

Carney McCullough: We're gonna start with some old information – just really kind of a reminder, and you heard some of it this morning about the Pell Grant interim final rule. Then, we're going to move onto really the changes that resulted from – as a result of the Consolidated Appropriations Act of 2012 which was enacted last December. And when Kathy and I were putting this together, we tried to – we thought of it kind of in a series of questions. You know, it's like: Why is there a new limitation on the amount of – the numbers of years a student can receive Pell Grant funds, and what did the department do to collect the Pell history, and how do students know what their Pell LEU is? How do institutions know? What do you do if you think the data is incorrect or inaccurate? What happens if a student receives more than 600 percent? Timely reporting – how do you calculate remaining eligibility, and how do you calculate a Pell award with that remaining eligibility, and can a student decline or return a Pell Grant? So, we sort of thought of it – what we thought or hoped was a logical series of questions to answer for you today. And so, with that, I'll just turn to the interim final rule at first. Now, we published an internal final regulations in the federal register back in May – on May the 2nd, 2012. This actually implemented changes that were resulting what's known as the Department of Defense and Full-Year Appropriations Act of 2011. How's that for a nice long title? And that basically repealed the two Pell's in an award year provision. So, just a little history, 'cause we don't do this very often, but an interim final rule is a final rule. So, the regulations are in effect. The regulations are final until they could be changed. But what an interim final rule allows you to do – it allows us to collect, solicit public comments in case we just didn't get it exactly right – in case there was some problem. There have been times in the past – a long time ago, that I can remember where we got a lot of comments on an interim final rule. This time, we got ten. So, there were not a lot of comments, and I think as Jeff or David alluded to, they were basically very supportive of the final rule, and thank you for making some things clear. So, as a result, we've summarized those comments. We are required to publish a final final rule that summarizes those comments and responds to them. We expect that that would be published shortly. I think it's fair for me to let you know that there's really not gonna be any change to the final regulatory language in there. There were no changes that we're anticipating as a result of those ten public comments that we received. As a reminder, the major provisions in the interim final rule really were the – there are things that are no longer there, rather than things that are there. What's no longer there is the ability for an otherwise eligible student to receive more than one scheduled federal Pell Grant award in an award year. So, the two

Pells has gone away. So now, it's not there. And the second big change that sort of went hand in hand with that is that we eliminated a requirement that was there when there were two Pells in an award year that required institutions to assign the payment period that occurred in two award years – also known as a crossover payment period – to the award year in which a student would receive the greater payment. Instead, now, the regulations return to their older language which allows an institution to determine which award year to place a payment period for a crossover payment period. So you can tick the appropriate award year to put your crossover payment period in. So, those are the two major provisions that are – or, shall we say – are not in some cases in that interim final rule going to final rule. Okay. Moving on to what you're probably all here to hear about, which is the new change in the Pell limitations. I mentioned a minute ago: it was back, last December – I guess we're still in November now – but December 23rd, right before Christmas, the Consolidated Appropriations Act of 2012 was enacted into law. What it basically did among other things – but for the Pell Grant program, it reduced the duration of a student's eligibility for a federal Pell Grant down to 12 semesters or its equivalent. The change was effective beginning with the 2012-13 award year. And if you look at the date of December 23rd, and you think about the 2012-2013 award year, you know that we were beginning processing, hmm, what? A little over a week later, right? So, not a lot of time to make a lot of changes in our systems and stuff, and Kathy will talk a bit more about that in a little bit. The other thing that's sort of significant here is that this change in the law applies to all Pell Grant recipients, unlike the previous limitation that was in the law that applied to students who first received federal Pell Grants on or after the 2008-2009 award year. This goes all the way back to the beginning of time. And for those of us who've been around a really, really, really long time, I can remember at least three times where there's been limitations in the law, and then they're taken out. But this is the only one I can remember except for maybe the very first one that went all the way back in time to the very beginning of the programs. So, it goes all the way back to 1973-74, and I bet there's some of you out there that maybe weren't even born then, and some of us were much younger than we are now, and maybe not even in financial aid back at the beginning of the program. But, Kathy will talk a bit more about the challenges that result from trying to build something that goes all the way back in that period of time with different technology, et cetera. So, we're calculating the equivalency – this 12 semester equivalency, six years equivalency – by adding together each of the annual percentages of a student's scheduled award that the student

actually received. It was actually dispersed to the student. You know, remember _____ a scheduled award is the amount a full-time student can get for a full academic year. So, for example, if you've got a student who enrolled full-time for only one semester, they will have used – he or she will have used – 50 percent of a scheduled award at that year, for that particular award year. If you have a student who enrolled as three quarter time for the entire year, that student would have received 75 percent of their scheduled award for that award year, and then you get mixed enrollment status as another interesting, quirky things where you end up with not as nicely calculated, even numbers like 50 percent and 75 percent and 100 percent. We're gonna add the total of the percentages from each year that the student received a federal Pell Grant, and that equals the student's lifetime eligibility used to get to the LEU limit. And when a student reaches that magic 600 percent mark, they have reached their federal Pell Grant eligibility limit. So, now I'm gonna turn it over to Kathy to talk more operational stuff.

Kathleen Wicks:

Not an uncommon question. It was certainly our first question to ourselves: what are we going to do to find this Pell history? As you know, the Pell Grant program – many of you have been through several systems – the COD, the common origination and disbursement system being only the most recent one. Preceding that was recipient financial management system. Prior to that was the Pell Grant financial management system, which we called “piggerfims,” and prior to that, I think it was a pencil and bubbles on a piece of paper system – whatever that was called. But all of that historical data was actually stored and maintained at – the Department of Education maintains a – Federal Student Aid maintains a virtual datacenter, and we've been through a couple of those, too. But each time that information was transferred in whole, the COD system actually only retains active data for five years, and then after five years, the data goes to a COD archive. So, we had to pull together a couple of archives and other information, and the concept of a lifetime eligibility used is certainly a new one. As Carney mentioned, we first began it with the law that required that students receiving their first Pell Grant in 2008-2009 was going to be limited to the equivalent of nine semester or – excuse me, 18 semester or nine years. And so, we began calculating a lifetime eligibility used. But from these other systems, what we had is we had student identifier information, we had scheduled award information, we had actual disbursement information. So, we realized that we had all of the basic information – including the school of attendance and those various identifiers – that we could in fact do this calculation with this

