

**GEN-89-43**

**EFC for Other than a Nine-Month Enrollment Period**

**United States Department of Education**

Washington, D.C. 20202

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**SUMMARY:** Additional information concerning the calculation of an expected family contribution for other than a nine-month period of enrollment, using Congressional Methodology.

**PUBLICATIONS REFERENCE:** The guidance in this letter supplements the information given on page 8 of *The Congressional Methodology*, 1989-90 and on page 5-15 of the *Federal Student Financial Aid Handbook*.

Dear Colleague:

The use of the *Congressional Methodology* to calculate the FC for the Perkins Loan, College Work-Study, Supplemental Educational Opportunity Grant, Income Contingent Loan, and Stafford Loan programs was originally discussed in the "Dear Colleague" letter on reauthorization changes, dated January, 1988 (GEN-88-7). This discussion included a section on "Recalculations to the FC for Periods of Enrollment other than Nine Months" (pages 9 to 11). Since that time, a number of questions have been raised by the financial aid community that require more specific information. The enclosed material is intended to assist the financial aid community in the application of statutory provisions governing FC calculations.

We trust that you will find this additional information helpful. If you have further questions or comments, please contact the Regional Training Officer serving your State.

Sincerely,

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Deputy Assistant Secretary for  
Student Financial Assistance

William L. Moran  
Director, Student Financial  
Assistance Programs

Enclosure

## Calculating the FC for Periods of Enrollment Other than Nine Months

### Background

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The Higher Education Amendments of 1986 amended the law to specify how the family contribution (FC) was to be calculated for the campus-based, Income Contingent Loan, and Stafford Loan programs. This statutory need analysis methodology is known as "the Congressional Methodology," and became effective in the 1988-89 award year.

The FC calculations made by the Federal processing system and by need analysis servicers are based on the premise that a student is enrolled for nine months. However, the law specifies how to calculate the FC for a *dependent student* or an *independent student without dependents* who is enrolled for other than nine months. The law is silent on the treatment of the FC for an *independent student with dependents* who is enrolled for other than nine months.

As a convenience to schools, the Federal processing system prints a grid at the bottom of the Student Aid Report showing the FC figures for enrollments from 1 to 12 months long. The calculations that produce an FC for other than nine months' enrollment were first published in "Dear Colleague" GEN-88-7 (January 1988), and are included in the 1988-89 and 1989-90 versions of our publication *The Congressional Methodology*.

We have received a number of questions from financial aid administrators, need analysis servicers, and others relating to these calculations. In response, we have developed the following basic principles and questions and answers. Statutory citations are provided on the last page for reference.

## Applicable Principles

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1. The law uses the terms "enrollment periods other than nine months" and "periods of non-enrollment." The Department considers it reasonable to interpret a "nine-month period of enrollment" as a period of 8 ½ to 9 ½ months, and a "period of non enrollment" as the difference between a period of enrollment and a 12-month calendar year.
2. The need analysis process includes the awarding of aid, based on the difference between the cost of attendance and the FC (also taking into account resources for campus-based aid, and estimated financial assistance for Stafford Loans). A financial aid administrator, in establishing institutional policies and procedures, has the authority to develop standards applicable to any phase of the need analysis process. Standards, in this context, are:
  - determined by the institution,
  - established as a benchmark against which specific circumstances are compared,
  - universally applicable to all financial aid applicants or categories of applicants with similar characteristics.

These standards are used to:

- develop cost of attendance amounts to establish allowances for statutorily codified elements,
- package financial aid awards, and
- assure equitable treatment for all applicants in calculating the FC.

Because standards are based on the financial aid administrator's consideration of *all* financial aid applicants or categories of applicants with similar characteristics, determinations based on such standards are not subject to the requirements of "professional judgment" under Section 479A of the law. In other words, these determinations are not individual adjustments that must be documented in the student's file.

