to submit the corrected SAR to the Central Processor, the FAA must report the corrected information as with any history correction and the recalculated SAI on the back of Part 2 of the SAR, in the "School Use" box in the space labeled "FAA Recalculated SAI," and the Pell Institution ID number ("Pell Inst. No.") must be filled in as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 27, for the graphic.]\*\*

If the Pell institution number is not completed correctly, the processing system assumes that the recalculated SAI was reported by the institution listed in item 61 on Side 2, Part 2 of the SAR (which may be different from the institution recalculating the SAI). If there is no institution of record or signature by the FAA and Part 2 of the SAR is resubmitted, it is treated as a regular history correction even if there is an FAA SAI included. The corrections on which the recalculation is based should be marked on Part 2 of the SAR, and the student must sign the certification which indicates that these corrections are accurate. NOTE: The SAR containing the recalculated SAI undergoes the standard editing and processing procedures for SARs.

#### D. SARs

The SAR has the following comment in the Part 1 of the letter text under the heading labeled "Instructions":

"The report responds to the corrections you recently submitted as a result of your FAA's RECALCULATION of your Student Aid Index (SAI). If you have questions about this report, contact your Financial Aid Office for assistance.

On the bottom of the front of Parts 1 and 2 of the SAR, in the three lines printed below the bold line, there is an "R" in the middle of line one, as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 27, for the graphic.]\*\*

Also, the institution whose Pell institution ID number was recorded on the SAR that was submitted for history corrections appears in the "College Name" fields on Parts 1 and 2 of the SAR.

#### E. Confirmation Reports

Institutions that submit recalculated SAIs receive "Confirmation Reports." These "Confirmation Reports" are sent out on a monthly basis to those institutions that reported recalculations during the previous reporting month. The Confirmation Reports are prepared not only to advise institutions regarding the accuracy of their recalculations, but also to comply with the statute which requires ED to report to Congress on the overall accuracy of the recalculations.

Each confirmation report is cumulative. At the end of the month any institution that had recalculation activity receives a report. The report gives the student's name, corrected social security number, original social security number, address, transaction number, process date, the SAI recalculated by the institution, the SAI recalculated by the Central Processor, and an indication of whether the institution's SAI is greater than (+), less than (-), or equal to (=) the SAI, whether the SAI was recalculated by the Central Processor and whether the student is selected for verification ("Y" or blank).

Notification of recalculation also is given on the hard-copy roster, abbreviated data tape, and/or the full data tape. Because payment must be based on the SAI calculated by the Central Processor, the FAA must review its roster or tape to resolve any discrepancies between the SAI calculated by the FAA and that calculated by the Central Processor. This review ensures that the FAA and the Central Processor used the same data to calculate the SAI.

## IX. ADJUSTMENTS

### A. Professional Judgment

The statute gives authority to the FAA to make adjustments to a student's cost of attendance and EFC (FC and SAI). FAAs may treat a student with special circumstances differently than the strict application of the methodologies would otherwise permit. Adjustments can either increase or decrease a student's EFC or cost of attendance. In the case of an adjustment to a student's EFC or cost of attendance, specific adjustments may be made to data elements, methodology, or directly to the product or end result. The reason for the adjustment must relate to that student's special circumstances and must be documented in the student's file

Before making an adjustment the FAA may request any supplementary information from a student which the FAA feels is necessary. An FAA may continue to request this information until the student provides either the information, acceptable alternate information, or a reasonable explanation as to why the information is not available.

**NOTE:** Adjustments are not the same as recalculations. An "adjustment" is the circumstance in which the data used are accurate but the FAA determines that the data, methodology or end result should be adjusted to reflect the student's current circumstances. "Recalculations" apply only to corrections of data. (For further information see Section XIII - Pell Grant Program-Recalculations and Payment without a valid SAR.)

CAUTION: Remember:

- Adjustments must be made on an individual basis.
- Adjustments should be made sparingly.
- Adjustments must be documented according to the individual student's circumstances.

### B. EFC Adjustments Must Be Based on Accurate Data

An FAA may only make EFC adjustments based on accurate data. This requirement applies to the data elements used in both the Congressional Methodology and FCS methodologies. In addition, an FAA must also resolve any inconsistent or conflicting information before making an EFC adjustment.

For these purposes "accurate data" continues to mean information on an application certified as accurate by the applicant, and if dependent, the applicant's parents, unless the application must be verified or the institution has inconsistent or conflicting information. An FAA may consider "estimated tax return" or "projected year" information as accurate in these circumstances.

If an EFC adjustment is made under one methodology, an equivalent adjustment generally should be made to the other EFC. Documentation supporting the adjustment must be included in the student's file. The reason for the adjustment is to be reported on the SAR payment document unless the student has an ineligible SAI on the SAR which was submitted to the institution. In those cases, follow the instructions provided below in paragraph E. If an adjustment is made for the EFC calculated under one formula but not

the other, the FAA must document in the student's file the reason the individual student's circumstances and the adjustment are relevant to only one of the methodologies.

### C. Categories of SAI Adjustments for Reporting Purposes

Five categories have been established under which an FAA can report an SAI adjustment. The five reporting categories are as follows:

Parental contribution: adjusting the SAI calculations to include, modify, or exclude a parental contribution.