massive amount of data from various archives. So, we gathered all the Pell grant information from 1973-74, across all the legacy systems and non-systems, and it was 20 years ago – before that we had social security matches, before NSLDS began collecting grant data – NSLDS came about in 1993-94, but – and had all along the information. But grant data began in 1993-94. We had maintained these archives for legal reasons, for court cases, for research, for congressional inquiry for a variety of reasons, data storage is cheap, and so we decided: “Someday we might need this.” So, we did get that. We created the logic to calculate the semester equivalent as an LEU. We loaded the LEU percentage to students that were existing already in NSLDS in July 2012. I want to say that carefully because it’s not that students did not exist – oh, having trouble hearing? What is that? Okay. Thank you. It wasn’t that the students didn’t exist in NSLDS, necessarily, prior to 1993-94; but if they didn’t have a loan record that had come in, or a COD record that had come in, their Pell grant information was – the person record did not exist in the NSLDS. So, we loaded everything that we could to NSLDS, and now as records come in and help grant history, new record might be created in NSLDS for new history. But, we were challenged by having NSLDS’ limited information. Also, in July 2012, the COD system modified existing LEU functionality. We began returning the Pell LEU percentage in the common record response for all recipients no matter when they first began receiving Pell. We modified warning edits to reflect the new limits. We provided the LEU percentage on the various school reports such as the Multiple Reporting Record, the Pell Grant Reconciliation Report, and the Pell Grant Year to Date file. So, you can get those for those reports and you will see the LEU history for all the students in those reports. We began to _____ the LEU percentage on the COD website for all Pell recipients – not just those with first Pell grants beginning in 2008 – 2009, and we implemented new COD Pell LEU history page at the cog website to allow institutions to view historical Pell Grant data. And notice, I’m talking about institutions because, as you know, COD is not a student store and not have access to it. So, it’s institutions that view the Pell historical data on how the LEU is calculated. So, if you’re a student, how do you know what your LEU is? Well, we had to come with a temporary solution before our systems could be modified. And beginning between – and we realize we had an imminent problem. We were beginning to reach peak in the – in the peak FAFSA processing for the ’12-’13 award year, and if we didn’t let students know about their potential end to their Pell Grant eligibility or the limitation on their remaining Pell Grant eligibility, it would fall to you to do that in your package, and we didn’t think that was particularly fair to you.

It was an appropriate message that we provide from the government to the students. So, we came up with a temporary measure. Between April 16th and July 1st, we sent targeted e-mail messages on a week lase to the – first, the cohort of 2012-2012 FAFSA applicants who were Pell Grant eligible, and we weekly would update that as new applications came into the system. We were – we'd send these e-mails explaining to the students that they were either near or exceeding the Pell – the equivalent of the new limitations. We didn't tell them anything about percentages or LEU. We directed them to a link on the government website so that they could in fact explain how their eligibility had been calculated. And then in July 2012, when all systems were touched, we try very hard in Federal Student Aid to present an integrated system. We certainly expect that the schools will use all of the data available on their campuses to provide an integrated picture, but we try to do that too with Federal Student Aid, and we have at least four disparate systems that have to talk to each other, and have to be modified, and files have to go back and forth, but we work together. It took until July 2012 when we were able to touch all of the systems that needed to have this information. When the systems were modified, the CPS began reporting the LEU on SARs. So, the students would get new SARs. So, applicants stopped getting the e-mail from the department but they started getting on their – the new applicants on their SARs did get information using common codes to alert the applicants who were close to, or had exceeded LEU. We had to use comment codes at that time because we had – as Carney had mentioned – the CPS had been up since January and we don't usually do mid-cycle changes to the ____ record. We try never to do that, for which I know there are many software developers out there that are grateful that we don't try to do that. But, it did mean that we didn't – we provided a less than friendly solution only the comment codes. So, hence the applause this morning when we said we were able to modify CPS to actually have the percentage in there. So, you can find the comment codes from 2013-13 and the text guides that were issued in June.

For the 2013-14 award year, the students can determine their Pell LEU by additional comments that are gonna be added to the SAR consistent with the entire Pell Grant history at the time of the SAR in prescreening, and from NSLDS post screening if the LEU changes. The SAR comments will be in plain English and will refer to the equivalent of school year. So, that's another concept we have. Award year – we have semester, we have – you name it. But now we've come up with school year, but we think the students will understand that a little better. If we say that you've

had the equivalent of four school years of Pell Grant, they have questioned how that was calculated, but they won't be confused by the notion of an LEU percentage or something else. So, the SAR codes themselves have contained new and revised comments, and the text for the SAR comment codes and text guide was published this past October. Sometimes, because COD is not a student-facing system, it becomes necessary sometimes to point to NSLDS for students, and students have access to NSLDS. As you know, NSLDS has recently in fact been enhanced to provide for My Student Data, to allow students to download their loan, grant, and aid over payment history. But that particular option for students does not display their Pell LEU or go into detail about their Pell LEU. So, we're encouraging you to minimize confusion. Please don't refer students to My Student Data download to get the LEU. We're going to have to ask – I think – to get detailed history for students will come from the COD system. I'm gonna talk about that in a moment about how you might be able to help students understand and what they did in their youth.

Again, from the COD, this is related to the COD system, which is not a student-facing system. But I'm gonna go into a little more detail on this in a moment, but we did develop a new history screen in the COD system that a school may, on behalf of a student, may export and actually provide a transcript of historical information. I'm gonna talk about it a little more later, but this is something that can be provided to students. A little hard to read, but it's basic information that gives the attending school, the year that school – that the student attended that school according to our records, the eligibility percentage that was used in that year. Less interesting from an eligibility standpoint is actually the total amount that the student received in dollars, or the total amount scheduled to have been received, although the student might find that interesting for research about the accuracy of the information. We've also included any information that the student had been billed because of a Pell Grant overpayment, and actually made a repayment of a portion of the Pell Grant. We have included that information as well. But the bottom line is that under the eligibility used column, it will total the lifetime eligibility used as a percentage against the 600 percent. So, certainly the student will need some help walking through the transcript, but in fact it will be able – the student will be able to review it for accuracy, and as I said, contemplate what they did or didn't do in their youth.