3. The law does not specify how to calculate an FC for an *independent student with dependents* who is enrolled for more or less than nine months. However, since the need analysis for an *independent student with dependents* is similar to that for a dependent student's family, calculating an FC for a period of other than nine months for such a student (based on the dependent student model) would ensure comparable treatment for that student. If this treatment is adopted as a standard for all independent students with dependents, the use of "professional judgment" is not required.
4. The Department considers it reasonable, under the law, for institutions to develop standard FC calculations for periods of other than 9 months, based on the calendar length of the institution's educational programs. These calculations and allowances represent standards that are applied to all applicants for Federal student aid who are enrolled within a given institutional program. If the FC calculations for other than nine months are adopted as a standard for all students with similar characteristics, the use of "professional judgment" is not required.
5. Because the need analysis, award packaging, and disbursement processes are usually related to divisions within the program (or period of enrollment), it is appropriate to consider that the cost of attendance and the FC, as well as the awards, may be divided similarly. To reduce administrative burden, it is reasonable to pro-rate the awards, costs, or FC by academic terms, payment periods, or other divisions of the period of enrollment.
6. In all cases involving a question on the appropriate FC to be used, including pro-rating costs and the FC, the school must first determine the period of enrollment for its program(s) and perform a standard calculation for that period in accordance with Congressional Methodology. After the standard FC is calculated, the financial aid administrator may consider different circumstances affecting individual students or categories of students.

## Questions and Answers

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1. **Question:** In addition to its nine-month programs, my school offers a six-month program. Must I recalculate the FC for students enrolled in the six-month program?

**Answer:** Yes. A calculation of an FC based on six months' enrollment is required for students in that program. A school may use the alternate FC for six-months' enrollment that is printed on the Student Aid Report (SAR)\*\*

2. **Question:** Must I use professional judgment authority (under Section 479A) when using the alternate FC for a period of enrollment other than nine months?

**Answer:** No. The alternate FC calculation may be adopted as a standard for all students enrolled for other than nine months, and does not require the use of professional judgment.

Of course, a financial aid administrator always has the authority to make individual adjustments to the cost of attendance or to the nine-month or alternate FC to take into account special circumstances.

3. **Question:** A dependent student submits an application for a full award year, and the school develops an award package based on a nine-month FC. The school makes a first disbursement of the student's campus-based aid at the beginning of the first semester. The student completes that semester, but then transfers to another school. How should the FC be calculated for this student?

**Answer:** Note that a strict interpretation of the calculation of an FC for less than nine months would require the school to pro-rate the parental contribution for the 4 ½ months the student was enrolled, but the student's contribution would not be prorated. Thus, the FC for a transfer student would double-count the student's contribution (i.e., the FC at *both* schools would include a nine-month student contribution, even though the student only attended 4 ½ months at each).

This problem can be avoided if both schools pro-rate their awards according to divisions within the enrollment period. The school's disbursement for the first semester is, in effect, a pro-ration of the student's awards, the cost of attendance, and the FC. Similarly, if the second school makes a semester award by dividing the nine-month award in half, this would have the same effect as dividing the FC and the student's cost of attendance in half.

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\* The Federal processing system began printing alternate FCs on the bottom of the SAR for 1989-90 SARs printed in April of 1989.) or perform its own calculation. The alternate FC calculation is shown in the worksheets in *The Congressional Methodology* for dependent students and independent students without dependents. As noted earlier, a school may adopt the dependent student model to calculate an FC for independent students with dependents who are attending for other than nine months.

4. **Question:** Must a school recalculate the FC for students who only attend one semester, or who transfer from the school after the first semester?

**Answer:** Assuming that the educational program is nine months length, the school should use the nine-month FC, and disburse by semesters. The FC need not be recalculated for students who attend only one semester, because the pro-rated disbursements effectively pro-rate the costs and the FC. (See Question 5 for a discussion of the expected student contribution.)

5. **Question:** The law specifies how to calculate the parental contribution for a period of other than nine-months, but does not provide a similar calculation for the dependent student's contribution. May a school adopt a standard calculation of the student's contribution for all dependent students who enroll for other than nine months?

**Answer:** The law specifies a single calculation for the dependent student's contribution, regardless of the length of time the student is enrolled. Generally, therefore, a school is required to use that standard calculation unless an individual adjustment is made based on professional judgment.

However, there are cases in which a school may adopt a standard calculation reflecting a dependent student contribution for other than nine months. For instance, if the student's earnings will exceed the mandatory self-help amount (i.e., \$700 or \$900), but will be earned while the student is in school, it would be unfair to expect the student to contribute nine-month's worth of earnings while enrolled for only 4 ½ months. Thus, it would be reasonable to pro-rate the student's earnings based on the period of enrollment. Schools may develop policies that would treat all students in this situation equitably, rather than making an individual determination for each case. On the other hand, if the student's contribution is based on earnings from the summer preceding the period of enrollment, the student's contribution should not be pro-rated.

6. **Question:** May I pro-rate the minimum contribution from income for an independent student without dependents in the same way that I pro-rate the dependent student's contribution?

**Answer:** No. The law specifies a minimum expected contribution of \$1,200 from income to be available to meet the cost of attendance, regardless of the number of months in the period of enrollment. The minimum expected contribution may only be adjusted through the use of professional judgment authority.