Formula: adjusting some part of the FCS methodology resulting in an adjusted SAI.

Product: adjusting the SAI.

Projected year data: providing projected year (1988 for the 1988-89 award year) data in the calculation as adjustments to data.

Data element change: adjusting the SAI by making a change to a data element other than by changing data to a projected year.

These categories are not exclusive of each other but attempt to describe changes most frequently made. When reporting an adjustment on the SAR (as described later in this section), the FAA should pick the category that best describes the adjustment which has been made. For example, changes involving parental contribution could also fall into any other category as well. Adding a parental contribution to an independent student's contribution is probably best described by the parental contribution adjustment, whereas a change in a data element used to compute the parental contribution for a dependent student is best described by checking the data element change adjustment.

In addition, an FAA can request that the Central Processor calculate an SAI based on using projected year data or changing data elements (as discussed below in paragraph E.)

### D. FC Adjustments

Generally, FC adjustments are not reported to the Central Processor.

#### 1. Calculation to be made by FAA or NAS

As in the past with corrected information, if an FAA adjusts a data element including using projected year income and the institution is not a Pell eligible institution, the FAA needs to make the calculation of the adjusted FC him or herself or use the services of an NAS with the capacity for doing such calculations.

#### 2. Calculation Requested to be made by the Central Processor

FC adjustments can only be calculated by the Central Processor when: 1) the FAA simultaneously requests an SAI calculation based on an adjustment; and 2) the adjustment is requested because of a change to either the use of projected year data or to a specific data element. To request an FC adjustment, the FAA must follow the procedures provided in paragraph E.

E. Requesting the Central Processor to Calculate a New SAI and/or FC Based on an Adjusted Data Element or Projected Year Data

If an adjustment is made to a data element, the FAA makes the request and reports the adjustments to the data elements in the same manner as a history correction on Part 2 of the SAR and completes the "School Use" box as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 31, for the graphic.]\*\*

If an adjustment is made by using projected year data, the FAA makes the request and reports the projected year data in same manner as a history correction on Part 2 of the SAR and completes the "School Use" box as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 31, for the graphic.]\*\*

F. Reporting FAA-Calculated SAI Adjustments

1. SAI becomes or remains ineligible

An ineligible SAI can be recalculated on request. If an FAA adjusts the SAI and that adjustment results in the changing of an eligible SAI to an ineligible SAI, or if that adjustment results in an ineligible SAI remaining ineligible, no reporting of the adjustment is required. However, the student's file must be appropriately documented in cases where a student becomes ineligible.

2. Ineligible SAIs become eligible

If a student's SAI is determined to be ineligible, that student only receives Part 1 and Part 2 of the SAR. Part 3 of the SAR (the Payment Document) is not provided.

An FAA reports an SAI adjustment on Part 2 of the SAR in the "School Use Box" as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 32, for the graphic.]\*\*

A new, eligible 3-part SAR with payment document will be sent to the student to bring to the FAA.

NOTE: The payment document resulting from this reported adjustment will already be coded with the adjusted SAI and the adjustment category so the payment document does not have to be coded again.

3. Eligible SAIs Remaining Eligible

If an FAA adjusts an eligible SAI, and that SAI remains eligible, the adjusted SAI and adjusted category are reported on Part 3 of the SAR (the payment document) in the "School Use" box as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 32, for the graphic.]\*\*

G. Indicators of Adjustments on the SAR

Any time a new SAR is generated because of an FAA adjustment, the following message will be printed in the letter text on Part I under the heading labeled " Instructions":

"This report is in response to your Financial Aid Administrator's adjustment of your Student Aid Index (SAI). If you have any questions about this report, contact your Financial Aid Office for assistance."

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 32, for the graphic.]\*\*

#### H. FAA Monitoring of Submission of Part 2 of the SAR

As was discussed in Section XIII the situation may occur in which a student submits an SAR to an FAA that is a result of an EFC adjustment done by an FAA at a different institution. This adjustment may not be used for payment at any other institution unless the other institution arrives at the same conclusion after evaluating the student's situation and documenting the student's file accordingly.

#### I. Cost-of-Attendance Adjustments

An FAA may make adjustments to the components of cost of attendance, the method of calculating cost of attendance, or the standard cost of attendance figure itself. If an FAA adjusts the Pell Grant cost of attendance (or campus-based, GSL, SLS, and PLUS programs cost of attendance), it must make a corresponding adjustment to the cost of attendance for the campus-based, GSL, SLS, and PLUS programs (or Pell Grant Program) if the special circumstances for the individual are applicable to both costs of attendance.

In some cases the special circumstances warranting an adjustment may not apply to both costs of attendance. For example an applicant has an adult dependent for whom care is required, and the FAA determines that the allowance in the institution's campus-based and Guaranteed Student Loan cost of attendance is insufficient due to special circumstances and adjusts the student's cost of attendance. No parallel adjustment is required in the Pell Grant cost of attendance. NOTE: Alternatively, the institution might, in some cases, have determined that the allowance is excessive.