How do institutions know a Pell LEU? Well, we have several systems that help with that. School – in the COD system – being the primary system for determining a – primary way that schools

can determine what the LEU – there's a weekly COD report that we began – actually, we began in July as a temporary measure, but schools asked us to continue it, and we have continued it on a weekly basis. It contains, right now, the 2012-13 Pell LEU report, because we haven't started the '13-14 COD processing and will not until March, but the '12-13 Pell-eligible CPS applicants with LEUs greater than 450 percent are listed. Each institution's report includes FAFSA who listed a federal institution code on their – federal school code – on their 2012-13 FAFSA. It's generated weekly in an institute – and it's posted to the institution's Pell news box on the COD web reporting site. It's not an SAIG report, and we'll talk about that in a minute. But, the fact is, for the '12-13 year, there is a weekly report that is available – probably very helpful when you were packaging. It will be helpful as you're packaging your transfer students. You don't have to bring it in weekly, but it is there weekly for you to check if you need to revise or do a new package. It's in a CSV format, so you can easily import it and sort it. The sort, very often, becomes important because the federal school code may be different. You may have multiple federal school codes for the main OPID, and you want to know which students are where, and you can sort it accordingly. But most importantly, of course, you can sort it by LEU percentage, so you can see the students that are most in danger, or maybe have exceeded their Pell LEU.

For 2013-14, we are going to move this Pell report to the SAIG. We are going to continue the '12-13 report until June of 2013 on the COD site – the COD web reporting site; but beginning in March with the 2013-14 COD system, we will now have a new SAIG report, and we will put the report in the SAIG mailbox for you to import. Also, as I mentioned, we did this in July. We modified the COD system so that if in fact you want to look at the LEU, you can look at – there are three different screens where you can find the LEU: the Pell person information page, the Pell LEU history search, and the Pell LEU history page. I wanted to point out the Pell information page to you. It's – for the most part, this particular search will meet your needs. We modified it – we had this page all along for the students had received their first Pell Grants after 2008, but we modified it now for all students and all history. If you'll notice – and I know the screens are hard to read, but on the left-hand side of the upper page just below the student identifier information, we have the Pell lifetime eligibility used displayed. So, that is the percentage that you're gonna key in on. If you want to look at the Pell history, there's a dropdown for the award year for each of the years involved. This site only goes to the '07-08 year because, as I mentioned, there are only five years

of active data visible in this way on the COD system, but you can get history that way. A more complete way to look at the Pell LEU is to actually go into the applicant search. If you go into the applicant search page and you put in the – under Pell LEU history search – the student’s SSN and date of birth, and those are the primary identifiers that we’re looking at. Names change, but presumably date of birth and social security numbers do not change. You will be able to bring up an entire Pell history.

That’s the next slide. Again, very hard to read, but it is the Pell LEU history. It contains, again, the information about the attending school, the year that was attended, the eligibility percentage used at each institution, and the dollar amounts associated, et cetera as the transcript, and that’s the source of the transcript. So, if you go to export summary – to XLS. There’s a little red box there on the right-hand side. You will actually bring up the page I referred to earlier. That is the – what I call the transcript. You can export that summary into an Excel format, and then you may print it and provide it to students. Again, it is a simple report. It’s a summary of the important details that will give the information that how we arrived at the LEU percentage – how COD arrived at the LEU percentage from the archive. Now, this particular report goes back to 1973-1974. So, it will be quite an extensive report for your older students.

The other thing that we did was, of course, we had to modify the warning edits in the COD system. Now, the key here is that these are warning edits. These are not reject edits. Because we were bringing in so much information from so many years, and the information was so old, we didn’t have an entire confidence that the information was going to be always good. The social security numbers can get transposed and data can be missing, and all of that. We have since found out, however, that the information is very, very good, and very, very sound, and we’re very happy with it. But in the meantime, what we’ve done is keep these as warning edits. I realize that that puts an additional burden on the school because when you get a warning edit, sometimes these are edits that you know can be ignored. These are edits that you really cannot ignore. These are edits that you want to look at carefully. They are provided both on the origination – that is, when you make the award to the student, and on the disbursement side. Obviously, it’s only the disbursement side where you’re really gonna worry about going and exceeding the eligibility. So, if you get an – send in an origination record and you get a warning edit – 178, that the lifetime percentage of eligibility used has exceeded the lifetime limit, you want to be careful not to then send in a disbursement

record for that individual, because they are out of eligibility. By the same token, if you get a 177, which is the lifetime percentage of eligibility is near the lifetime limit, you want to make sure that your actual disbursement is within the 600 percent range.

Another way that schools know what the LEU is – I mentioned this earlier – is the response record. COD modified – you send in records, and you get a response back from COD, and this happens to be the response – Pell response record that you get. Next to the item – the item next to the – second to the bottom here is the lifetime eligibility use tag. You will notice, and I hope you can read this: the lifetime eligibility used is returned for all students. So, all Pell Grant eligible students – so, you will be able to see that history there, whether or not the student is close to lifetime eligibility used; you'll get a percentage. So, you can calculate properly. So, this is another place you want to have your systems ready to key in on to make sure you're not exceeding the lifetime eligibility, and the extent to which you want to use this to help counsel the student into their – watching their academic progress. This is where the two Pell Grants in an award year are going to catch up with a number of students, as you know. If they were really moving towards graduation – it won't be a problem, but if they were not, they will find that their percentage of eligibility will be used up very quickly.

And then again, another tool for schools is the modification of these reports that you use often for various reconciliations. The multiple reporting record, which is what you use in modifying – looking at concurrent enrollment or possible POP situations with other schools. The Pell Grant reconciliation report, which I know is used probably more often than this, but definitely annually as you try to figure out what COD has accepted as actual disbursements compared to what the school has actually sent, and the Pell year to date file, which is basically an opportunity for you to refresh your system with the COD accepted information. LEU is printed, and – if for some reason, you're looking for reports back to 2010-11, they include the LEU percentage as well. The major system that you are working with all the time – and the first defense against over awards is going to be the information you receive from the CPS. So, we know that on the ICER – the new Pell lifetime eligibility used will provide the percentage, as has been noted this morning. The percentage will print in the ICER beginning in the 2013-14 year in the format that includes three decimals. We have made sure – in fact, as recently as the COD release on November 9th, we actually went in and made sure we've aligned all of our reportings to be three decimal points at the

end. So, the format will be your percentage point – three decimal points, and that’s true on the ICER as well. The NSLDS Pell lifetime limit prescreening flag will exist. Again, there are three different flags that we will see in prescreening. H for high, C for close, and E meets or exceeds the 600 percent eligibility. And all of this is printed in the 2013-14 ICER guide which was published on October 29th.

