

MAY 1978

PASFAA NEWSLETTER

RECEIVED

JUN 5 1978

FINANCIAL AID OFFICE
ALLEGHENY COLLEGE

BEOG VALIDATION

This spring so many new rules, regulations and restrictions have been thrust upon the Financial Aid community that we must respond in the most forceful way available.

The regulations covering validation will be published in the May 15th Federal Register. I strongly urge everyone who feels strongly against this issue to respond within the comment period. Following is a letter PASFAA has written to all pertinent Federal administrators with copies to every state financial aid association.

Dear

As a representative of the financial aid officers of Pennsylvania, I am greatly concerned by the recent notice concerning the proposed BEOG Validation Procedures. Although these are, in fact, proposed regulations which must by law be published as a notice of proposed rulemaking, the impression that one gets from the Dear Colleague letter and the accompanying handbook is that we, as the key to this validation, will not be permitted to comment on it. Apparently H.E.W. is quite confident that these procedures cannot be improved upon.

Furthermore, it seems quite ludicrous that the letter states that "without the expertise, judgment, and responsibility of the financial aid community, this effort will not succeed." Yet, when the BEOG Program was created the financial aid community was told, both directly and indirectly, that we were not capable of administering this program and that "we would be shown" how well this program could be operated from a centralized location. Strange that the financial aid community should now become the keystone to the success of your program.

This proposed validation procedure also seems to present some legal questions for the financial aid community and our respective institutions. For example, what are the ramifications upon the students' and parents' rights to privacy? Are we liable for using information obtained for BEOG purposes to verify other information and forms? In the event of subsequent litigation, what would the role of H.E.W. be in protecting the financial aid officer and the institution?

In addition, since the inception of the BEOG Program there has been a provision for an administrative expense allowance, however, this allowance has yet to be funded. Perhaps we are to believe that the 1% increase

in the administrative expense allowance for the campus based programs is intended for this purpose. This 1% hardly aids us in our normal operations, let alone providing an incentive for the BEOG Program. Furthermore, along with the increased allowance came the additional increased expenses required by the consumer provisions of the Higher Education Amendments of 1976. As a result of this impetus toward increased consumer information, is H.E.W., through the Basic Grant Program, going to provide a public relations and publicity campaign for this endeavor, or are the financial aid officers going to be left up the proverbial creek? Do we once again become the "heavies" in this situation?

Taking all of these facts into consideration, I would recommend that it would be much more economical and efficient if the required data elements could be validated through the Internal Revenue Service. This would not seem to be an unreasonable or an unworkable idea since BEOG does require cross-referencing of its items to 1040 and 1040A line items. I also believe that since confidentiality is required with both IRS and BEOG the privacy of data should not be a problem. Furthermore, if we are required to obtain the required data from the students we can almost certainly count on a further drop in enrollments because of the slowness of the various agencies in responding. Even now we are receiving S.E.R.'s which are to be validated, but I.R.S. will not be able to provide copies of 1040's until October or November. From past experiences, other agencies (B.V.R., D.P.A., V.A., etc.) are not capable of providing the necessary documentation in a reasonable amount of time either. Furthermore, previous encounters with the Basic Grant staff have convinced me that once the data is provided to them it may be ages before we have a response. In the meantime, what happens to the "needy student"? Who pays for him to be in school while this so-called procedure creeps along?

In conclusion, I would like to emphasize that the financial aid community has consistently requested and been a supporter of validating BEOG data, however, the methods which you propose to achieve this objective are far from reasonable. I strongly recommend that you reevaluate the proposed validation procedures and give further consideration to the plethora of alternatives which are available.

Very truly yours

This article submitted by Art Switzer of Villanova University reinforces the above letter and gives everyone an idea of the strong reactions displayed by your colleagues toward validation.

Art
New regulations requiring detailed, time-consuming procedures *is* being foisted upon the financial aid community without benefit of the usual Federal Register proposal procedure and mandated reply period. A program passed into law as a federally run program on the basis of H.E.W. pronouncements of Financial Aid Community "incompetence" is now in trouble. With usual bureaucratic finesse the financial aid community is about to be made the scapegoat by way of the proposed validation.

The appearance of a glossy covered Validation Procedures Handbook, and the announcement of upcoming training sessions is evidence enough that we are about to be taken. Only a concerted protest can head it off.

