PSC-ED-FSA-TISD

Moderator: Angie Beatty
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Coordinator: Welcome and thank you for standing by. Throughout today's conference, all lines will remain in a listen only mode. This conference is being recorded. If you have any objections, you may disconnect at this time.

I will now like to turn the call over to Ms. Natasha Webb. Go ahead ma'am. You may begin.

Natasha Webb: Thank you and good afternoon everyone. My name is Natasha Webb and I am a Training Officer with the Department of Education in New York. I will like to welcome you to the US Department of Education's 2012 Four Webinar Training Series. This training consist of four modules; module 1, campus based issue; module 2, R2T4 for clock hours; module 3, R2T4 for modules; and today's module clock hour issues will all be presented again in the upcoming week. You can refer to Dear Colleague ANN-1221 with dates and time of the upcoming training.

Again, today's module will focus on clock hour issue and our presenters will today will Jamie Malone and Kevin Campbell. We do have a handout of the slides available to you so if you go to the top of your toolbar on the right-hand side and click the icon which looks like three white pieces of paper, a box will open up that will allow you to download the handouts to your own computer and from your computer you can actually print out the handout.

There will be no available of these printouts from the Web site directly. Now because of a number of people with us today, it will not be possible to have the phone lines open for questions. However, you can submit your questions electronically and you can do this by just clicking on that Q&A tab, type in your question and click the word ask. Please do not click on that raised hand as it is not functional in this venue right here.

We have question managers who will be responding to questions during the training. Time permitted and at the conclusion of the presentation, we will read some of your question aloud and provide answers to everyone. So without further delay, I would like to introduce our trainer, our first trainer for today who is going to talk to us about clock hour issue. (Greg Martin), we turn it over to you.

I'm sorry. Jamie, we turn it over to you.

Jamie Malone: Thank you, Natasha. I'm Jamie Malone, a Training Officer in the Chicago regional office and we are here today to talk about administering the Title IV program in a clock hour environment. And you'll notice the theme as we move through the slides of clocks as graphics.

Okay, what is a clock hour? It is defined in the regulation and the reference is on the slide for you as a 60-minute period of time that contains 50 to 60 minutes of class lecture, recitation or faculty supervised laboratory shop training or internship.

When is it that a school is required to measure a student's progress in clock hours for Title IV purposes? First, it would be required if your school's accrediting agency makes that requirement. Secondly, it would be required if - when you are receiving special or state approval or licensure to offer the program of study. It is then required that you measure student progress in clock hours; or lastly, if completion of class hours is a requirement for students who graduate from the program to apply for a license to practice in that occupation.

Now numbers two and three are relatively new. They were part of the program integrity final regulations that were published October 29 of 2010 and they did take effect July 1, 2011 and you can find that regulation in the general provision section 668.8 letter K as in kite.

What makes a clock hour program an eligible program for Title IV purposes? Let's look at basic program eligibility. Of course, all degree programs are Title IV eligible and as a proprietary school which are the school more (unintelligible) offer clock hour program, a degree program must lead to - gain full employment.

I think most of this clock hour programs that we have in this Title IV world are certificate and diploma program and these also are required to lead to gain to full employment in a recognized occupation.

Program of study must contain at least 600 clock hours over a minimum of 15 weeks of instructions or the program must contain at least 300 clock hours over a minimum of 10 weeks of instruction and in this situation the school must admit as regular students only person who have completed the equivalent of an associate degree.

The last type of eligible program for clock hours is a program that is eligible for only direct loan if it has at least 300 clock hours between 300 and 600 clock hours over 10 weeks of instruction. This short term program, however, does have to meet specific completion and placement requirement of 70% and those do have to be reported to the department.

This program eligibility information can be found in the FSA handbook in volume 2 pages 2-16 and 2-17 of the 2012-2013 edition. Enrollment status in the clock hour world, full time is defined as at least 24 scheduled clock hours per week. Half time is defined as at least 12 scheduled clock hours per week and that is very important for direct loan purposes. If the student in a clock hour program is not enrolled, scheduled to attend school at least 12 clock hours per week that student is not direct loan eligible because that student is not at least half time.

Definition of an academic year, you can have different definitions of a Title IV academic year for different programs of study. The law says that in the clock hour environment an academic year must contain a minimum of 900 clock hours over at least 26 weeks of instruction. You can have it defined as more than 900 clock hours and you can have it defined as more than 26 weeks of instructions.

We do define the week as well as a consecutive seven-day period containing at least one day of regularly scheduled instructions or examination. Note that you must use the same Title IV academic year definitions for all programs in a given period of study but you can differentiate a program.

For example, cosmetology program where students go 40 hours a week can be considered to be a different program than a cosmetology program were student only attend 20 hours a week. So you can look at full time and part time program as different program for academic year definition.

We do have some examples here. First, let us look at a 600 clock hour program that last for 20 weeks of instruction. Now if we divide that out, that tells us that a student is scheduled to attend school 30 clock hours a week. A school could define its Title IV academic year based on reality and say that it is 900 clock hours over 30 weeks because it will take 30 weeks for a student to finish 900 clock hours or the school can use the statutory minimum which is 900 clock hours in 20 weeks.

Here we have an example of a program that is 1050 clock hours in length. This takes 35 weeks of instruction. Again, if we take 1050 divided by 35, (unintelligible) students are scheduled to attend 30 hours a week. So again, we couldn't base the academic year definition on reality and define it as 900 clock hours in 30 weeks. We could use the statutory minimum definition of 900 clock hours in 26 weeks or we also can say that the entire program is one academic year. So our academic year definition is 1050 clock hours in 35 weeks.