With an NSLDS – NSLDS will also provide reason codes to reflect the new Pell LEU limits. Only those students who are Pell eligible will be – actually have post screening done. So, if the student is not a Pell eligible student, there won’t be a post screening – we push enough information to you to deal with as it is. And again, these are the various codes for the post screening. They’re a little different than the prescreening, but these are the post screening codes, and the – it will help you, again, as a tool within NSLDS to see where the students stand. Oh? Oh, well, okay. Carney was saying the slide was not in the deck. This was one we modified slightly, so I think we might’ve had a little – the post screening codes in NSLDS.

So, now, from NSLDS, it just – again, reiterating that we did a one-time load back from the 1973-74 information was provided to NSLDS from – through to the present. So, now as Pell Grants are actually – actual disbursements are received, there is a daily feed of Pell Grant disbursements. There always has been to NSLDS. It’s not a real-time feed, but it is a daily feed of actual accepted disbursements. That would be for adjustments as well. So, if Pell Grants go up, they go down, we send that information on a nightly basis to NSLDS, and they are included in the system for you view. LEU percentages for students with no NSLDS records – remember, I mentioned, were not loaded. So, since the update, we are sending LEU percentages when Pell Grants are made or changed, so they would be added that way. So, they might not have been there in July with a load, but they are there now if they are actually getting Pell Grant disbursements. We do not send Pell Grant award information to NSLDS – only actual disbursements.

Also, within NSLDS, there are warning icons. Beginning with the 2013-14 year, NSLDS will start sending the percentage ___ CPS for inclusion, and the professional access website – the NSLDS professional access website will display the Pell Grant warning icons as another way of warning you that the Pell Grant may be in danger, and needs to be looked at. So, many, many tools. There it is. I put it in the wrong place, so you can just move on. We’ll move that for the next one.

As I said, we've been very pleased with the response to the Pell Grant data. The information appears to be accurate. We've had very, very few concerns expressed, but they have been concerns that have been expressed – both by schools and by students, and primarily from students who said, "I didn't get that money. I didn't go to that school." So, it's come upon us to begin to look at and process by which information can be reviewed for accuracy. The student or institution believes an LEU is accurate. The first thing we need to do is work with student involved. So, the school that is – from which the student wishes payment – notice I didn't say that wishes to pay the student – the school that – the institution that the student wishes to receive payment from needs to help the student under where they are with their Pell Grant history. We expect that the institution will work as an advocate for the student. If you believe that the student is not eligible, then you will work with the student to counsel them about the legislation itself, which is – about half of our appeals have been on just having a limit on the Pell Grant eligibility because of circumstances beyond an individual's control, illness, death in family, all those very appropriate reasons why students believe that they should be given additional opportunity for more Pell Grant. Right now, as Carney has mentioned, the law just does not call for any exception. So, you will work as an advocate for the student if you believe, when you review the history, that the information is correct, the student is attesting the information is correct, and it receives the student results – and results in the student receiving a partial or no Pell eligibility. We are working on a process that we will publish to you on how to escalate the matter to Federal Student Aid for adjudication. I had hoped to have come to the conference with that worked out, but there's some technical details around that. We are working that out, and you will see guidance – written guidance about that. We will, under any circumstance, and this will be more in the guidance, documentation will be required. This may be no more than a – from the student – a student attestation or an institution attestation or whatever – particularly in the circumstance where the prior school has closed and the current student – the student is currently at your institution and has no recourse. We will provide that information about the information – the data that will be needed to be collected, and how that will be transmitted, and who you will contact. If the information is determined to be wrong in this process that you will get more information about, both the student and the institution that was to pay the student will be given documentation that will need to be maintained. For the institution, it will be an audit trail – _____ the student payment is proper, the government has agreed that the

student payment is proper, that the LEU calculation is not accurate, and for the student to present that in the event of a transfer to another institution. Because of the amount of lead-time that we need to modify systems, COD, CPS, and NSLDS unfortunately will continue to reflect the inaccurate information until we can get those future system modifications done. It appears that just – it realistically would not happen before the '14-15 award year. So, under the circumstances where the information is determined to be inaccurate, the institution and the student will receive documentation to be maintained, and the COD edits that I spoke about – the 177 and the 178 will continue to be returned, but the school has the authority to – I'll say ignore, but ignore them with the documentation in hand. It does seem, at this time, and as I said, about half of what we've had so far have been more around the policy of limiting Pell Grant at all, but the most common claim to date has been that the student has not attended the institution that is listed, or received the amount of funding that is listed in the LEU history. In which case, there will be research to see where the truth lies. We have something in our system that the student received funding from an institution. So, there will be work with the student and the institution as well.

So, Carney is now gonna talk to us about what happens if the student actually is over 600 percent and what needs to be done.

Carney McCullough: Thank you, Kathy. Okay. So this first slide's really more of an operational slide which – I'm not an operational person, so if I get something wrong, Kathy will correct me, I know. But I guess the first thing I want to point out to you is that there is no hard reject edit in COD, or **EDE Express** that's gonna prevent an institution from dispersing a Pell Grant award to a student with an LEU that's greater than 600 percent. So, we're not gonna stop you. We don't have a hard reject in place. So, that's one of the things Kathy mentioned earlier: you're gonna have to really look at these reports and be really careful when you're getting to one of those codes that's like near – you know, very close to – and really make sure you're dispersing the correct amount of money. Kathy also sort of alluded to this, that unlike discharges that students are able to get when a school closed – you know, the closed school loan discharge, or certain discharges with regard to fraud, there's no provision in the law for us to disallow or disregard any Pell Grant disbursements that the student actually received. So, there's – as Kathy mentioned, there could be really great reasons why somebody wasn't able to complete a payment period, and they got a Pell Grant disbursement, but there's no provision in the current law to allow any sort of a professional judgment to be made by