If there were not a better way for the "Feds" to handle validation, we might not object so much. Most of us, over the years, have informally validated S.E.R.'s with existing financial data only to be slapped down or ignored by the Basic Grant people. However, the proper and efficient route for validation which has been urged by PHEAA and others from the financial aid community is being totally ignored. It, quite simply, is as follows:

- (1) Use prior year income
- (2) Collect it directly (as PHEAA does from State Tax records) from the IRS.
- (3) Accept input from the aid community where discrepancies appear in data in our files.

Such a procedure will not impose an inordinate burden on the financial aid community, and can do the job effectively. PHEAA's experience is proof that such a system can work well.

From the foregoing paragraphs, one may conclude that I deeply resent the published Validation Procedures. I do! I resent the constant effort by H.E.W. to palm off its own incompetencies on the aid community over the years. However, most of all I resent the negative impact this procedure will have on our ability to do our jobs.

Many students throughout the country will be kept from enrolling in post secondary education because the BEOG payment must be withheld until validation has been completed. We all know how long it can take to get a certified IRS copy of the 1040, information from the Veterans Administration, Social Security and others. One may comment, "a certified IRS 1040 is not required." However, we all know from experience that a certified copy is the only really accurate way to validate income reported for any given year. If an applicant or parent is going to cheat on an application, then they will certainly present a 1040 copy to corroborate their application. In the meantime, students will be turned away from schools in droves.

It behooves, State, Regional and National organization presidents to take a stand opposing the Validation Procedures. We individually should support them with letters to H.E.W. and copies with cover letters to every member of our Congressional Delegation.

GUARANTEED STUDENT LOAN PROGRAM

In the April 8th Federal Register proposed regulations governing the Guaranteed Student Loan Program were published. Everyone should have a copy in the ever-growing pile of "must" reading material.

PHEAA RESOLUTION

At the annual conferences in October 1977 the following resolution was passed

and sent to Ken Reeher. It is published here for your permanent files.

Dear Mr. Reeher:

At the annual PASFAA conference in October 1977, the following Resolution was passed:

"WHEREAS, we wish to recognize that the Pennsylvania Higher Education Assistance Agency is the leader and innovator in the administration of the State Grant Program;

WHEREAS, institutions recognize that the availability of Basic Grant and Common Methodology information through on-line remote terminals will provide a great service not only to Financial Aid Officers but to students;

WHEREAS, Financial Aid Officers need information that is accurate at the earliest possible date to assist students and parents;

WHEREAS, the Financial Aid Officers recognize the sensitivity of information it receives and is cognizant of the legal requirements pertaining to access of information;

BE IT RESOLVED that PHEAA and the Financial Aid Officers should work together so as to allow colleges to pool their resources and share on-line remote terminals outside of regional offices.

BE IT FURTHER RESOLVED that the agency and Financial Aid Community work together with due haste to allow State Grant Awards to be made to students earlier.

BE IT FURTHER RESOLVED that the Financial Aid Community in the Commonwealth of Pennsylvania formally wishes to recognize Mr. Kenneth R. Reeher and his staff for the outstanding job which they have done in insuring the Pennsylvania Higher Education Assistance Agency remains the most respected State Grant Organization in our great nation."

On behalf of the Executive Council and the membership of PASFAA, please know that this expression of appreciation carries forth through this year's fine working relationship with you and your excellent staff.

Sincerely,

Edward K. McCormick
President
Pennsylvania Association of
Student Financial Aid Administrators

PASFAA EXECUTIVE COUNCIL

Art James is Chairman of Education and Communications Committee.

Conference 1978 - October 1-4.

We received a request from West Virginia's State Association that if anyone has a policies and procedures manual would they be willing to share it with them. They are willing to pay for expense of copying. If you have this information and you would like to share, direct it to:

Mr. John Thrallis
Director of Student Services
West Virginia Board of Regents
950 Kanawha Boulevard, East
Charleston, WV 25301

* * * * *

The following letter was received by PASFAA in late April. The testimony is lengthy but if anyone would like a copy, please request it and I will gladly xerox a copy and mail it to you.