X. ESTIMATED AND OFFICIAL EFCs

A. Estimated EFCs

If the data on a student's application is incomplete, official EFCs can not be calculated. If a servicer (MDE or other NAS) is processing the student's application and the data is incomplete, some servicers (ACT, CSS, PHEAA) under certain circumstances calculate and transmit estimated EFCs for that student. (The Central Processor does not calculate estimated EFCs.) An FAA can use these estimated EFCs only for purposes of estimating a student's aid package. Institutions may not make disbursements on estimated EFCs

B. Producing Official EFCs

In past years official SAIs were produced by the Central Processor and official FCs were produced by approved systems of need analysis including the Central Processor.

1. SAIs

Starting with 1988-89, official SAIs are being produced by the Central Processor and MDEs. MDEs are authorized for the first time to produce official SAIs upon which a first disbursement of a Pell Grant may be made prior to receiving the SAI from the Central Processor. All MDEs are producing official SAIs and FCs.

2. FCs

NASs (including MDEs) which have been certified by ED are producing official FCs. An institution can rely on calculations by certified NASs to be correct. (See Section I.) Institutions and noncertified servicers can also produce official FCs, by precisely following the CM formula booklet produced by ED.

C. Converting Estimated SAIs and FCs to Official SAIs and FCs

1. Converting Unofficial SAIs and FCs

The FAA can provide completed or corrected information through the history correction process using Part 2 of the SAR. A new SAR is then generated which will reflect this new information.

2. Converting Estimated FCs

The FAA can gather the needed information him or herself and, when necessary, recalculate the FC themselves.

D. Data Transmission to Central Processor from the MDEs

The MDE-calculated SAI and FC are transmitted to the Central Processor, and these calculations are printed on the SAR. Since student data is processed by the MDEs through the Central Processor edits, the same EFC calculations result. The EFCs are printed on the SAR with the intermediate values appearing on the bottom of Part 1 (Information Summary) and Part 2 (Information Review Form) as they have in the past. Intermediate values are values which result from certain key calculations in a formula.

If the Central Processor determines that a student's data are incomplete or inconsistent the student's application is rejected. A rejected SAR is printed without EFC calculations or intermediate values. A payment document (Part 3 of the SAR) is not generated.

The MDE's EFC's (both SAI and FC) are always printed on the SAR. The FAA may rely on the SAIs and FCs on the SAR to make disbursements. In the remote chance that the Central Processor determines that a calculation received from an MDE differs from the SAI and FC produced by the Central Processor, ED notifies the MDE of any problems, and the MDE's system is brought into alignment immediately.

NOTE: If the Central Processor's and the MDE's calculations differ, intermediate values are not printed on the SAR. While a lack of intermediate values on a SAR may indicate that the Central Processor and the MDE did not arrive at the same calculations, this circumstance is not the only time when intermediate values are not provided. Intermediate values are also not provided on a SAR when a student's application is rejected because a student has a duplicate SAR. If a student's SAR does not have intermediate values, the institution is not responsible for determining why those values were not provided.

XI. PRIMARY and SECONDARY EFCs

A. What are Primary and Secondary EFCs?

If the student qualifies for the simplified needs test formula but also provides the data items not used in the simplified needs test (for example, the data on the Supplemental Data page in the AFSA), the student may receive a SAR for which two SAIs and two FCs are provided. These EFCs are the result of using both the simplified needs test formula and the full data element formula in each methodology. Two sets of EFCs are provided for these students - primary and secondary numbers. The calculations based on the simplified needs test formulae, are always considered the "primary" numbers and are performed using base-year income. The results of the full data element formulae become the "secondary" numbers if the applicant qualifies for the simplified needs test formulae. Otherwise, the results from the full data element formulae are the "primary" numbers. The FAA can select either the primary or secondary numbers in awarding aid to a student. The FAA can select a primary SAI and a secondary FC (or secondary SAI and primary FC) if the FAA determines that the selection is warranted.

If either the student and/or the student's spouse is a dislocated worker, the EFC calculations use expected year income for them. If the student is dependent and one or both of the student's parents is a dislocated worker, the calculations use the expected year income of the parents. If the student is eligible to file under the simplified needs test formula, the student's primary EFCs are based on the calculations performed for the simplified needs test using base-year data. The secondary EFCs are based on the full data element formula calculation performed using expected-year income. The following is an example of the comment that appears in Part I of the SAR indicating that the Central Processor recognized the student, the student's spouse, or the student's parent as a dislocated worker and used the appropriate expected year income in calculating the secondary number:

"You told us that your parent was a dislocated worker."

Since the statute substitutes expected year income for base year income for the dislocated worker, that analysis becomes the full data element formula. The Central Processor does not produce a full data element formula using all base year income if the reported data indicates that the applicant, the applicant's spouse, or parent(s) is a dislocated worker.

B. Student Qualifies for Both Formulas but Not Enough Data Is Present to Calculate All EFCs

Both the Central Processor and the MDEs calculate SAIs and FCs whenever possible. If the student qualifies for both the short needs test formula and the full data element formula and not enough data is present to calculate EFCs under both formulas (full data element formula) EFCs are calculated for whichever formula there is enough data provided. In the case of the Central Processor the fields on the SAR which prevented the calculation from being made are highlighted. If the applicant subsequently corrects his or her SAR, both analyses are provided.