institutions or by the department. So, there's no provision at all that we can use to disallow that. The department will be monitoring compliance with the new requirements. We'll be making additional additions, I guess, to our procedures for program reviews and audits. So, you know, compliance will be monitored through the usual customary program review and audit process. We're also planning some new edits which I'm sure you'll be happy to hear about for 2014-15 that would prevent over awarding. Like I said, right now, there is no hard reject. We're hoping to get something like that so we would be able to reject disbursements that would result in over awarding so we can sort of help you and help the students there. Of course, the real, real question about what happens if a student receives more than 600 percent LEU that people want to know is: who's liable? Right? That's really the bottom line for what a lot of people want to know. What happens? Who's liable? Who has to repay the money? Because you just know that somebody's gonna have to repay things, right? So, let's talk about you, the institution. An institution may be liable for a disbursement if the institution had information at the time it made the disbursement that indicated the student would receive – would be exceeding that 600 percent LEU. Now note, this is at the time of disbursement. We'll talk a little bit later about how that could happen. So, not when you're packaging, but when you're dispersing. If you've got information that indicates that then you the institution would be the one who would be liable. I've got a little note here to just sort of remind you about rounding rules. They are not applying because – if the amount dispersed would place their students LEU over 600 percent. I mean, that sounds really silly, but the statute's pretty clear. So, sometimes rounding up by a dollar would create that problem. So, rounding rules do not apply in those cases. Your normal customary rounding rules do not apply. Now, if the institution's not liable, then the student is liable. The student really is always liable for any Pell Grant overpayment that he or she receives unless it's already been paid back by the institution. Now, institutions sometimes are nice and overpay – I'm sorry, repay overpayments for which they're not liable on the student's behalf. In that case, the student doesn't _____ a Pell Grant overpayment, they just owe you, the institution. And I know some institutions are able to do that for students, and others are not. So, just a reminder that we only have an overpayment until somebody pays us back. We don't really care who it is, but as long as we're made – full, and have been reimbursed appropriately, then there's no longer an overpayment. So, if the institution returns it, then the student does not owe a Pell Grant overpayment as far as we're concerned. Now, if a student does get in a situation where they're

exceeding the 600 percent LEU and they owe an overpayment, what do you have to do? Well, you follow the normal, customary procedures for handling overpayments: by contacting the student and entering into satisfactory arrangement – satisfactory repayment arrangements which can be very generous, or by referring the overpayment to the department for collection. So, it's the normal customary overpayment procedures that are outlined for you in the Federal Student Aid handbook that you would be following if you've got a student that does end up exceeding the 600 percent LEU. So, as we know, nobody really wants that to happen, right? We really want – we don't want institutions to have to owe money back; we don't want students to have to owe money back. We really want to make sure that students get the right amount of money that they're supposed to receive, and we don't create problems for students or for institutions themselves, or for other institutions. So, back in August we issued an electronic announcement. There's a hotlink to that there – back on August the 13th. What we did in that electronic announcement was really trying to stress the importance of timely reporting of disbursements and adjustments because, as Kathy has so carefully explained how we're getting the data, our data's only as good as what's been reported to us, or what's been adjusted. Right? So, if it's not been reported, we don't have any way of knowing about it to let you, or the student know. If it hasn't been adjusted, the same way. So, it's really, really important that you report on-time – even earlier if you can, and you report both initially and any adjustments to Pell Grant disbursement data. In the electronic announcement, I'm not gonna go through all of the details in it, but we provided some examples that demonstrate how even when you, the institution, are meeting the required reporting timeframes that we've laid out, a student may end up receiving a Pell Grant award in excess of 600 percent just because of timing of things. Usually, as you can imagine, this is a result of students that are transferring between institutions; or frequently, if a student goes home and goes to the community college and uses some Pell over the summer, and then they're coming back to another institution, it's – that's generally where we're gonna find some issues coming about with short timeframes between when a disbursement might be reported and the student might be attending another institution, and being ready to get a disbursement there. So, I can't say it often or loudly enough to encourage you to report as soon as possible: don't wait up until that very last minute in the reporting timeframes that you have. Report early if you possibly can. It'll help your students, it'll help your colleagues – and it's sorta like, "Do unto others." You would like your fellow schools to be doing the same thing, so keep that in mind when you're doing your reporting. You'll see in that last

little bullet: because this is a really big deal and really important, and we've had these reporting deadlines for a very long time, back when reporting was a lot more cumbersome than it is now, that we're gonna look – in future award years, and may reduce the reporting timeframe downward to try to prevent this if at all possible.

So, let's talk a little bit about Pell calculations because this is a real question that has come up. I guess I kind of think of it – it's sort of simple in a way, if you think about transfer students, right? You really calculate eligibility for students who are between the 500 and 600 percent LEU just like you do with a midyear transfer to your institution where students use some portion of that scheduled award so they're not eligible for 100 percent of a scheduled award. Now, when I say that, sometimes people who were sort of confused go, "Oh, yeah. I remember how to do that." So, I've got a couple of scenarios – some fairly simple ones here, I hope, to run through with you to just sort of demonstrate some of the basic principles about that. Some of you really don't have a lot of transfer students, so this could be kind of new for people. But in the first scenario, we have a student here who is fulltime. They're attending a semester program. The student has zero EFC, and a \$5,550 scheduled award. So, the first thing you're gonna do is calculate the student's Pell eligibility by taking the percentage on the report that you're getting from the 600.30 percentage points. And on the report that you're looking at, it says that the student has already received 534.255 percent of Pell Grant – LEU use. So, that means when you do the subtraction there, you end up with remaining eligibility of 65.745 percent. So, if you multiply that times the schedule award, you'll come up with the maximum amount a student can receive during that particular award year. So, in this case, we're multiplying the 65.745 times the scheduled award of \$5,550, and you come up with \$3,648.848, right? So, then the next thing you do is you calculate the award like you normally would. So, this is a student attending a semester program, so we're gonna assume their Pell formula one. I'm making this easy so I can do it in my head also, right? And so, for the first semester's payment, a student would generally be able to receive half of the \$5,550 as a fulltime student. So, that would be \$2,775 dollars. Well, that's great. The student can receive that, right? Because it's less than their maximum eligibility for the year, which is \$3,648.85, right? So, now we come up to the second semester. Normally, the student would be eligible for that second half of the \$5,550, or \$2,775. But oops, wait a minute. The student's running up against their 600 percent limit, right? So, in this case, the student can only receive \$873.85, or if you round

down to the \$873 dollars, because that's the remainder between the \$3,648 and the \$2,775. That's all the student can receive in that particular payment period. So, I also think of it sometimes as: when you fill out the remaining percentage, you calculate the award, and you fill the buckets up until – like you normally would. And then what's remaining is in the last one. So, some people have sometimes said, oh, they think you get to the – I guess the third pull it down where we calculated the remaining eligibility and then you divide that in half. That's not how you do it. You calculate it as you normally would. Okay.

