NASFAA's "Off the Cuff" Podcast – Episode 331 Transcript

OTC AskRegs Experts: Summer Aid Processing

Maria Carrasco:

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Hugh Ferguson:

Welcome back, everyone to another episode of Off the Cuff. I'm Hugh Ferguson with our communications team.

David Tolman:

And I am David Tolman with NASFAA's training and regulatory assistance.

Hugh Ferguson:

Welcome back, David. It's been a while since we had you on last, but the calendar's moving, we're somehow moving into summer, even though it still feels pretty cool out, which I'm very grateful for. But things are changing. And so we thought it would be good to bring you on today to kind highlight some important aid issues that can come up during the summer. So yeah, you want to kick us off with what you'd like to chat about today?

David Tolman:

Yeah, we usually do talk about summer just before it happens in this podcast series. But yeah, so today we'll talk about some of those issues with summer aid processing, and maybe more specifically get into some of the rules for crossover payment periods.

Hugh Ferguson:

Awesome. That sounds great. Yeah, the calendar's really flying and each summer is different than the last. But to get us started, schools often assign summer to be a header or a trailer to the award year, but they have some flexibility with that, right?

David Tolman:

They do. They do have a lot of flexibility actually, and there's several reasons why a school might go back and forth depending on the student, and they can, they can treat summer as a header for some students and a trailer for others. And we'll go on and talk about this, this really doesn't just apply to those types of schools that have a traditional calendar, but it also applies to those that are non-standard term or non-term.

But there might be several reasons to change and treat it as a header for some and a trailer for others. But it's most likely going to revolve around the SAI, the student index being much lower in one award year compared to the other, and then switching that student to that award year with the lowest SAI, will advantage the student with a higher Pell amount.

One thing to remind people about is beginning with '24-'25 year-round Pell no longer requires at least a halftime enrollment status. That went away with the FAFSA. Well, the FAFSA Simplification Act removed the halftime enrollment requirement beginning with the '24-'25 year. So this is one of the last vestiges or implementations of FAFSA Simplification Act. So it's important to remember if you are in the mindset that somebody has to be at least halftime, that's gone now, at least for now.

And so it doesn't require halftime enrollment status. Instead, it's now any enrollment intensity above zero, if the student has already received a 100% of their Pell during '24-'25. So that may have been a reason in the past if a student was less than halftime, to pick the upcoming award year where they hadn't used any Pell.

But there might be another reason why one award year might be preferred over another. And I know a lot of the episodes lately have talked about the budget reconciliation bill. And one of the changes that would be implemented should the bill become law. And right now... I'll just say right now it's passed the House, but it hasn't gone through the Senate. There's a lot that has to happen. But one of the changes is it would implement 30 credits as being full-time during a year beginning on July 1, which would presumably be the '25-'26 award year that starts on July 1.

And so there's not a lot of detail, but we assume that 30 credits means the student would have to be 15 in each payment period in order to be considered full-time. So they might say, okay, we don't want to deal with the uncertainty of that, we just want to keep summer as a trailer this year. That way we know, at least for the summer it'll be 12 credits. We don't have to do a lot of the shuffling around if that changes.

Hugh Ferguson:

Awesome. Thanks for that, David. Yeah, there's a lot going on with budget reconciliation this week. Both the House and Senate are on recess, so we're still waiting to see when the Senate comes back, how they decide to approach this bill that the House has passed, and we'll be monitoring what provisions change and how an updated version or amended version could impact this specific policy issue.

But we're still in a bit of a waiting game with this bill, so there are lots of things that can still happen. We're going to eventually... If this process continues to move forward, we're going to see a full day, possibly overnight session in the Senate where a lot of votes will be happening. So listeners can stay tuned to today's news on the reconciliation front, and we will let you know if these provisions stay in. Because there's a lot of impact on higher ed as a whole in here. But getting back to this topic.

David Tolman:

This is just one small piece of the many potential changes. Yeah.

Hugh Ferguson:

Yeah, exactly. And so yeah, while we focus in on just summer programming here, David, I can see why schools might want to exercise flexibility with summer. Can you walk us through what those flexibilities are?

David Tolman:

Yeah. So just to list some of them out, summer is a crossover payment period. And what that means is there's an award year that the payment period begins before... It crosses over two award years. It crosses over July 1st. There's also a borrower-based academic year flexibility, and that's academic year as opposed to award year.

So it's important to know that there is a difference between an award year, which is used for Pell primarily. And academic year, which is used for direct loans primarily. And when either one of those leaps over July 1st you've got this crossover payment period. And we use the term payment period because that's the term that's in regulation, but a payment period can be a semester, it can be a term, it can be a summer term, that is not standard, but it's attached to a standard academic year. It can be a non-term or clock hour length of time where the student's completing half of the credit hours or clock hours and half of the weeks in an academic year definition.

So payment period means a lot of different things to a lot of different types of schools. But if you're a term-based school, the payment period is the term. In addition to a payment period, there's a loan period, and within a payment period you might have a lot of modules. Each one of those things offers its own flexibilities.