Next example is a 2000 clock hour program that takes 80 weeks of instruction. This tells us 2000 divided by 80 is that students are scheduled to attend school 25 hours per week. So if we want to base the academic year definition on reality, we would define it as 900 clock hours in 36 weeks or we could use the statutory minimum of 900 clock hours in 26 weeks.

Some of you may choose to divide the program directly in half and say the academic year is 1000 clock hours in 40 weeks. Again, these are your option and you make the determination. You need to know your academic year definition because the academic year is what we divide into payment period for purposes of disbursement and this payment period definitions are in regulation in the general provision section 668.4 small letter c as in cat.

If you have a clock hour program that is less than one academic year in length, the program must be divided into two equal payment periods. PP1 or payment period 1 is half of the clock hours and half of the weeks in the program and same with period 2, is the remaining weeks and hours in the program. Please remember that the academic year definition does include both hours and weeks.

So when you are monitoring the students progress for disbursement, you are not only looking at the hours, but you are looking that the number of the weeks that have elapsed.

If you have a program that is equal to one academic year or multiple academic years, then you take your academic year and you divide it into two equal payments. The first payment period is half of the clock hours and half of the weeks in the academic year and the second payment period is the remaining half of the clock hours and the weeks in the academic year.

Academic year number 2 then would be the same. The regulations do think that you cannot divide an academic year into more than two equal payment period. So that is a very important point -- two equal period for an academic year definition. You cannot divide it into more increments than that.

When you have a program that is longer than one academic year and it has a remaining portion that is more than half of the academic year, that remaining portion is divided into two equal payment period. Each payment period is half of the clock hours and the weeks in the remainder. If the remaining portion is longer than the academic year but less than or equal to half of an academic year, that remainder is one payment period.

And it is important to note that when we face - if it's half of an academic year, we mean does it meet the academic year definition in both hours and weeks. If the remaining portion has hours that are less than half of the academic year but weeks that are more than half of the academic year, we're going to say that the remaining portion is less than half and would only be one payment period. It does not meet both benchmarks to be more than half of an academic year.

Please remember also that in a clock hour environment, we do not use terms for provisions of Title IV. The clock hour school, you should not be saying that you have semesters or quarters or breaking classes into module. All Title IV Aid is disburse based on payment period and payment period is the combination a certain of clock hours and a certain number of weeks of instructional time.

Let's look at a few examples. Let's take the first 600 clock hour example that we have. When we determine payment period for a program that is less than one academic year in length, the academic year definition really doesn’t have an impact. We see what it is on the slide but we're not going to use it for purposes of payment period definition. We're just going to take the program and divide it in half for two equal payment periods.

We have one payment period of 300 hours in 10 weeks; another would pick up at hour 301 and go another 10 weeks through hour 600 and that would be the same whether the academic year definition was 900 hours in 26 weeks or 900 hours in 30 weeks. In that short program, this does not really have an impact on payment period.

But here, we come to a program that is at least is an academic year in length or longer. The academic year definition then, not only impact your awarding of the student but it impacts your payment period determination.

If the 1050 clock hour program has an academic year defined as 900 clock hours in 26 weeks, there will be three-payment period and you can see on the slide we take the academic year first and divide that in half and then the remaining portion which is less than half of academic year is the third payment period all to itself.

If the school had chosen to define the academic year as the program then we would take it and divide the program into two equal payment period for disbursement purposes and that means that the first payment period would go from clock hour number 1 to clock hour number 525 and if a student is on schedule, it should take 17-1/2 weeks and then the second payment period would begin with clock hour 526 and go through clock hour 1050 and then -- sorry there is a title and that's why it should take clock hours 526 to 1050, again, over of a period of 17-1/2 weeks.

Here's a scenario where we have a 1200 clock hour program that takes 35 weeks of instructions. The academic year definition as you see on the slide is the statutory minimum so again, we've taken the academic year definition of 900 clock hours in 26 weeks and divided that in half for two equal payment period. The third payment period of 9 weeks is the remaining 300 clock hours from clock hour 901 to clock hour 1200.

Our last payment period example is a 1500 clock hour program that takes 50 weeks of instruction. The school has defined the academic year as 900 clock hours in 30 weeks. That's based on the reality that it will take a student 30 weeks to complete 900 hours.

In this situation, we have four payment periods. We have the first academic year of 900 hours in 30 weeks divided into 2 and then our remaining period of study of 600 clock hours in 20 weeks is longer than half of an academic year. So that period is divided into two equal payment period. Clock hours 901 to 1200 and the weeks that elapsed between week 30 and week 40 comprise the third payment period; and then clock hours 1201 to 1500 along with the final 10 weeks of the program the fourth and final payment period.

In the payment period world, we also have the crossover payment period. In the traditional sector, we usually say that crossover is the summer period but because we don't really refer to blocks of courses as summer, fall, spring in the clock hour environment, we say that a crossover payment period is a payment period that includes both June 30 and July 1. So it could the students first payment period that run from clock hour 1 to 450 or it could be the last payment period that runs from 901 to 1200 or anywhere in between. As long as that block of clock hours and weeks includes the dates both June 30 and July 1, you have a crossover payment period.

What is it crossing into? It is crossing into a new award year. A new award year means a new FAFSA. So let's look at this scenario. The first payment period of 450 hours in 15 weeks falls completely within the 2011-12 award year. So that means that any aid of course is paid from the 11-12 award year. The third payment period of 400 hours in 15 weeks falls completely within the 2012-13 award year but look at the second payment period, it is the crossover. It is the one that includes both June 30 and July 1. The school has a choice of which award year it will use to pay Pell fund.