TO: State Association Presidents
FROM: Dallas Martin, Executive Director NASFAA

Enclosed for your information is a copy of the testimony which the association presented on Wednesday before the House Labor/HEW Subcommittee. As you can see from the text, we still are fighting very hard for administrative allowances for both the Basic Grant Program and the Guaranteed Student Loan Program. I hope you'll take the time not only to read the testimony very carefully, but also to communicate its contents to your members and encourage their support of these recommendations to their congressional delegations.

Also, for your information, the House Ways and Means Committee completed its mark up of tuition tax credit legislation on April 11 and favorably reported to the floor a bill which ultimately would provide a tuition tax credit of up to 25% of tuition and fees to a maximum of \$250 per year per student.

This bill, H.R. 12050, sponsored by Rep. Charles Vanik (D-OH), would provide a tax credit of up to \$100 per student enrolled in post-secondary education for 1978, and would increase to a maximum of \$250 per student in 1980.

Although the Senate Finance Committee already has reported out a bill that would provide a tuition tax credit for elementary and secondary, as well as post-secondary, educational expenses (S.3946), the House Ways and Means Committee approved an amendment on April 11 to drop eligibility for elementary and secondary students in the wake of U.S. Attorney General Griffin Bell's opinion that tuition tax credits for elementary and secondary education might not meet Constitutional tests.

While President Carter indicated in an address before the American Society of Newspaper Editors that, while he certainly opposes tuition tax credit as "very detrimental to the future of education in our country," he would wait

until the bill is on his desk before making a final decision on the veto question. Presumably, this also would be dependent upon whether the final bill from a House/Senate conference would include tuition tax credit eligibility for elementary and secondary educational expenses.

A final vote on the floor of the House probably will come within the next two weeks. Also within the next two weeks will come a decision on when to bring the Middle-Income Student Assistance Act, H.R. 11274, back to the floor for debate. This currently is pending a determination by the House Rules Committee.

I sincerely hope that you also will encourage your state associations to continue the correspondence to congressional representatives outlining the distinct advantages of the Middle-Income Student Assistance Act over tuition tax credit legislation. We have received copies of a great deal of correspondence which has been sent to them already, but we urge that the flow of letters continue. Please also encourage your members to forward copies of their correspondence to the NASFAA central office.

I would like to take this opportunity also, to remind you that the deadline for receipt of information for NASFAA's professional calendar is fast approaching. Please provide material relative to dates of meetings and workshops to the NASFAA central office as soon as you possibly can.

Plans for the 1978 National Conference, as you know, are well under way at this time. Approximately 100 persons have registered thus far, and we are anticipating a very good turnout, as well as a very rewarding professional meeting. I would ask that you also publicize this meeting in your state association newsletters and encourage your members to register as soon as possible. I will look forward to seeing all of you in San Francisco also.

BEOG SUMMER

If anyone is as confused as I on summer BEOG's I have reprinted the following article from H.E.W.

1. Summer School Awards

As summer approaches, we have been receiving many questions from members of the financial aid community regarding payment of Basic Grant awards to students enrolling in summer school. While procedures for payment of awards to students at institutions with standard academic terms (semesters, trimesters or quarters) are designed to accommodate enrollment only in the standard number of those academic terms, there are students who choose to use part of their entitlement during the summer term. We hope that the following guidelines will clarify the procedures to be followed for payment of such students. It should be noted that these procedures do not apply to schools without standard academic terms, since payment of awards at these schools already takes into account the total number of months of enrollment.

Because the Basic Grant is an entitlement, it is the position of the Office of Education that the school should make payment to students who have not received a full entitlement (i.e. Scheduled Award) during the normal school year, and are beginning a summer term before June 15 of that academic year. These students should be paid for the months of enrollment prior to July 1, since they have some unused Basic Grant entitlement left for that academic year.

The decisions of whether or not payments are made to students enrolled in summer terms at the beginning of the new Basic Grant academic year (after July 1) would be left to the institution, for students who plan to attend the entire upcoming academic year on a full-time basis. An institution may choose not to disburse Basic Grant awards for the summer session after July 1. Note that this would apply only to schools with standard academic terms, since the computation of awards for schools without standard academic terms takes into consideration the actual number of months of enrollment during an academic year.

If the institution does choose to disburse Basic Grant awards, they will have to be sure that none of those students receives more than his entitlement for that academic year. A student's entitlement is defined as his highest Scheduled Award for that academic year. Of course, if the student has received two semesters' or trimesters' or three quarters' worth of full-time award, he has used his entitlement, regardless of whether he has had different Scheduled Awards computed due to changes in cost.