So let's start with the easiest one, which is award year, which is the period from July 1 of one year through June 30th of the next year. So we're currently towards the last month of the 2024-2025 award year. There's no question for most of the year which FAFSA to use, because those payment periods or terms fit neatly within the award year. But when it crosses over two award years, which is typically the summer payment periods, they begin before July 1st and then end on/or after July 1st, and that's a crossover of two award years.

And then you've got some flexibility as to which award year you're going to use for Pell awarding. But it can be any payment period that crosses over those dates. For example, it could be from April 1st to July 3rd, and even though July 3rd goes three days into the new award year, it's still a crossover payment period. Or on the other extreme, June 28th to October 31st, even though most of that payment period would be in the '25-'26 award year, because it starts on June 28th and crosses over July 1st, you can still use the '24-'25 award year for that payment period.

Hugh Ferguson:

Got it. So if I understand this right, a crossover then must mean that a payment period overlaps with the two different award years?

David Tolman:

Yeah, that's correct. And again, with payment period, it will mean something to different types of schools depending on their academic structure. But the simplest type of payment period is the term, whether that's a semester, quarter, trimester or non-standard term. But another type of payment period is when a term can't be used, and it's based on completion of weeks of instruction and credit hours or clock hours. And we're not going to go into detail, but those schools know who they are, when they can't use a term.

Hugh Ferguson:

Got it. And is a loan period then the same as a payment period?

David Tolman:

For some programs it can be, but it's not necessarily the same. So a loan period is the length of time for which the loan is originated, and it usually includes multiple payment periods. So using a semester school, if they're originating a loan for the fall and the spring semester, that's the loan period. It runs from fall to the end of spring.

Hugh Ferguson:

Got it. So a payment period and a loan period can each be considered a crossover?

David Tolman:

Yeah. So if the payment period or the loan period begins on/or before June 30th, 2025 and ends on/or after July 1st, 2025 it is a crossover period.

Hugh Ferguson:

Okay. So what are the issues a school must be aware of for the crossover payment periods?

David Tolman:

Well, the issues come with the flexibilities. If the payment period begins on/or before June 30th, 2025 and ends on/or after July 1st, 2025, it's a crossover. And with that crossover payment period, the school can choose which award year to assign that crossover to.

Hugh Ferguson:

Okay. So can a school assign a summer to be either a header or a trailer and call it good?

David Tolman:

Yeah. And many schools do it that way, but the decision can be made on a student by student basis if the school's packaging policies allow for that. And even for an individual student, it can vary by the type of Title IV program. So need analysis in a crossover payment period is assigned to one award year for most Title IV programs. So direct loans, FSEOG and Federal Work Study all have to be assigned to the same award year.

But the cost of attendance or the student aid index the school will be using is going to be based either on award year A or award year B. Then that award year is used for all three programs, FSEOG, federal work, state, and direct loans. But the Federal Pell Grant and Teach Grant, however, can be assigned to a different award year than what was used for the direct loans in the campus-based aid.

Hugh Ferguson:

Okay. So why might a school choose to use different award years for direct loans than for the Federal Pell Grant?

David Tolman:

Yeah. Well, previously we talked about that, year-round Pell had the requirement of at least halftime enrollment, and if a student wasn't enrolled, at least halftime, but that's gone away. But it could be that a student or the school is using a borrower-based academic year for the direct loan, and that borrower-based academic year started in the spring and continues into the summer. It has to be those two periods together. But then the student's SAI for '25-'26 is a lot lower and they could get a much higher Pell.

So they can continue to allow this or continue that borrower-based academic year for the loan using '24-'25 information, and they have to do it that way. But then they have the option for the Pell and they can get the student a much higher Pell if they switch that student to '25-'26. So it usually comes down to differences in the student aid index across award years.

Hugh Ferguson:

Okay. And then can you give it an example of how this might work?

David Tolman:

Okay, let's look at a summer term that runs from June 1st to August 15th at a school that has fall and spring semesters. Typically, the easiest example to look at. The student has remaining Pell eligibility from 2024-2025, if they haven't used up 150%. But they have used up their annual loan limit during the fall and spring semesters. So they have remaining Pell in '24-'25, but the annual loan limit has been used up.

So the school could award that student Pell from the '24-'25 award year. And because the students used up their Pell or direct loan eligibility, they can get them started on a borrower-based academic year for the summer and award the direct loan out of '25-'26. So in this example, the school would use '24-'25 SAI to determine the student's Pell eligibility. And then they would use the '25-'26 SAI and cost of attendance to determine the student's eligibility for the direct loan.

Hugh Ferguson:

Okay. So would it make a difference if the school originated the direct loan only for the summer? Or for summer plus the following fall and spring semesters?

David Tolman:

Yeah, it will make a difference, and that is because the student aid index is no longer prorated. So whether the school is doing a loan for the summer only or for the summer, fall and spring, the SAI is going to be the same. It's going to be that nine-month SAI, even though the students enrolling only for three months and then they come back and enroll for six months. So the students likely going to have more financial need, resulting in more subsidized loan eligibility by combining the summer, fall and spring into one loan period rather than having two separate loan periods within the award year.