So, here's example number two. We have another student. Once again, a fulltime student in a semester-based program. This time, the student only has a 525 EFC, and a \$5,000 dollar scheduled award. I tried to do that first sort of simple math as a result. In this case, the student only has 33.575 remaining eligibility when you subtract their 566.425 from 600 percent, you end up with a 33.575. When I multiply that times the scheduled award in this case – this student's scheduled award is only \$5,000 dollars – you end up with an award of – for the entire award year, of \$1,678.75. So, like I said, you go and you calculate the award like you normally would. That's the first thing you do. So normally, if the student wasn't getting close to their award limit – this is a fulltime student in a semester-based program – the student would get a \$2,500 dollar award for the fall, right? Except, he can't because he doesn't have that much eligibility remaining. This time, the first semester award is limited to the \$1,678.75 because that's the remaining eligibility. He doesn't have any more eligibility than that. This student would not be eligible for any Pell Grant if they're returning for the second semester because they've used up all of their eligibility. So, those were just a couple of kind of quick examples of how to calculate Pell. And like I said, it's just like for a transfer student. So, if you're – if when you go back home, back to your office, if you're confused about that, look in the Federal Student Aid handbook, and look at the calculations for transfer students, and you follow basically the same type of process for these students as well.

So, one question we had a lot when this first came up is: well, what if I've got a student and he or she is getting close to their limit. They don't want to accept their Pell Grant. They want to save their Pell Grant for a later eligibility period – for another year, or for later on in that year. Can a student decline or return a Pell Grant that they've received? Well, we issued _____ colleague letter – **GEN12-18** to address that particular question. And you know, basically, you can really never make somebody take money, right?

You can't really make them take free money. So, a student may, in fact, decline all or part of a federal Pell Grant award that they receive during the same award year, and they can return it during that same reward year – all or part of a disbursement that's already been made to them within that same particular award year. Now, if that's gonna happen at your institution, we ask that the student provide to you a signed, written statement clearly indicating his or her desire to decline or to return any Pell Grant funds that they have received, and they also need to acknowledge that they understand that these funds that they're declining right now may not be available to them at a later date. Declining it now is – there's no guarantee that there really are gonna be funds available to them – their EFC may go up, they could maybe not making satisfactory progress. There could be all sorts of reasons that there's no guarantee that declining it or turning it down now means that they really are preserving it. So, we want people to acknowledge that in writing that they understand that. This little note here at the bottom says: we also want to make it clear that the idea here is not: "I'm gonna return my Pell and I'm gonna borrow more loans – more subsidized loans." So, an institution cannot package need-based Title 4 aid to compensate for a student declining or returning Pell Grant funds. That would not be the appropriate thing. That is really the conclusion of what we wanted to share with you, and we have plenty of time left over for questions. As I said, if you'll come down to the microphones here in the front – thank you. I know you like this found time. That's what this really is. If you'll come down and ask the questions. And if you're leaving, if you'd kind of leave quietly so people can hear the questions and answers that we're giving. We can't see very well, so we're gonna start on my left.

Audience: Will you please clarify: on the Pell, if they have remaining eligibility of \$2,000, are we required to offer that full \$2,000 in that first semester with us? Or, at the student's discretion, can we split it over the semesters?

Carney McCullough: So, her question, if I understand, was basically going back to my examples and how I was saying you don't split it – the remaining eligibility – between two semesters, whether you have the option of splitting it for somebody. Our payment rules require that you offer the full amount in the one semester to the student. We don't have any ability for them to disperse differently than our rules require. Over to the right.

Audience: I've got two questions. One is: you'd indicated that we have the comment codes, the warning codes to let us know what's

happening. I understand that. One of the things that's giving us a few fits at our institution – or some extra work – is the fact that you've actually C flagged when they are approaching the limits. I understand it if they're actually at the limit or over the limit, putting the C flag on. But if they're approaching it, we usually look at C flags that we need to resolve that before we go and process aid. And our system is set up to handle that, whereas this is actually not something that needs resolved; it's more just a warning. And it's related to it, but maybe a little different: what happens if somebody's near their aggregate loan limits where we don't C flag that, which I'm not asking for that, so that's just one thing that's caused a little bit of an issue for us. Can you explain a little bit why you C flag that?

Kathleen Wicks: It's primarily because, at that point, you probably want to advise the student – that they're planning their academic program in such a way that they'll be able to use their Pell Grant and not run out of Pell Grant before they finish their academic program. We have become aware that there are some schools that are actually quite aggressive about the C flag. What they do is actually require repackaging when this is C flagged. So, we – I think we now are aware that there are some schools for which it's causing an issue, but we really felt that part of our – what we wanted to do was help the school help the student understand what it means to be limited with their Pell Grant and make wise academic decisions about the classes that they take.

Audience: And I would agree we want to do that. But, we can accomplish that both with the comment codes and the new LEU fields with that percentage once that's available. And then, the other question is: with the ICERs next year, if the LEU percentage changes in the COD, will that generate a new system-generated ICER at that point?

Kathleen Wicks: Yes, it will. It will put it into another – I realize it'll all – that'll be something that the schools – you'll need to work out in terms of what action you take on those ICERs, but yes, it will.

Audience: Thank you.

Carney McCullough: Question – we'll go back and forth between sides. Yes?

Audience: My question is: is there a minimum amount of a Pell Grant award that can be offered? I think we calculated like \$1.00 or \$2.00 dollars for a student.

Carney McCullough: Really, there's no minimum. I mean, that sounds really silly, but there really is no minimum. It's kind of an entitlement at the student level.

Audience: And it's okay to disperse a \$1.00 dollar Pell Grant?

Kathleen Wicks: Yes, it is.

Carney McCullough: And COD will – the COD will accept that, yes.

Audience: Okay, great. Thank you.

Kathleen Wicks: Sure.

Audience: On your calculations, it was semester. If we're a clock-hours school, we would do the same thing, just reverse it with the clock-hour payment periods, correct?

Carney McCullough: Correct.