We're going to assume that since we know the student received 11-12 Pell in the first payment period that she still does have remaining 11-12 eligibility. So the school could chose to pay her Pell for the middle payment period out of 11-12. We know also that 12-13 is just beginning on July 1 of 2012 so she has eligibility there as well and the school could chose to pay the Pell in that middle payment period from 12-13.

Many times, you will do it base on what most benefits the student. If the Pell dollars increased between award year, it probably is to the student's benefit to pay from the upcoming award year.

In this example, we have three payment periods that fall completely within the 11-12 award year. It happens to be 1200 clock hours. The academic year definition of 900 clock hours in 30 weeks tells us that the student received a full scheduled Pell grant within the first two payment periods because the third payment period of 300 hours in 10 weeks is still in 11-12 award year. There are no Pell funds available in the 11-12 year to pay the student. So no Pell is received for those 300-clock hours.

But the final payment period of 300 hours in 10 weeks is the crossover. It includes both June 30 and July 1 and we would then have the student file a new FAFSA and we would pay Pell based on the student's eligibility from 2012 to 2013.

We have a third example for crossovers. Let's take a scenario where we know that we have paid the student the full 900 hours from 11-12. The crossover payment period which happens to be payment period number 2 in this case can only be paid from 12-13. The school has no option to use 11-12 because we know that the student has received a full scheduled award from 11-12 funds in the first 900 hours.

The fourth payment period of course will fall completely within the 12-13 year so that would also be paid from 12-13 Pell and as the student file the FAFSA and does not have Pell eligibility for 12-13, then that that means there is no Pell for his remaining 600 clock hours.

Okay. Let's move on to a Title IV disbursement. A disbursement is often defined in our regulation in section 668.164 small letter a. And it is defined as when the institution credits the student's tuition account or pays the student directly with Title IV funds that you received from the secretary which means that Title IV funds that were drawn from (G5) or institutional funds that are used in advance of receiving the funds from (G5).

All Title IV disbursements with the exception of federal work study must be disbursed by payment period. So that's why our academic year definition and our payment period are so important. And in the clock hour world, a student much successfully complete all the clock hours in the payment period and the weeks in the payment period must elapse before the next payment period begins which means that until that has happened, you cannot make the next disbursement.

Let's start out by looking specifically at how Pell is done in a clock hour environment. I'm sorry. I have missed a couple of slides. Pell is always calculated using Formula IV in the clock hour environment. Formula IV looks at the weeks and the clock hours in the payment period to determine the student's eligibility.

For clock hour program regardless of the student's scheduled attendance, you will always use the full time Pell payment schedule and then the formula will prorate the dollars accordingly. The full time Pell payment schedule gives us the student's scheduled award based on cost of attendance and (EFC). The scheduled award is the maximum amount of Pell that a student could receive in an award year. Because we are always using the full time payment schedule for clock hours, the annual award and the scheduled award are the same.

Please remember also that for Pell you always use the cost of attendance for a full time student for attendance in a full academic year even if the program of study is less than a full academic year. The cost of attendance information can be found in our handbook. For 12-13, it is in volume 3 on page 33. And the one thing you will notice is if you have a student attending school scheduled hours less than half time which is less than 12 hours a week, you do have to limit the cost of attendance component. You still use full time for your dollars but you cannot include the miscellaneous fees and the personal expenses.

You can only include tuition and fees, books and supplies, transportation, dependent care and room and board for no more than the equivalent of three semesters.

Let's take a look at Formula IV. We take the annual or scheduled award from the full time Pell payment chart and we multiply that by the lesser of these two fraction. The first is the clock hours in the payment period divided by the clock hours in the program definition of an academic year.

The second would be the week of instructional time in the payment period divided by the weeks of instructional time in the program's definition of an academic year. And this formula is very nicely itemized for you in the handbook in volumes 3 on page 75. It gives you the five steps of the formula. The calculation itself is explained throughout chapter 3 in volume 3 of the handbook.

Let's look at disbursement example for a student in a program that is less than one academic year. The dollars are going to be prorated by Formula IV based on the actual clock hours and weeks in the payment period. And in this case, we would have two payment periods of 300 hours and 10 weeks each.

The first disbursement can be made assuming you have a (unintelligible) and all documentation is complete at the beginning of that 300 hour period. The second disbursement cannot be made until the student has successfully reached clock hour 301 and 10 weeks have elapsed on the calendar. So again, you're monitoring both clock hours and weeks of instructional time.

Here's an example where the program is 900 clock hours in 30 weeks which gives us two equal payment periods of 450 hours in 15 weeks. We make the first disbursement at the beginning. In this example, our student is accelerating his hours and he completes 450 hours in 12 weeks. We cannot make the second disbursement. We have to wait until 15 weeks on the calendar have elapsed. The student has to meet both benchmarks before the disbursement can be made. We are still going to pay the student Pell for 900 hours but the second disbursement will happen when the student is further along in his program further than the 450.

Our last Pell disbursement example takes our program of 1050 in 35 weeks and we divided it into the three payment period showing that our academic year definition with 900 hours in 13 weeks. We talked a little bit about reality when we were talking about academic year. And in this situation, the weeks on the payment period really don’t match with reality. If the program is 1050 clock hours and it takes 35 weeks, attendance is 30 clock hours in a week.