However, as is the case with the dependent student, when the contribution exceeds the mandatory self-help amount (in this case, a \$1200 contribution) a similar approach could be taken to pro-rate the greater earnings expectation.

7. **Question:** My school offers a 1500 clock hour program that normally requires thirteen months of attendance. However, students may elect to complete the program in ten months or eighteen months. May I use the same FC for all the students in the program?

**Answer:** No, a school must use an FC based on the student's actual period of enrollment. For instance, you might calculate a 12-month FC for the first year of the 13 and 18-month programs, and then calculate an FC for the remainder of the program as follows:

- 10-month program--Calculate an FC for 10 instead of 9 months.
- 13-month program--Calculate an FC for the first 12 months of the program, and a 1-month FC for the remaining month of the program.
- 18-month program--Calculate an FC for the first 12 months of the program, and a 6-month FC for the remainder of the program.

You may use these alternate FCs (for other than nine months) to make awards, which then would be pro-rated based on the divisions within the period of enrollment (e.g., on the basis of calendar time).

8. **Question:** My school enrolls students for a full academic year (nine months). Must the FC be recalculated for students who do not return for the second semester?

**Answer:** Not necessarily. Because the school used the standard nine-month FC and disbursed aid for the first semester accordingly, the FC can be considered to be prorated by semesters within the nine-month period of enrollment. Thus, you are not required to recalculate the FC (or repackage the award).

9. **Question:** How is an FC calculated for a student who attends a summer session?

**Answer:** If a student enrolls for a summer session and also plans to enroll for the following regular terms (the standard nine-month period of enrollment), the FC can be calculated based on a 12-month period of enrollment and the costs of attendance and awards may be divided among the academic periods within the period of enrollment.

If the student is only enrolling for summer session, you may use the alternate FC printed on the Student Aid Report, or calculate the FC for that period. If you wish to pro-rate the student contribution for a dependent student, you may establish this proration as a standard practice for all dependent students, rather than making individual adjustments.

10. **Question:** My school offers a three-year program that is based on three quarters per academic year, with continuous enrollment throughout the year. The periods of non-enrollment are limited to brief one or two-day breaks for major holidays. How is the FC used to award aid in this situation?

**Answer:** One solution would be to calculate a 12-month FC for your students, and then pro-rate the FC based on the academic periods within the academic year. An example is shown below for a program that provides four academic years of instruction in three calendar years (June 1988--May 1991).

Academic Year	Calendar Period	The FC is equal to:
1	June 1988 - February 1989	75% of FC from base year 1987
2	March 1989 - November 1989	25% of FC from base year 1987 50% of FC from base year 1988
3	December 1989 - August 1990	50% of FC from base year 1988 25% of FC from base year 1989*
4	September 1990 - May 199	75% of FC from base year 1989

\*Note: whenever a base-year FC has not been calculated because base-year data is not available due to the timing of the application processing cycle, the award can be based upon available data, in this case from a base-year 1988 FC.

## Higher Education Act

### Part F - Need Analysis

#### **Section 473**

Defines the term "family contribution" for the campus-based, Income Contingent, and Stafford Loan programs as: "the amount the student and his or her family may be reasonably expected to contribute toward his or her postsecondary education for the academic year for which the determination is made..."

The family contribution is calculated by using the following information:

Dependent Student	Parents' contribution from available income Income supplemental amount from parental assets Student (and spouse) contribution from available income Income supplemental from student (and spouse) assets
Independent Student without Dependents	Student (and spouse) contribution from available income Income supplemental from student (and spouse) assets
Independent Student with Dependents	Student (and spouse) contribution from available income Income supplemental from student (and spouse) assets

#### **Section 475(i)**

Specifies how to calculate the parent's contribution from adjusted available income when a dependent student will be enrolled for more or less than 9 months.

#### **Section 476(b)**

Specifies that a maintenance allowance for periods of non-enrollment (not to exceed \$600 a month) must be included when calculating the contribution from income for an independent student without dependents.

#### **Section 477**

Specifies how to calculate the family contribution for independent students with dependents, but is silent on the FC calculation for students enrolled for more or less than 9 months.

#### **Section 478**

Provides that the Secretary does not have the authority to publish regulations on need analysis, except to update specified tables used in calculating an FC or to propose modifications (requiring Congressional approval) to the methodology.

#### **Section 479A**

Provides that financial aid administrators may use professional judgment to make individual adjustments to the FC, documented in the student's file, to reflect special circumstances.