1. Eligible Primary EFCs/Rejected Secondary EFCs

Frequently, while the student may qualify for the simplified needs test formula, he or she may also provide additional data (e.g., the Supplemental Data Sheet). Sometimes in this case the student primary EFC is calculated but, because of incomplete or inconsistent information on the Supplemental Data Sheet, the secondary EFC cannot be calculated. In this case, the student receives a SAR containing only primary EFCs, and if Pell eligible, a Payment Document. A comment is printed informing the student that his or her FAA may require a calculation based on full data. The comment is as follows:

"Although we determined your eligibility by using the Simplified Need Test, we were unable to perform a calculation using other information on your application because it was incomplete or inconsistent. If your school requests a calculation using all information on your application, you must review the items in boldface type on your SAR and make the appropriate corrections on Part 2, the Information Review Form, sign the Certification on the back, and return the form to the Federal Processor."

2. Ineligible for Short Needs Test Formula/Supplemental Data Sheet not Complete

If the student does not qualify for the simplified needs test formula and did not provide the additional data (e.g., the Supplemental Data Sheet), the application is rejected and no EFCs are calculated. This missing data is highlighted, and a comment appears on the SAR. The comment is as follows:

"You do not qualify for the Simplified Needs Test. Therefore, we could not determine your eligibility for Federal Student Aid based on the information you gave us on your application. You must answer all the items in boldface print on the Information Request Form (Part 2 of your SAR) before we can continue to process your application."

C. Location of Primary and Secondary Numbers on the SAR

The primary numbers can be found in the same locations on the SAR as the numbers have appeared in the past, i.e., the SAI appears in the upper right hand corner on the SAR and the FC appears in the lower right hand corner in the "FC" box. On the Payment Document, the number appearing in the Optical Mark Read "Make no marks in this box" block is always the primary SAI. Any secondary number that has been calculated appears in the heading of the "School Use" box on the SAR as follows:

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 37, for the graphic.]\*\*

D. Completion of the SAR if the Secondary SAI is Used

1. Eligible primary/secondary SAI

If the primary and secondary SAI are eligible numbers and the FAA uses the secondary SAI, no changes are required on Part 2 of the SAR. However, the use of the secondary number must be reported to the Central Processor. The FAA who uses the Payment Document reports the use of the secondary number in Item 10 by simply checking the box marked "Secondary SAI Used." The Disbursement System then uses the secondary SAI provided in the applicant's record. The FAA should not enter the secondary SAI.

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 38, for the graphic.]\*\*

2. Ineligible primary/eligible secondary SAI

If the calculation performed for the simplified needs test results in an ineligible SAI, no Payment Document is provided to the student. However, the calculation performed based on full data may result in an eligible secondary number. If the FAA chooses to use the secondary number, the FAA checks the item entitled "Secondary SAI Requested" in the "School Use Box" on Part 2 of the SAR and returns Part 2 to the Central Processor.

\*\*[Refer to the paper copy of the January 1988 Dear Colleague Letter, page 38, for the graphic.]\*\*

In response to the request for a secondary SAI, the student receives 1) a SAR which contains the secondary number listed as the primary number; 2) a Payment Document, if eligible; and 3) the following comment in the Part 1 of SAR letter text under the heading labeled "Instructions":

"This report is in response to your financial aid administrator's request for a SECONDARY STUDENT AID INDEX. If you have any questions concerning this report, contact your financial aid office for assistance."

## XII. VERIFICATION

### A. Thirty Percent Verification Limitation

The 30 percent verification limitation established by the HEA of 1986 and amended by the Technical Amendments of 1987 is discussed in detail in the "Dear Colleague" letter of September 1987, GEN-87-39. As discussed in that letter, no institution is required to verify more than 30 percent of its applicants for all Title IV programs.

Since institutions may limit their verification to 30 percent of total applicants, the relative priority of the verification selection criteria is listed on the SAR with "A" being the highest priority and "S" being the lowest priority. ED is suggesting that an institution invoking the optional 30 percent limitation verify the data of the students with the highest priority verification criteria first until the institution reaches the 30 percent limitation. If an institution invokes the 30 percent limitation, it must have some tracking system in place to document that it has satisfied the 30 percent requirement at the end of the award year and must note in the file of a selected student who is not verified because of this limitation that he or she is not verified because the institution already met the 30% limit.

### B. Verification before Adjustments

The FAA can only make adjustments (as described in Section IX - Adjustments) on a base of accurate data (see Section IX, Part B for a definition of "accurate data").

For an applicant who is selected for verification, who is not excluded from verification as a result of the 30 percent limitation and for whom the FAA determines that an adjustment is needed, the FAA must first verify these data elements in accordance with the verification regulations before making the adjustment. Of course, the institution must also resolve any conflicting information before making the adjustment. This procedure is to be used regardless of whether the adjustment is to data elements, values, products, or methodologies.

If, however, base year AGI is replaced with expected year income, then verification of AGI, Federal income tax paid, and untaxed income is unnecessary. Expected year income is not subject to verification.