Audience: Okay. And on – as he was saying, when you're getting – I've already had an ICER where the student's gotten close to their lifetime eligibility, and it did produce a second ICER. When I checked into it, they said that we didn't have to do anything to resolve it. Is that true, or should I print out the history like you showed us and have them sign it?

Kathleen Wicks: No, there is no obligation. The C flag is truly just an opportunity for you to act on it. There are certain C flags that you'd have to take action on, but there are others where you have some options as to how you manage that. You would not have to do anything further with that.

Audience: Okay. And then, my last Audience: you said that the student could deny their Pell eligibility. Is that at any time? If they're leaving – I had one student that was leaving because she was pregnant. Can she turn down that money so that she doesn't receive it?

Kathleen Wicks: She can. Once again, if you follow the guidance in GEN12-18, yes, she can do that.

Audience: Oh, okay.

Kathleen Wicks: As long as it's within the same award year. She can't go back –

Audience: No. It was within the same award year. She was leaving, and the disbursement was due to her. And instead of taking it, she wanted to send it back, and we didn't know if we could do that.

Kathleen Wicks: Yes, you can.

Audience: Okay, thank you.

Kathleen Wicks: You're welcome.

Carney McCullough: Yes?

Audience: There are seven digits percentage report of the LEU has four integers, and then plus three decimals. What is going to be the first integer? Because I saw in the examples that you have **\$1,400**. Shouldn't be **zero 600**, or zero 500?

Kathleen Wicks: Oh, I think it –

Audience: Because, yeah.

Carney McCullough: I think it – you know, because there didn't used to be a limit, it's possible that somebody could be up and have \$1,000. They could've gotten –

Audience: Okay, but if it's – yeah, but if it is lower than \$600, it would be zero 600?

Kathleen Wicks: Yes, I think so.

Carney McCullough: Yes, I think so. It'd be zero 600, or zero 45 whatever, or whatever.

Audience: Okay, thank you.

Kathleen Wicks: Okay, and it gives me an opportunity just to say that: remember that this limitation applies with the '12-13 award year. So, you will have – we have seen students that have quite a long Pell history prior to the '12-13 year, and we – they're not in trouble with us in any way. They just can't get any more money. But we will see – we see quite a few students that are well over 1,000 percent of eligibility. As long as they don't get '12-13, there's not a problem. Where this becomes particularly important is if you find you need to make an adjustment to a prior year, that puts the student over 600 percent, but for the prior year, you may do that. This limitation applies with the '12-13 year forward. So, think about that in terms, particularly – we've had situations where

students – this past year – where you could've paid a Pell Grant – summer Pell Grant from '11-12 funds, opted instead to pay them from '12-13 funds when the student had no eligibility. So, you have some flexibility there in crossing years.

Carney McCullough: Exactly. Yes?

Audience: I want to clarify something. Earlier question, you said that we can't split remaining eligibility between multiple semesters. But could we, with the student's approval, would that signing off saying they were declining – they could decline part of their, say, fall award so that they would then get the remaining amount? Because the screen that you had up said they could decline all or part of it.

Kathleen Wicks: I suppose so. I hadn't thought of it in that angle, but I suppose that's true. They could. Yes. Good idea.

Audience: Great. Thank you.

Kathleen Wicks: Sure.

Carney McCullough: Yes?

Audience: This is regarding the IA service award. We have students – it's one family that, according to DOD, the students meet the eligibility requirement, but we can't get them through the system. What guidance do you give in trying to resolve that? We've been working on it for quite a number of months.

Kathleen Wicks: I'm looking to – one of our – **Kevin Dougherty** from – okay, works – yes. Advice here is: we have COD representatives in the lab that can answer that. They'll work through that with you.

Audience: Oh, I can go to the lab and do that?

Kathleen Wicks: Yes, yes. Please do.

Audience: Okay. Do I need the details, or just need the –

Kathleen Wicks: Whatever – if you have the SSN, that would be the most important thing right now. If you don't have that, you could get that from your institution. But they'll work through that with you. And if you – need to go and do it when you get back home, you can call the COD school relations center and they'll work through that. I will add – and thank you for the opportunity – is: at this time, the

Iraqi-Afghanistan Service Grant is a – it's a very limited population.

Carney McCullough: Thank heavens, right?

Kathleen Wicks: I'm grateful for that.

Audience: This would be our first, if we could get it to work.

Kathleen Wicks: Yes, yes. Very few schools have – and we don't have a good systematic solution because of the small population. Unfortunately, the population that will continue to be eligible for this program are – their small children. We know the population will grow, so in our years, we will make additional modifications so our systems can handle it better. But right now, they're pretty much handled on a manual basis, and the COD school relations center has been trained as how to work with that.

Audience: Okay. Thank you.

Kathleen Wicks: Thank you.

Audience: You had said that there was no minimum in the Pell Grant. Now, if we're rounding down, as you told us, you're gonna have a little bit left over. So when they come back the next semester, we're gonna have to go in and create a \$0.50 award? 'Cause when I had the choice this year, I rounded up and said we'll just take the – we'll pay the difference just to avoid having to do that.

Carney McCullough: I think so. Without seeing the math, that sounds right.

Audience: 'Cause otherwise, you're gonna go on forever and it'll never be done.

Carney McCullough: Practically, yes.

Kathleen Wicks: Please graduate.

Audience: Well, you'll always have point whatever.

Carney McCullough: Exactly. Yes?

Audience: If a Pell disbursement is made and used towards tuition and fees, and then the student decides that they want to decline the Pell, and we pull it back, who's responsible now for that Pell payment?

Does the school need to pay and then get reimbursed, or the student – how does that work?

Kathleen Wicks: Well, because you're reducing the Pell Grant award, the school will have less income.

Carney McCullough: You'll have returned the money to us.

Audience: And then, so the institution needs to return the money, and then the student has to pay the institution?

Kathleen Wicks: That is correct. The institution will work that out.

Audience: And then, how is that reported? Is that reported anywhere on COD, or how does that work?

Kathleen Wicks: No, it's not recorded in the COD other than the fact that there's been adjustment, and schools make adjustments for a variety of reasons. And so, there's no reason code that is provided as to why you're making the adjustment. The only time we don't let you go over the scheduled award, but other than that, the schools make an adjustment – just as right now, the scheduled award can be \$5,550, but you're only paying \$1,000 dollars. We don't question why you're paying the \$1,000 dollars and not the \$5,550.