The payment period, however, says our 1 to 450 at week 13. The student will not have 450 hours at week 13 if he follows his scheduled attendance. He will not have 450 hours until week 15. So in this case, you will get to the number of weeks on the calendar in the payment period of 13 and not be able to make the disbursement because the student will not have successfully completed the 450 hours.

The same thing will happen for the second payment period. The student will not really have 900 hours at week 26 but will have successfully completed them at week 30. So that third disbursement will not be made until week 30. And then really we only then have 5 weeks remaining in period three which is the last 150 clock hours but officially, because the payment period are determined using the academic year definitions, we do say that that final payment period is 9 weeks which is 35 weeks total minus 26 weeks in the academic year definition.

And at this point, I’m going to turn it over to my friend Kevin Campbell and he's going to talk about direct loan. Kevin.

Kevin Campbell: Thanks, Jamie. Good afternoon, everyone, and good morning if you are west of me. We're going to start today talking about direct loans and we’ll have to change our focus a little bit because Jamie has just talked about the Federal Pell Grant Program and as we’re about to see the direct loan program often has slightly different rules than those that are applied to Pell.

Let's start by looking at the annual loan limits that are applicable to the direct loan program. Direct loan annual loan limits are based on whether the borrower is dependent or independent and what grade level the student is in. First year dependent undergraduate have a base annual limit of $3500. The base amount maybe made up of subsidized funds, unsubsidized funds or combination of subsidized and unsubsidized depending on the student's need.

Need you will recall is calculated by subtracting the expected family contribution and estimated financial assistance from the student's cost of attendance.

First year dependent undergraduate have an additional unsubsidized annual limit of $2000. Just as the name says, this amount is always on unsubsidized. Second year dependent undergraduates have a base annual limit of $4500 and an additional unsubsidized annual limit of $2000. Third year and beyond dependent undergraduate have a base amount annual limit of $5500 and an additional unsubsidized annual limit of $2000.

Independent undergraduate have different limits. First year independent undergraduate have a base amount of $3500. First year independent undergraduate have an additional unsubsidized annual limit of $6000. This limit has been in place since July 1 of 2008 when the limits was last increased. Second year independent undergraduate have a base amount annual limit of $4500 and additional unsubsidized annual limit of $6000. Third year and beyond independent undergraduate have a base amount annual limit of $5500 and an additional unsubsidized annual limit of $7000.

Dependent students whose parents have been denied a plus are eligible of loan limits that are established for independent students. They remain dependent students but enjoys -- if enjoy is the right word -- enjoys the higher limit usually associated with independent students.

Direct loans as well as other Title IV Aid are intended to assist with cost over a period of time. Typically, that period of time is an academic year as it is defined by the school. Therefore, if that period of time is less than an academic year, the annual loan limit is prorated. This can happen when the instructional program is less than an academic year or when the program is longer than an academic year but has a portion at the end that is less than an academic year. I call that portion the period that remained.

Volume 3 chapter 5 of the Federal Student Aid Handbook has an excellent discussion on when and how to prorate direct loans.

Now we're going to talk about the loan period. The loan period is an important phrase and important concept in the direct loan program. The loan period is the period of time for which the direct loan is intended. The funds borrowed for a particular loan period are meant to assist the student with charges occurring in that loan period.

COD -- the Common Origination and Disbursement System, the system that tracks the direct loan program and amounts borrowed by individual borrowers -- uses different terms to describe the loan period. While it is referred to as a loan period in a couple of places in the COD implementation guide, the common record tags are labeled financial award begin date and financial award end date.

On the award detail information screen in COD, the loan period is referred to as the award start date and award end date -- different phraseology but the same concept.

Since the loan period is the operative period of time for a direct loan, remember to use the cost of attendance and the expected family contribution that applies to that period of time.

Let's talk about what's the least amount of time a loan period could be. The minimum loan period is the lesser of these things. The programs defined the academic year for Title IV purposes. Often, that's 26 weeks of instructional time and 900 clock hours. Those are the statutory minimum as Jamie discussed in her session but your school may have a defined academic year that exceeds these minimums.

The second element that it could apply to is the length of the program when the program is one academic year or less. The third instance could occur when there is little remaining portion of a program when that remaining portion is less than one academic year. These three things and a - the minimum of the lesser of these three things could be the minimum loan period allowed.

On the other end of that spectrum, what is the maximum loan period allowed? The longest period of time the loan period maybe is generally the academic year as defined by the school for Title IV purposes. Some schools usually with a program that is slightly longer than academic year choose to make the loan period be the entire length of the program or any program that is less than an academic year the loan period is the length of that program. Similarly, if there is a period that remains in the program, the period that remains will be the loan period.

Clock hour programs must use a borrower based academic year for direct loans also knows as the BBAY. More specifically, clock hour programs must use BBAY number 3. If you look in the handbook in volume 3 on page 3-98, you'll see more information about BBAY number 3. When I say BBAY or Borrower Based Academic Year in this presentation I’m always talking about BBAY number 3.

We know there are annual loan limits for the direct loan program. We talked about those. That means that a student can borrow no more than the annual limits for a year but what year are we talking about. The answer is the BBAY. Another way to think about it is to ask when could the borrower, who has borrowed the limit for a given year, borrow again assuming the program is longer than one academic year. The answer is at the end of the BBAY.

Some provisions of the BBAY are the following. The BBAY is driven by the borrower. It floats with the borrower's enrollment. The BBAY must meet at least the minimum requirements for academic year as defined by the school for Title IV purposes.