In instances where an institution wishes to verify no more than 30 percent of its total Title IV aid applicants, the school may first verify those applicants for whom the school does not intend to make adjustments.

### C. Collection of Base Year Income Data of Dependent Students

The dependent student's base-year income is used in both the FCS and CM methodologies. The institution continues to have the option in the Pell Grant Program not to verify a dependent student's base year income as specified in the General Provisions regulations, 34 CFR 668.56(c). However, a dependent student's base year income must be verified if a student is selected for verification, is not excluded from verification as a result of the 30 percent limitation, and is applying for aid under the campus-based and GSL programs.

#### D. Verification Worksheets

The format of the verification worksheets is the same format as the worksheets in the 1987-88 award year. The five sections apply to all applicants except dislocated workers who reported expected year income and, therefore, are exempt from Section C of the worksheets which requests tax forms for the base year.

The distribution of the verification worksheets is similar to last year's distribution. The Central Processor is sending a worksheet with the SAR to all eligible and ineligible AFSA and Illinois Application for Federal and State Student Assistance filers who are selected for verification. The Central Processor is not sending worksheets to CSS, ACT, or PHEAA filers; these agencies send out their own worksheets. The use of the worksheets remains optional although fulfilling the verification requirements is not. (Copies of the worksheets can be found in Appendix D.)

#### E. Verification Guide

The Verification Guide for the 1988-89 award year is expected to be distributed to the financial aid community in early 1988.

#### F. Reporting Verification of Pell Grant Recipients

The verification status of Pell Grant recipients who are selected for verification by the Central Processor but are not verified due to the 30 percent limitations should be reported as follows: Institutions reporting on tape or electronically must continue to report "S" (for Selected - Not Verified), just as they did for 1987-88 recipients. Institutions which use the Payment Document (Part 3 of the SAR) to report such recipients must, for the 1988-89 award year, indicate Verification Status Code "S" which has been added to the Verification Status Code Box of the Payment Document.

Regardless of reporting media, for recipients selected for verification by the Federal Student Aid Application Processing System for the 1988-89 award year, "W" (without Documentation) is assumed unless the "S" is reported when verification is not done due to the 30 percent limitation.

Note - Selected students cannot have a verification status code of "W" for whole year. Make sure that you accurately grid the verification status of your Pell Grant recipients .

#### G. Dislocated Worker - Verification Not Required

An FAA is not required to verify if student's information if a student, the student's parent, or the student's spouse is a dislocated worker and that formula used to determine the EFC. An FAA may require a student to provide documentation of the person's status as a dislocated worker.

In some cases, an FAA or a student may have questions regarding whether a student, a student's parents, or a student's spouse is a dislocated worker. These questions should be directed to the student's (or the student's parent's or spouse's) hometown employment or job service office. The person to contact at the employment or job service office is either the Job Training Partnership Act (JTPA) Title III counselor or the dislocated worker counselor.

In early 1988, ED is forwarding to each institution a list of employment and job services offices in its state.

### XIII. COST OF ATTENDANCE

The cost of attendance requirements have been changed (by statute) for all the Title IV programs. The new Pell Grant cost of attendance provisions are found in section 411F of the Higher Education Act of 1965, as amended, and the new cost of attendance provisions for the other Title IV programs are found in section 472 of the Higher Education Act of 1965, as amended. These cost of attendance provisions become effective for the 1988-89 award year for awards made under the Pell Grant and campus-based programs. For the GSL, SLS, and PLUS programs, the cost of attendance provisions apply to loans made for periods of instruction beginning on or after July 1, 1988.

An institution must establish its cost of attendance figures in accordance with the statutory language. To establish its cost of attendance figures, the institution must establish allowances and other allowable charges. Its cost of attendance for a student consists of the sum of the allowances and allowable charges applicable to the student.

An allowance is not based on an actual charge but is a reasonable amount allotted to cover most students' circumstances. An institution may establish different categories of students within an allowance, e.g., in-State and out-of-State. An institution must uniformly apply the appropriate allowances to all students according to any categories of students within each allowance established by the institution. Any variances must be considered on an individual basis and represent an adjustment as defined in section 479A of the HEA. (For further information concerning adjustments to the cost of attendance, see Section IX.) A chart comparing the allowable expenses for cost of attendance between the Pell Grant Program and the campus-based, GSL, SLS, and PLUS programs can be found in Appendix C.

The following is a discussion of the components of the new cost of attendance provisions for the 1988-89 award year. The statutory language for each provision is listed in bold print with corresponding discussion following.

#### A. Pell Grant Program Cost of Attendance

For the Pell Grant Program, the cost of attendance is the sum of the following:

1. **The tuition and uniform compulsory fees normally charged a full time student at the institution at which the student is in attendance for any award year**
  - An institution may use either the actual or the average amount charged for tuition and fees to a full-time student for a full academic year to calculate its tuition and fee component. If the tuition and fees charged to a student are for a program which is longer or shorter than an academic year, the institution must prorate the tuition and fees component.
  - If the institution uses average tuition and fee charges, it may develop separate averages for specific categories of students. For example, an institution may develop a separate average charge for tuition and fees based on residency.

- If the institution uses categories of average tuition and fee charges, it must consistently apply them. Of course, it can make adjustments based on individual special circumstances documented in the student's file.