Hugh Ferguson:

So could the school originate the loan under the 2024-'25 award year?

David Tolman:

Yeah, the school might be limited because in this example, the student received the annual loan limit during the preceding fall and spring. So what they would have to do, they couldn't do it under scheduled academic year. And I know this is kind of the wonky... This is why we get wonky in the AskRegs or the Regs podcast, they would have to do it under a borrower-based academic year. They'd have to get the students started under a new annual loan limit.

So the school could originate a new loan for the summer and the fall. And since the summer and the fall loan period combined is a crossover, it starts before July 1st and ends after July 1st. The school would have the option to originate using the '24-'25 SAI and cost of attendance. Or the '25-'26 SAI and cost of attendance.

Hugh Ferguson:

So what if the student was new and starting in the summer term?

David Tolman:

All right. Yeah. So with a new student, we're not worried about annual loan limits. The school could originate a summer, fall, and spring loan and in doing so it could decide because this loan period's crossover whether they want to use the '24-'25 cost of attendance and SAI and determine that student's loan eligibility. Or the '25-'26 cost of attendance and SAI. And it doesn't have to be a borrower-based academic year in this instance, because of the new student.

The loan period is a crossover period, starts with summer 2025, it ends sometime in the spring 2026. It doesn't matter for the direct loan purposes what year they awarded the Pell from, but if the school already offered federal work study or FSEOG to the student for the summer, the same award year would then need to be assigned to the direct loan.

Hugh Ferguson:

So there really is a lot of flexibility here, but how do modules fit into summer? And what if the same summer runs from June 1st to August 15th, but the student enrolls only in a module that starts after July 1st? And that example does a school have to use 2025-2026?

David Tolman:

Well, the crossover payment period is based on the full payment period length, and in this example, the full payment period for summer runs from June 1st to August 15th. So even though the student is enrolling in a module that starts after July 1st, the payment period that the module belongs to is a crossover. So the school still has the flexibility under modules to choose which award year to assign the Pell to.

Hugh Ferguson:

Okay. So is there anything else the school needs to be aware of here?

David Tolman:

Well, drawdowns and drawing down the funds through G5 does also have some complications in a summer crossover. Pell's the easiest to explain. You always drawdown funds for the student from the award year that matches the award year's SAI you used for that student.

For direct loans, you drawdown funds because those are done on an academic year basis, not an award year basis. On direct loans, you drawdown funds based on when the disbursements occur, whether that happened before or after July 1st. FSEOG in crossover, the school has the option of whether they're going to drawdown funds from the 2024-2025 allocation or the 2025-2026 allocation.

The most difficult one, and I think the one that's probably least understood by schools is federal work study, and that is that hours that are worked prior to July 1st are going to be drawdown from award year A. And hours that are worked July 1st or after are drawdown from award year B. So even though you used one award year, either A or B, to determine the student's eligibility for that federal work study, in drawing down those funds, you're going to flip yours depending on when the student worked those hours. And it's not based on when... Well, it's not based on when they're paid.

Hugh Ferguson:

Okay. So for federal work study, you mentioned it's based on when hours are worked. So what if some hours are worked in say, June, but not paid until July? Does the school have a choice which award year to use there?

David Tolman:

No, they don't. It's always based on when the hours are worked, not when the wages are paid.

Hugh Ferguson:

Okay, got it. So how do schools go about keeping all this information straight?

David Tolman:

A lot of it depends on the strength of the system that they use. Some, there's no way to know on a particular paycheck that's issued in July, how much of that paycheck contains hours that are worked in June and how many of those hours were worked in July? Especially if it crosses over, the working period crosses over.

So some schools stop federal work-study students from working if the pay period, pay period meaning the earnings period, not the payment period. If the pay period overlaps July 1st. So they'll allow students to work through June 30th, then pause until the next pay period starts. That way the whole paycheck can be assigned to one award year and not split across two, and trying to figure out how much of this paycheck are we're going to draw down from award year A and how much from award year B.

It's kind of complicated, and that's usually why they say we're going to put a pause. Even if the school system is robust. But there are some maybe smaller schools that are able to track it hour-by-hour.

Hugh Ferguson:

Yeah, this is definitely a lot of complicated timelines and numbers to keep in mind here. But where David can schools go for more information on this?

David Tolman:

AskRegs is always a good resource. You can just type in summer, see what comes up, and you can narrow the results down by the option box on the left-hand side. It's helpful to see some visuals. I know that Tiffany did a summer aid issues webinar, and that would really help with the visuals, if that webinar is still available on demand.

So I'll take a look at that and give you the link for it that can be posted, if it's still available on demand. Because she did a fantastic job with that webinar. It helps to see this with visuals. We just went through a lot of reminders today, so we'll post some links in the notes.

Hugh Ferguson:

Awesome. Thanks David for walking us through this really topical issue as we start to really get into summer now. And yeah, I encourage folks to check out our links in the show notes and stay tuned for more developments that could impact this issue. But for now, thanks everyone for tuning into another episode of Off the Cuff. Please remember to subscribe and feel free to send us your comments or suggestions in the show notes and we will talk to you again real soon.