As we said several times, the statutory minimum for that definition for clock hour program is 900 clock hours in 26 weeks of instruction. Your school's defined academic year may be longer than the statutory minimum. Different programs of study can have different academic year definitions at the same school if you wish.

The important thing is that the BBAY is establishing the period of time to which the annual loan limits apply. A borrower must not exceed the annual loan limits during a specific BBAY.

Remember, I said the borrower may borrow again when the BBAY ends assuming that the instructional program is long enough for when is that? The borrower completes the BBAY by successfully completing both the number of clock hours and weeks of instruction in the BBAY. The student must do both things not one or the other. Successfully complete means that the student is passing the course work represented by the clock hours. Students may not advance to the next grade level in the middle of the BBAY.

Here's a graphic to help us understand how a BBAY works. This is a 1200-hour program that lasts 32 weeks of instruction. The school has defined an academic year for this program as 900 clock hours in 26 weeks of instruction. Again, yours might be larger than that.

A BBAY must be at least the number of hours and weeks in the defined academic year -- in this case 900 clock hours and 26 weeks. Therefore, the first BBAY which is the first loan period is divided into two payment periods of 450 hours and 13 weeks in each payment period.

The dependent undergraduate and your loan limit for this first BBAY is $5500. You will recall that the total loan limit is comprised of a $3500 base amount and a $2000 additional unsubsidized amount.

This student has a period that remains in her program of study. If the student finished 900 hours in 26 weeks, the student will have 300 hours and 6 weeks in the period that remains. For the period that remains, the student would be in the second grade level with a higher annual loan limit. But since that period that remains is less than an academic year, the annual loan limit must be prorated to reflect the hours contained in the period that remains.

The base amount and the additional unsubsidized amount must be prorated separately to obtain the correct prorated limit. In this case, we've taken the $4500 base amount for a second-year student times the number of hours in the period that remains -- in this case, 300 divided by the number of hours in the defined academic year -- in this 900.

This formula gives us the prorated annual loan limits for the base amount as $1500. The student, in our example, has the need to allow these funds to be subsidized but remember, the base amount may be subsidized, unsubsidized or a combination. The $2000 additional unsubsidized annual loan limit is prorated using the same formula resulting in the prorated limits of $667 in additional unsubsidized funds for this loan period.

Remember, we said a BBAY does not end until the student successful completes both hours and weeks in the BBAY. Most students either complete the hours and weeks at the same time or may still have some number of hours to complete when the weeks have elapsed.

However, a few students complete the hours in the BBAY before the weeks and the BBAY have elapsed. In our example, we have an 1800 clock-hour program that lasts 60 weeks. The school has defined an academic year for this program as 900 clock hours and 30 weeks of instruction with full-time defined as 30 clock hours per week.

Our student -- a super-achiever -- has successfully completed 900 clock hours in just 25 weeks, she has not completed both elements of the BBAY -- just the hours. Therefore, the student cannot borrow again until the BBAY ends.

When the student has completed the 30 weeks in the BBAY, she can answer the next BBAY which is the next loan period. However, during those five weeks finishing out the first BBAY, she continued to earn clock hours -- in our example 180 clock hours. So when her second BBAY began, she only had 720 clock hours remaining in her program.

Therefore, the second loan period would only be the remaining hours in the program -- 720. Since that period that remained is now less than an academic year, proration must be done. We show in our example the base amount for a second grade level student being prorated. You would prorate the additional un-sub-amount using the same formula. This treatment is applicable to direct loan only. The Federal Pell Grant Program and the Campus Based Programs do not work this way.

We're going to have a discussion for the next several slides of how the deal with the borrower who has an academic year at one school and an academic year overlaps with an academic year at a different school. This can happen when a borrower transfers from one school to another.

There are special rules about this because the academic year is the period of time to which the annual loan limit applies. Often, an overlapping academic year occurs when the student withdraws from school A and immediately begins studies at school B. But it can also happen in the example on your screen.

Here, we have a student who finished the program of study at school A and then began a program of study at school B. Yes, the academic years overlap. How can that happen?

Well, the academic year at school A is represented on your screen by the larger blue box and its labeled academic year in school A. The program of study at school A is less than an academic year and demonstrated by the smaller blue box. This could have been the period that remained of a longer program as well.

Even though the program has ended, the academic year has not. So when the borrower begins a different program of study at school B -- in our example, you see that academic year from school A overlapping with the academic year at school B -- the academic year at school B is represented by the green box. The purple arrow demonstrates the overlap. The end of the year at school A is overlapping into the beginning of the year at school B.

So what do we do when this happens? Well, as often the case in Title IV Administration, it depends. It depends on whether school B accepts any clock hours in transfer from school A or not. Let's first look at an example where clock hours are accepted by school B. It could be any amount of clock hours but the hours must be applicable to the program of study being pursued by the student at school B.

So clock hours are accepted and we have overlapping academic years. The first loan period at school B will start with the student's attendance. That makes sense but when will that loan period end? It will end when the academic year would have ended at school A. Yes, that's right -- school A.

How does school B know when that is? Well, school B has a couple of options. It can contact school A and document what school A says is the end of the academic year for that student or school B can check the NSLDS system and determine what the beginning of the loan period is for that student at school A and assume that the loan period ended or will end 30 weeks after the start of that loan period. School B should document this process if this is how they choose to proceed.

However, if the loan period at school A is documented as being longer than 30 weeks, school B cannot ignore this and must consider that period of time as representing the academic year at school A.

We've established what the first loan period at school B will be. How much can the student borrow for this period of time? The student may borrow up to the annual loan limit minus any direct loan amounts received at school A. Remember, we established annual loan limits for an academic year. So the first loan period at school B is the remaining period in the student academic year that started at school A.