**2. An allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student which shall not exceed \$1,600 for a student without dependents residing at home with parents; or an allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student which shall not exceed \$2,200 for all other students.**

- Since the maximum Pell Grant award determined by Congress for the 1988-89 award year is less than \$2,300, the allowances were decreased from the amounts specified in the law by the difference between \$2,300 and the new maximum award for 1988-89 of \$2,200.
- The allowance of up to \$1,600 for room and board, books, supplies, transportation, and miscellaneous expenses applies to any student (dependent or independent) without dependents who is residing at home with his or her parents.
- An institution is permitted to establish a reasonable amount for books, supplies, transportation, and miscellaneous expenses within the \$1,600 maximum allowance for a student without dependents who is residing at home with his or her parents, or within the \$2,200 maximum for all other students. These amounts are determined by the institution and may vary on a program by program basis. For example, books and supplies could be more costly for an art program, as opposed to an accounting program. Therefore, the institution must be able to justify and document the figures used.
- An allowance for books, supplies, and miscellaneous expenses is included in the \$1,600 or \$2,200 maximum allowance. Previously a standard allowance of \$400 was provided for books, supplies, and miscellaneous expenses.

**3. An allowance for child care which shall not exceed \$1,000.**

- A "child" is a boy or girl who is a dependent of the student, (i.e., a child who is included in the student's household size) and who is below the age at which he or she can take care of him or herself without supervision. In general, an individual 12 years of age or less is considered to be a child for purposes of this allowance.
- The \$1,000 child care allowance figure is not for each child individually but is for all of the dependent children of the student and is only provided for those child care costs associated with the student attending school.
- In order to include a child care allowance in a student's cost of attendance,
  - an institution must determine that the student has a dependent who is a child; and

- that child care is necessary to enable the student to attend school.

**4. An allowance for the costs of special services and equipment required for attendance by a handicapped student that is not provided by other assisting agencies.**

- A handicapped student is a student who meets the definition in section 602(1) of the Education of the Handicapped Act, as amended (20 U.S.C. 1401), that is, a student who is mentally retarded, hard of hearing, deaf, speech or language impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or is otherwise health impaired, or has specific learning disabilities that require special education and related services.
- There is no predetermined maximum allowance for the costs of special services and equipment required for attendance by a handicapped student. The allowance for handicapped assistance is determined by the FAA and is dependent upon the fact that the student incurs costs of special services and equipment required for attendance. An institution must not include in the allowance the payment for costs of services and equipment provided free of charge by other assisting agencies. The institution must be able to justify and document the costs.

**NOTE:** In previous years, the Pell Grant Program regulations specified different treatment for calculating cost of attendance for certain special categories of students, e.g., students in correspondence study programs and incarcerated students. Under the new statutory cost of attendance provisions, these distinctions are no longer addressed.

**B. Cost of Attendance for the Campus-based, GSL, SLS, and PLUS Programs**

The cost of attendance is the sum of the following:

**1. Tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.**

- For a full-time student, an institution may base its tuition and fee charges on either the actual or average amount it charges a full-time student. If the institution uses an average charge, it may use separate average costs for categories of students such as undergraduate or graduate and professional students.
- For a part-time student, an institution may determine tuition and fee charges either by calculating the actual amount it charges that student for an academic year or by reducing proportionately the amount it charges a full-time student for an academic year. If the institution uses a full-time charge, it would normally use the amount it charges most often.
- An institution using average charges may use actual amounts for individual students whose charges vary greatly from the average under its authority to make individual adjustments to the cost of attendance (see Section IX).

- 2. An allowance, as determined by the institution, for books, supplies, transportation, and miscellaneous personal expenses for a student attending the institution on at least a half-time basis.**
  - The institution may have different books and supplies allowances to reflect the needs of particular majors such as art, medicine, nursing, law, or engineering.
  - Personal expenses include items such as clothing and laundry, grooming aids, insurance, and recreation.
  - Transportation may include the cost of travel between the student's residence and the institution and travel costs required for completing a course of Study.
  
- 3. An allowance (as determined by the institution) for room and board costs incurred by the student which --**
  - **Shall be an allowance of not less than \$1,500 for a student without dependents residing at home with parents;**
  - **For students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; and**
  - **For all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board, except that the amount may not be less than \$2,500.**
    - These allowances are only for periods of enrollment since the CM formula takes into account nonenrollment periods and costs incurred by the student or by the student's family through maintenance allowances.
  
- 4. For less than half-time students (as determined by the institution) tuition and fees and an allowance for only books, supplies, and transportation (as determined by the institution) and dependent care expenses [(in accordance with paragraph (7) below].**
  - For less than half-time students (defined in the program regulations), the cost of attendance is equal to the amount of tuition and fees determined by the institution and an institutionally determined allowance for books, supplies and transportation and, if applicable, dependent care expenses. This allowance does not include miscellaneous personal expenses or any other expenses such as room and board.
  