Audience: So if we pulled back the full amount though, and they want to decline the full amount, it doesn't show up like some kind of Pell overpayment because they owe the school money?

Kathleen Wicks: Oh no.

Carney McCullough: 'Cause once the money has come back to us, they don't owe a Pell overpayment. They just owe you, right.

Audience: Oh, okay. So then, that wouldn't hold them up from getting aid at any other school?

Carney McCullough: No.

Audience: Okay, great. Thank you.

Carney McCullough: Sure. Okay. One more question.

Audience: Hi. Are we allowed, as an institution, to make a policy that we would not take the Pell money back because the student has

decided that they don't want it, and they want to save it, after we have dispersed? That that's kind of a final cutoff?

Carney McCullough: I don't know that we've answered that question. I mean, I think – there's always a danger about the – in a way you can never – like I said, you can never force someone to take money, but there's always a danger, I think, in encouraging in any way, students to decline the money. As I mentioned, it might not be there for a future year. They may not go to school that year. They may win the lottery and no longer have financial need. They may not be making satisfactory progress. So, there could be all sorts of reasons why they would not be eligible in future years. So, I mean, I think that it should be – one of the things that you're certainly welcome to counsel students about – you know, this may not be a really good idea for you. Like saving it for tomorrow is one of those cases where it's probably not a good idea. So, I don't know that we've really thought about whether or not – I mean, I don't think our deal colleague letter had any sort of indication that somebody could force somebody to take a Pell Grant. While at the same time, I think it's – you certainly can counsel them. We can go back and talk about that a little bit, I guess.

Audience: Right, 'cause as an institution, if I've waited until after fee – after my drop period to disperse money to make sure that the student is eligible, and then they find out from their friends or someone else, and come back and say, “Oh, I decided I don't want it.” Then, I'm stuck.

Carney McCullough: Yeah, and I think you know – I think it's sort of another problem because Pell Grant recipients are obviously the most needy of all of our students, right? And this is grant money which doesn't have to be repaid, that doesn't have to be – so you really want somebody to think really long and hard before they're gonna turn that money down, right? So, we agree with you, in other words.

Audience: But I can't have that policy?

Kathleen Wicks: Well, you're in a situation where you certain could say to the student: “You may decline the Pell Grant, but write us a check for the tuition balance then that you will now owe, right now.

Audience: Right now.

Kathleen Wicks: Well, and once again, like I said, you also can tell them: “Oh, and by the way, I can't give you any more need-based aid to cover this.

It's not like you can borrow more. You can't do anything else more to make up this turning it down."

Carney McCullough: Yes?

Audience: Hi. I'm _____ that you cannot give any need-based aid. What if it's the school's fault for some reason? I mean, can we – we can still do an internal scholarship, correct?

Carney McCullough: Well, this is talking about somebody who is purpose – the student is declining. It doesn't have anything to do with them losing eligibility. That's a totally different thing. This is somebody who would be eligible for a Pell, but is choosing to say, "I don't want my Pell this year." And then, so on a different subject: if you're in a crossover situation where you only have one month in like, say, the '13-14 award year, and the other three months of the semester are in the '12-13 award year, we're still able to distribute the full Pell for the '13-14 award year – say, \$2,775, correct?

Audience: Right, right. Nothing's changed.

Carney McCullough: Even though all the other rewards were coming out of the '12-13 award year?

Audience: Correct.

Carney McCullough: Okay. And then, if the student's fulltime for the whole program except for that last semester they happened to maybe have just one month in that last semester – they're so bound by only getting that \$694, correct?

Audience: Correct.

Carney McCullough: Okay. Yes?

Audience: Hi. My question is: since Pell is open until next September, is there any chance that COD's gonna program system-generated negative disbursements for any schools that disperse over 600 percent?

Kathleen Wicks: I think it was referring to is the fact that we are identifying – we're right now in the process of identifying what appear to be over awards, and we will be contacting schools in the first week of December, actually, and providing them listings, and asking them to review their students to see if they are, in fact, over awarded. But at this time, the system development effort that we would have

to automatically take those funds away – I just don't think it's realistic for us to develop that. So, certainly not for the '12-13 year, and we're really right on the verge of starting our '14-15 requirement. So, even '13-14 probably not. But if it gets to be an issue where we find that – and it isn't so far, but if it gets to be an issue, we'll find that because we have these warning edits, and they're not hard rejects, that we have a lot of over rewards out there. We may have to take some adverse actions such as taking funding away. We did that with the –

Carney McCullough: ACG.

Kathleen Wicks: – some of you may remember the – yes, the Academic _____ Grant. We had an issue where there the COD edit that we had was not working for a while. Students were being over rewarded with their ACG. We worked schools to try to get them to adjust their awards, and then ultimately reduced the rewards because they had no eligibility. Right now, we're not in that position, but I'm gonna say that we might have to move to that at this time.

Audience: Okay. So, the listings that you're gonna send to each school – so, school's just gonna verify anybody over – on their over award list?

Kathleen Wicks: Yes. Actually, the listing will include the name of the student and the amount dispersed according to COD systems, and actually indicate the amount that is over 600 percent. So, they can have up to 600 percent, but it just might be in a matter of adjusting the award so it falls within the 600 percent. We're trying to get that out – as I said – the first week of December because we've certainly – if the schools are doing this, they may have inadvertently done it, and we don't want second semester rewards going out that way as well.

Audience: I think you know my next question. Is it going to be sent to the reporting entity or the attending entity? Big issue for me.

Kathleen Wicks: We'll talk.

Carney McCullough: Last question.

Audience: Could you clarify? There was a comment made about system-generated ICERs that would come about as a result of the LEU changing? Will that occur for all Pell recipients then? For example, after a fall semester reporting period, are we gonna get

that many system-generated ICERs every time the LEU changes, or only for those between the 500 and 600 percent?

Kathleen Wicks: That – my understanding is you will get all, but I’m not an ICER expert, and I know there’s meeting going on – information. I’d go to the session and ask that question, and I will certainly try to get the answer. If you want to track me down later, I’ll try to track you down if you want to leave a card. But that is a question that needs to be asked, I think, of the folks that are doing the session on the CPS changes. They’ll provide you the – my understanding in doing – preparing for this is that it will be generated each time there’s a change in the LEU.

Audience: Thank you.

Kathleen Wicks: Thank you.

Carney McCullough: Thank you everybody.

[End of Audio]