Therefore, any remaining funds in the annual loan limit can be accessed for this first loan period at school B. The loan for this abbreviated loan periods must be disbursed in two disbursements unless the school is exempt from this requirement due to low cohort default rate.

It's possible but not probable that the student used 100% of her annual loan limit at school A and at that instance would have 0 remaining for the first loan period at school B.

Our student's first academic year began at school A and continued on at school B. The student's first full academic year at school B is going to start the day after school A's academic year ended. The loan period for the student is going to be the entire BBAY assuming that the program of study is long enough to warrant that or the next loan period will be the period that remains if that period is less than an academic year at school B.

Here, we have a graphic -- lots of things going on here but let's walk through this. This is the situation that we've just talked about. We're seeing it in a more visual way here. We have a student who is transferring from school A to school B. There are overlapping academic years and school B has accepted some amount of clock hours from school A.

But look at the red arrow toward the top of your slide pointing at the blue box toward the top of your slide. That red arrow is demonstrating when the student has withdrawn from school A. The student then begins a program of study at school B and school B -- as we said -- accepted hours in transfer. That long purple arrow is there to demonstrate that we have an overlapped here. Student left when the red arrow is but the student is beginning at school B and that overlapping academic years are demonstrated here.

So this loan period is going to be the remaining amount of time in school A's academic year that's why you see the two blue boxes ending more or less at that same spot. The green arrow there is indicating that that period of time has ended.

This abbreviated loan period at school B -- what we're calling the first loan period at school B -- has to have two disbursements occurring (unintelligible). We see some arrows here indicating when those disbursements can occur. The orange arrow is before classes start because of the first disbursement can occur up to ten days prior to the first day of class.

Do you see that orange arrow there indicating the earliest that a first disbursement or a loan in this loan period could be made? Remember the amount of loans that can be - loan funds that can be borrowed for this period of time is any remaining amount of funds left in the student's annual loan limit that is that was not used at school A.

The second disbursement in this abbreviated loan period is not subject to what we think of as the normal rules of when a second disbursement can be made -- that is that a student must successfully complete half of the clock hours and half of the weeks in the loan period.

Here, for this abbreviated loan period, the second disbursement can be made at the calendar mid-point of the loan period. That's represented by the gray arrow pointing to the smaller blue box. So as we said earlier, this abbreviated loan period is going to end when the academic year at school A would have ended. Again, the green arrow marks that student's benchmark.

Now what about if there's a loan period that follows this abbreviated loan period there often will be? We're looking at the same example but now, the student has completed the first loan period at school B -- again, that's represented by that small blue box. Remember, that was the remaining period of time in school A's academic year which is represented by the larger blue box at the top of the screen.

Now, the student is starting the first full academic year at school B and that's represented by the green box. For the first loan period, normal rules about when the loan period ends do not apply. The loan period ends when the academic years at school A was schedule to have ended.

As we said, disbursement in that first loan period can be made at the beginning of the loan period and at the calendar mid-point. But for the second loan period at school B, the normal rules kick back in. A student must successfully complete half of the hours and half of the weeks in the loan period in order to be eligible for the second disbursement of direct loan funds.

Further, the student must successfully complete all of the hours and all of the weeks in the loan period for the loan period and BBAY assuming that the loan period is the BBAY for that period to end. Remember, these rules didn’t apply to the first loan period at school B that was created due to the overlap of academic years with school A and was contingent upon school B accepting hours from school A.

Now, our graphic is extending the same example to show our student progressing beyond the first full academic year in school B. They're moving on to a second full academic year at school B and that's represented by the yellow box. So in our example, the student started at school A, transferred to school B and hours were accepted by school B.

That created the first loan period at school B and you see that in the blue box -- the small blue box. The first loan period ended when the academic year at school A ended. The next loan period at school B is a full academic year and is subject to the normal BBAY rules. You see the green on the screen. That loan period ends when the student has successfully completed both hours and weeks in the BBAY.

The next loan period after that starts and is represented by the yellow box. It may be a full academic year or it may be the period that remains depending on how long the program of study is.

Remember, we've only been talking about direct loan and how it is impacted by overlapping academic years. These rules do not apply at other Title IV which includes Pell, IASG, TEACH and the Campus Based Program. In those programs, payment periods would be driven by the students beginning attendance at school B and will be subject to any rules in those programs dealing with calculations for transfer student.

Here in our graphic, we've added purple boxes to our ongoing example to demonstrate that the academic year and payment periods from nondirect loan programs would be different from the loan periods and payment periods that we've been discussing for our student with overlapping academic years.

So far, we've looked at what happens when academic years overlap and there is a transfer of clock hours from school A to school B. Let's look at the other situation where school B accepts no hours from school A. The student's loan period at school B is going to be either the school's defined academic year if the program is that long or longer or the loan period will be the length of the program at school B if the program is less than an academic year.

For the loan period at school B, the amount of funds available to borrow is the annual loan limit minus any funds borrowed at school A. If the student had borrowed 100% of the annual loan limit at school A, then it would mean that for the entire academic year at school B, the student would not be eligible for any direct loan funds.

Remember, however, that it's possible that there was a return of Title IV funds done by school A that would place more funds back in the student's account as it were once that return is calculated and effective.

Let's look at that same example we just mentioned in a graphic. The loan periods we are using in our example are equal to the academic year at each school. Remember that the loan period could be shorter than an academic year when the program itself is shorter than an academic year. Also, the loan period could be shorter when it's the remainder of a program that is longer than one academic year but shorter than two the period that remains.