- 5. For a student enrolled in a program of study by correspondence, only tuition and fees and, if required, books and supplies, travel, and room and board costs incurred specifically in fulfilling a required period of residential training.**

- For a student enrolled in correspondence study, the cost of attendance for the elements of tuition, fees, and books and supplies is the contract price of the program and is calculated on an individual basis and must reflect actual costs. For a required period of residential training the cost of attendance includes the costs generally required for travel and room and board.
- 6. For a student enrolled in an academic program which normally includes a formal program of study abroad, reasonable costs associated with such study (as determined by the institution).**
- For students enrolled in an academic program that normally includes a formal program of study outside the United States, an institution shall establish reasonable costs associated with this study. These costs may include travel costs to and from the foreign place of study. Note that an institution can determine costs and award aid only for foreign study that is part of the student's academic program.
- 7. For a student with one or more dependents, an allowance (as determined by the institution) based on the expenses reasonably incurred for dependent care based on the number and age of such dependents.**
- An institution must determine that the student has a dependent (i.e., a person who is included in the student's household size) and that the dependent must have care in order for the student to attend school in order to include a dependent care allowance in a student's cost of attendance.
  - The term "dependent" is broader than the term "child" used in the Pell Grant cost of attendance and could, for example, include elderly or disabled adults (including the student's spouse) as well as children.
  - The allowance may be determined as an amount per individual dependent.
  - The allowance does not have to reflect actual costs but may be a reasonable projection of costs expected to be incurred by the student for dependent care.
- 8. For a handicapped student, an allowance (as determined by the institution) for those expenses related to his or her handicap, including special services, transportation, equipment, and supplies that are reasonably incurred and not provided by other assisting agencies.**
- A handicapped student is a student who meets the definition in section 602(1) of the Education of the Handicapped Act, as amended (20 U.S.C. 1401(b)), that is, a student who is mentally retarded, hard of hearing, deaf, speech or language impaired, visually handicapped, seriously emotionally disturbed, orthopedically impaired, or otherwise health impaired, or has specific learning disabilities, requiring special education and related services.
  - There is no predetermined maximum allowance for the costs of special services and equipment required for attendance by the handicapped. The allowance for handicapped assistance is determined by the institution and is dependent upon the fact the student incurs costs of special services and equipment. An institution must not include in the allowance the costs of services and equipment provided free of charge by other assisting agencies. The institution must be able to justify and document the costs.

- The allowance for a handicapped student for the campus-based and GSL, SLS, and PLUS programs also includes transportation expenses related to his or her handicap.

**9. For a student receiving all or part of his or her instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs, but this paragraph shall not be construed to permit including the cost of rental or purchase of equipment.**

- The cost of attendance for a student receiving instruction through telecommunications technology may not include the cost of rental or purchase of telecommunications equipment.

## APPENDIX A

## GLOSSARY OF ABBREVIATIONS AND TERMS

ACT	- American College Testing Program.
AFSA	- Application for Federal Student Aid.
Campus-based programs	- consists of Perkins Loan, College Work Study, and the Supplemental Educational Opportunity Grant Programs.
CSS	- College Scholarship Service.
CM	- Congressional Methodology
Dislocated Worker	- "Dislocated worker" generally means a person -- - Whose employment has been terminated or who has been laid-off - Who has been laid-off as a result of permanent closure of a plant or other facility, <u>or</u> - Who was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.
Displaced Homemaker	- Displaced homemaker generally means a person who -- - Has not worked in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; - Has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or is receiving public assistance because of dependent children in the home; <u>and</u> - - Is unemployed* or underemployed** and is experiencing difficulty in obtaining or upgrading employment.

\*"Unemployed" means not working this week but being available for work and having made specific efforts to get a job sometime during the last four weeks.

\*\*"Underemployed" means working part-time, even though full-time employment is desired, because work is slack or because only part-time work is available.

ED	- Department of Education.
EFC	- Expected Family Contribution (referred to as the Student Aid Index under the Pell Grant Program and as the Family Contribution under the campus-based and Guaranteed Student Loan programs.
FAA	- Financial Aid Administrator
FC	- Family Contribution (the EFC resulting from the Congressional Methodology).
FCS	- Family Contribution Schedule.

- Full Data Element Formula - refers to a formula which uses the full range of data elements in calculating a student's EFC under either the CM or FCS methodology. As illustrated in Appendix E, there are nine possible variations of this formula.
- GSL Program - Guaranteed Student Loan Program.
- Intermediate values - Values which result from certain key calculations in a formula.
- ISSC - Illinois State Scholarship Commission.
- MDE servicer - Multiple Data Entry servicer.
- NAS - Need Analysis Servicer.
- PHEAA - Pennsylvania Higher Education Assistance Agency.
- PLUS Program - Parent Loans for Dependent Students Program.
- SAI - Student Aid Index (the EFC resulting from the FCS).
- SAR - Student Aid Report
- Simplified Needs Test Formula - refers to a formula which uses a limited number of data elements in calculating a student's EFC under each of the methodologies (the CM and FCS). As illustrated in Appendix E, there are 3 possible variations of this formula.
- SLS Program - Supplemental Loans for Students Program.
- UM - Uniform Methodology.

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APPENDIX B

1988-89 Central Processor and MDE Post Office Boxes

Application for Federal Student Aid (AFSA)	Federal Student Aid Programs P.O. Box 4180 Iowa City, Iowa 52244
Correction Application	Federal Student Aid Program P.O. Box 4183 Iowa City, Iowa 52244
Duplicate Requests and Address Changes	Federal Student Aid Programs P.O. Box 4184 Iowa City, Iowa 52244
Family Financial Statement	ACT Student Need Analysis Services P.O. Box 4005 Iowa City, Iowa 52243
Financial Aid Form (FAF)	College Scholarship Service CN 6300, Princeton, New Jersey 98541 or College Scholarship Service Box 380 Berkeley, California 94701
Haven't Heard	Federal Student Aid Programs P.O. Box 4185 Iowa City, Iowa 52244
History Corrections	Federal Student Aid Programs P.O. Box 4152 Iowa City, Iowa 52244
Pennsylvania Higher Education Assistance Agency (PHEAA)	Pennsylvania Higher Education Assistance Agency P.O. Box 3157 Harrisburg, Pennsylvania 17105
Spanish Application for Federal Student Aid	Federal Student Aid Programs P.O. Box 4162 Iowa City, Iowa 52244
Student Aid Application for California (SAAC)	College Scholarship Service Box 70 Berkeley, California 94701-0070

Illinois State Scholarship Commission  
Application for Federal and State Student Aid  
(AFSSA)

Illinois State Scholarship Commission  
P.O. Box 53317  
Jacksonville, Florida 32201



## APPENDIX C

## COMPARISON OF ALLOWABLE EXPENSES FOR COST OF ATTENDANCE

<b><u>Expenses</u></b>	<b><u>Pell Grant Program</u></b>	<b><u>Campus-based and GSL/SLS/PLUS Programs</u></b>
Overview of General Allowable Costs	<ul style="list-style-type: none"> <li>- Tuition &amp; Fees</li> <li>- Room &amp; Board, Books, Supplies, Transportation &amp; Misc. Expenses allowance</li> <li>- Child care allowance</li> <li>- - Handicapped allowance</li> </ul>	<ul style="list-style-type: none"> <li>- Tuition &amp; Fees</li> <li>- Books &amp; Supplies, Transportation, &amp; Misc. Personal Expenses allowances</li> <li>- Room &amp; Board allowance</li> <li>- Dependent Care allowance</li> <li>- Handicapped allowance</li> </ul>
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<b><u>Tuition &amp; Fees</u></b>		
Full-Time	Choice of actual or average tuition & fees for full-time undergraduate students for full academic year. Always use full-time, full-year costs.	Choice of actual or average tuition & fees normally assessed full-time students.
	<p>Separate averages may be determined for undergraduate or graduate and professional students and for each residency-based tuition classification</p> <p>Separate averages may be determined for separate programs or schools within an institution; may use actual costs in some programs and average costs in others.</p>	
At least half-time but less than full-time	Use actual or average costs for full-time students.	Actual or average part-time or prorated average full-time tuition and fees.

**Expenses****Pell Grant Program****Campus-based and GSL/SLS/PLUS Programs****Room and Board****Students without Dependents Residing with Parent(s)**

Allowance not to exceed \$1,600 (this allowance includes books, supplies, transportation, and misc. expenses). Allowance not less than \$1,500.

**Students Not Residing with Parent(s)**

Allowance not to exceed \$2,200 (this allowance includes books, supplies, transportation, and misc. expenses). Student with no dependents residing in institutionally-owned or operated housing: an allowance for reasonable room and board costs (determined by the institution) based on the amount normally assessed most of its residents. Students with dependents or student without dependents not residing in institutionally-owned or operated housing: allowance for expenses reasonably incurred of not less than \$2,500. Allowance determined by the institution; may include costs for rental or purchase of equipment, materials or supplies. Books and supplies' costs may vary with program of study.

**Books and Supplies, Transportation, and Misc. Personal Expenses**

No allowance (these items are to be covered by the room and board allowance).

**Child Care**

Allowance not to exceed \$1,000.

**Dependent Care**

No allowance.

Is included in dependent care.

Allowance (determined by the institution) for expenses reasonably incurred for dependent care based on number and age of dependents.

**Expenses****Pell Grant Program****Handicapped Student**

Allowance (determined by institution) based upon documented expenses, related to a handicap, including special services, equipment and supplies (if expenses are not covered by another agency).

**Special Circumstances****Study Abroad**

No category.

**Correspondence Study**

No category.

**Less than half-time study**

Actual or average tuition and fees for full-time undergraduate students for full academic year and an allowance for books, supplies, transportation, and dependent care.\*

**Telecommunications Study**

No category.

**Campus-based and GSL/SLS/PLUS Programs**

Same as Pell Grant except includes transportation expense.

Reasonable costs (determined by the institution) for expenses related to study abroad for students enrolled in a program which requires a formal study abroad.

Actual tuition, fees, books and supplies (contract price). Travel and room and board costs only if a residential training period is required.  
Actual or average tuition and fees (determined by the institution) and an allowance for books, supplies, transportation and dependent care.\*\*  
May not include cost of rental or purchase of equipment.

\*Less than half-time students are not eligible for Pell Grants in 1988-89.

\*\*Campus-based programs only