There is an overlap in academic years between school and school B in our example. So since no hours were accepted by school B in this example, the amount of funds that can be borrowed for the entire loan period at school B is the annual loan limit minus what was borrowed at school A. The normal BBAY rules apply to the loan period at school B. The student must complete half of the hours and weeks in the loan period to receive the second disbursement and the student must complete all of the hours and weeks in the loan period for (unintelligible) the loan period end.

We are reminded that certain schools that have low cohort default rates may make a single disbursement rather than two for a loan period of four months or less. In our example here, that would not happen but it is possible that a program of study at school B might be that short.

In our graphic, we've extended the same example to show the student moving on to the next BBAY or loan period. If the first loan period at school B which has the overlapping academic year with school A, the student can only borrow the remaining funds in the annual loan limits. The period is the first blue box at the bottom of the slide and starts with the purple arrow and ends with the yellow one.

The next BBAY or loan period begins with the blue box to the right with the light blue arrow indicating the student starting the second BBAY. Normal loan limits would apply to the second BBAY. Proration would apply if this is a period that remains that is less than an academic year.

The rules we've discussed have been in the context of a student having overlapping academic years as the student moves from one school to another. The same rules apply if the student moves from one program to another program with overlapping academic years at the same school.

And finally, a direct loan disbursement is made by payment period. Even when the loan period is one payment period or less, the loan is always disbursed in two disbursements unless the school is exempt from this requirement due to low cohort rates.

A first disbursement can be made up to ten days prior to the first day of classes. A second disbursement is made when the student has successfully completed both half of the hours and half of the weeks in the loan period. Of course, there's an exception to this that we have discussed in great detail when the student has overlapping academic years and hours are accepted by the school B from school A.

Let's leave direct loans behind and talk about some other or miscellaneous issues and how they impact administering Title IV programs in the clock hour world. Let's talk a little bit about Satisfactory Academic Progress. This is not going to be a comprehensive review of those rules as we could spend the entire 90 minutes on that but let's just do a quick overview.

We wanted to mention a couple of items to clear up some common questions that we received from the clock-hour community as it relates to Satisfactory Academic Progress or SAP. The SAP rules state that SAP must be checked at least once per year. That check must correspond to the end of a payment period. The practice of checking SAP at the end of each month or some designated day does not meet this requirement.

Further, the SAP rules allow the use of a warning status but only when schools check SAP at the end of the each and every payment period. Warning status is a status where the student is not making SAP but is allowed to remain Title IV eligible for one payment period without having to appeal.

We know what a payment period is for disbursement purposes. A student must successfully complete both the hours and weeks of instruction in the payment periods in order to finish that payment period. For SAP, however, there's some flexibility on how you determine what the end of the payment period is for reviewing SAP only.

The payment period can end at one of these three points -- at the point when the students' scheduled clock hours for the payment period have elapsed regardless of whether the student had attended that or at the point when the student has attended the clock hours that he or she would schedule to attend or at the point when the student has successfully completed all of the scheduled clock hours in that payment period.

Schools have the option to choose one of these three methods for establishing when the end of the payment period is for SAP -- again for SAP only. This would not change the disbursement definition of when a payment period ends.

Whatever option you choose, you would want to document in your individual SAP policy saying that this is what we consider the end of the payment period for a review of SAP at our school.

Before we talk about reentry within 180 days, I did want to point out we don’t have it on the slides but we do have some information available to you on our IFAP Web page. On the far right-hand side of IFAP, many of you are familiar with the program integrity questions and answers.

If you're not family with those, you definitely want to go and take a look at those immediately after this Webinar it's a wealth of information there for you on a variety of topics including SAP. And just in the last five to six weeks, our colleagues that run the program integrity question and answer Web site puts some new information about how to calculate pace of progression in SAP specifically for clock hour programs. They gave a very good explanation there and they gave an example as well so I invite you to go out and take a look at that.

Some of you no doubt have students who withdraw from your program and then choose to come back and it's often a little more difficult to know how to deal with them correctly as it relates to the student's Title IV benefits. One of the dividing factors as we deal with these students is if they have returned to our school within 180 days or if they return to our school after 180 days. So let's just do a quick recap of what to do when a student has returned to us within 180 days.

If it is a student reentering the same program within that time period, that student is going to remain in the same payment period that the student (unintelligible) when he or she left. Eligibility for funding is going to be exactly the same as it was at the time of the student's withdrawal. Very possible that you did a return to Title IV calculation when that student withdrew and for this students who would re-enter in this 180-day time period, you're going to undo any returns of Title IV that was done due to the students reentering.

If the student has returned after 180 days, this student might be coming into the same program they left or might be coming back to your school and entering a new program. You're going to determine the payment periods based on the length of the program that they are entering minus whatever number of clock hours you are accepting toward that program. So for example, if the student is coming back into a 1000-hour program and you're giving them credit for 400, you're going to treat that student as if they were in a 600-hour program.

It will be that number of hours and weeks that are going to determine how you set up that student's payment periods and that is what you will monitor to determine when they move from one payment period to the next.

Volume 5 of the Federal Student Aid Handbook has a very good discussion of how to deal with students who are re-entering your school and the differences between when they come within 180 days and when they come after 180 days.

I'm going to turn the presentation back over to Jamie and Jamie is going to close us out with a discussion of prior year charges.

Jamie Malone: Thank you, Kevin. And yes, prior year charges will be our final topic for today. For those of you that were waiting patiently for R2T4, remember that the R2T4 for clock hours was a separate module that was presented on Tuesday and will be presented again during the week of October 14. So it is a separate module, R2T4 for clock hours.

Okay. Let's talk about prior year charges. As a reference, I want to refer you to a Dear Colleague letter from September 2009 and that is GEN, G-E-N, 0911. It is still very pertinent when we talk about current and prior year. It's important that we establish what we mean by year. The cost of attendance that you determine for your students is tied to the year during which the school provides the education and services.

How do we determine what is the current year and the prior year? When a student A package includes direct loan, we say that the current year is the loan period. In COD, when you originate the loan, the loan period is referred to as the financial aid award period and you input both the begin date and an end date for that period.

So cost for the current year are charges for education and services provided during that loan period. When a student does not have the direct loan in his A package, the current year is the award year like 2012-2013. So cost for the current year are charges for education and services provided during that current award year. Any charges assessed earlier than that current year are considered prior year charges.

We know that for many clock hour programs, school charge students upfront for the total cost of a multi-year program. For example, you may have an 1800 clock hour program which is two years and typically, your students will sign an enrollment agreement at the beginning and be charged for the full 1800 hours.

Because these upfront charges include education and the services for two years, the school must apportion the total charges over the two-year period to determine the charges applicable for each of the two years.

Again, the year is designed by either the loan period or the award year. Generally, charges like tuition and fees are allocated to a given year based upon the education and the services that your school provide in that year. Books, supplies and equipment or (kit) charges may be allocated on a pro-rata basis or allocated into the year in which they must be purchased.

So once you know the current year, then you can determine whether the prior year charges. This is an important distinction because in our regulation, section 668.164 small letter d as in David, we state that a school may not use current year Title IV Aid to paying more than $200 of a student's prior year charges and if those prior year charges are anything other than tuition, fees, and contracted room and board, the school has a written authorization from the student or the parent borrower to pay that $200.

Any prior year charges in excess of $200 cannot be paid with current year aid even if you have a written authorization. A reminder too that when a regulations talk about prior year charges, we are talking about the immediate prior year. We are not talking about the year that with two or three years prior.

Let's look at some example. First, we have on this slide two payment periods that fall within the same award year. The student only Title 4 Aid is Pell grant. That means that the award year is the current year. Anything prior to the award year would be a prior year charge.

Pell for the first payment period is disbursed from the 2011-12 award year. At the end of the first payment period, the student owes institutional charges. Because the second payment period will also be paid with 2012-12 fund, the institutional charges may be paid with the second disbursement both payment period are in the same award year. So we have no prior year charges.

Here's another example. The student continues in this program and he has a third payment period. Again, because we only have Pell, we are looking at the award year to determine current and prior year. The student begins the third payment period as you see starting in July with institutional charges owed from the second payment period.

The second payment period was paid with Pell from the 2011-12 award years. The Pell in the third payment period is paid from the 2012-13 award year. The third payment period is not in the same award year as the second payment period. Therefore, the institutional charges from the second payment period are prior year charges. The most that the school can take from 1213 Pell to pay those prior year charges is $200.

And remember that if the charges from the prior year include anything other than tuition fee and contracted room and board, a written authorization is required.

Our last Pell only example shows the second payment period as a crossover payment period. If a student receives Pell in both payment period from 2011-12, the second disbursement may be used to pay charges owed from the first payment period.

Both are in the same award year so there are no prior year charges. If the second payment period is paid from 2012-13, the first period charges are prior year charges. Pell is paid from two different award years and again, the regulatory maximum of $200 from the second disbursement is all that can be used to pay the first payment period charges.

Here is an example where the student has both Pell grant and direct loan. Remember we said when a student package includes direct loan; the loan period is the current year. In this case, we see on the slide that the loan period is a period of 900 clock hours in 26 weeks running from February to August. We're not going to look at the award you used for Pell so it doesn’t matter that Pell is paid from two different award years.

Any charges assessed in either of those payment periods may be paid with the direct loan fund because both payment period fall completely within the loan period.

The $200 limit does not apply. We do not have prior year charges. In our last example, again, we have both Pell and direct loan so again, the current year is determined by the loan period. This student owes charges from the second payment period -- April to June clock hours 451 to 900.

His loan period doesn’t begin until the third payment period at hour 901. That means that the second payment period falls in the prior year and the school cannot take more than $200 of those direct loan funds to pay prior year charges.

Again remember that you can reference at IFAP, Dear Colleague Letter, GEN0911 and you would need to look in the archived Dear Colleague letters in order to find that.

This time, I want to turn this over back over to (Tasha.). (Tasha).

Natasha Webb: Thank you, Jamie and Kevin, thank you also for your presentation. At this time, we just like to thank everyone for taking the time to attend this training and unfortunately, there is not enough time to go through some of the questions that were posted but hopefully, all the questions were answered on the site during this call.

(Unintelligible) you can take a look at IFAP or our Dear Colleague letter dated September 7, 2012 for upcoming dates which begins on October 15 for a repeat of the course that were offered this week. We also like to remind you to take the time now to fill out the evaluations that will be showing up on your screen shortly and we appreciate your comments. We appreciate - okay. Evaluations are up now. You can click on next to begin filling out the evaluations as I'm speaking.

And we would just like to thank you for taking the time to complete these evaluations that we know exactly where any changes need to be made for our coming Webinars. Again, we like to thank you for the time that you've taken to attend this training. Please complete the survey and we would hear from you soon. Thank you.

Coordinator: This concludes today's conference. Thank you for your participation. You may now disconnect.

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