It should be noted that only students who are enrolled as regular students at an institution are eligible for Basic Grants. Institutions must be careful not to pay awards to students who are not regular students enrolled in an eligible program at that institution.

The regulations governing computation of Basic Grant awards at institutions with semesters, trimesters, or quarters are designed to accommodate enrollment in the standard number of these terms (2 semesters, 2 trimesters, or 3 quarters). Therefore, a full-time student who chooses to attend the summer term would be in effect substituting that term for another term during the year. For example, a student who receives a full-time Basic Grant entitlement for enrollment during a summer term which is all after July 1 and a full-time payment for the fall cannot receive payment for the spring semester.

At most institutions, the summer term is made up of several short sessions, and a student may enroll in one, several, or all of the sessions. Therefore, in computing awards for summer school, the entire series of sessions must be considered as a whole term. The student's enrollment status and cost of education must be computed based on the number of credit hours which the student expects to receive for the entire summer term. In this context, a student who was enrolled for a total of 12 semester or quarter hours for the summer term would be considered full-time. Similarly, the total enrollment requirements for three-quarter and half-time status are 9 and 6 semester or quarter hours respectively.

If the entire summer term falls within one Basic Grant academic year (July 1 - June 30), the award would be calculated in exactly the same manner as awards for a normal semester or quarter. To be more specific, the computation could be broken down into the following steps:

1. Determine the student's enrollment status
2. Calculate the student's cost of education
3. Look up the Scheduled award from the full-time Payment Schedule.
4. Determine the Expected Disbursement for the full school year (i.e. Scheduled Award for a full-time student or the amount from the appropriate Disbursement Schedule for a part-time student).
5. Determine the payment for the term by dividing the amount from step 4 by the number of terms in the regular school year (2 semesters, 2 trimesters or 3 quarters).

If the entire summer session falls within one Basic Grant academic year, the result of step 5 above is the amount to be disbursed for the summer session. Payments should be made at the beginning of each session within the summer term. See below for directions on how to make sure that the student is not exceeding his entitlement.

Payment of Basic Grant awards must always be made with the funds from the appropriate academic year, and calculated using the appropriate Payment Schedule. Therefore, the award computed as shown above for a student who attends a summer session which begins in May or June of one academic year and overlaps into the next academic year must be prorated. This proration is based on the proportion of the session which is in each academic year, and for the sake of simplicity, we use the number of months which fall within each academic year to establish this proportion.

It should be noted that Basic Grant regulations define a "month" as 16 or more (calendar) days within a calendar month. Therefore, awards for summer terms which begin on or after June 16 need not be prorated. Likewise, if the term ends on or before August 15, that term would only have one "month" (July) in that academic year for proration purposes.

Please note that students who enroll in summer terms which overlap two academic years must have Student Eligibility Reports for both academic years in order to be paid for both portions. In addition, students who have already "used up" their entitlements for the academic year may only be paid for the portion of enrollment after July 1.

To prorate a student's summer award when the term spans two fiscal years, you must determine the total number of months in the summer term, determine the number of those months which are in each academic year, and prorate the award using this fraction. For example if the summer term is from June 12 through August 25, there are three months in the session. One of them (June) is in one fiscal year and two months are in the other. Therefore, the student gets $\frac{1}{3}$ of the term's award in the first academic year and $\frac{2}{3}$ of the term's award in the second academic year. Similarly, if the term begins on May 12 and ends on July 16, the student would receive $\frac{2}{3}$ of the term's award during the first academic year and $\frac{1}{3}$ of the term's award for the second.

Bear in mind that the aid officer must make sure that total payments during the year to a student in such a term do not exceed his highest Scheduled Award for the year.

In order to be considered a full-time student for the summer term a student must be planning to take a total of at least 12 semester or quarter hours during the summer. A student who takes a total of at least 9 hours would be considered three-quarter time, and a student who takes at least 6 credit hours would be half-time.

The summer term at most institutions is made up of a series of shorter sessions, and a student may enroll for a varying number of hours in each session. We are aware that there is often no way of knowing at the beginning of the summer term how many hours a student will enroll for in each summer session. Therefore, in determining enrollment status, the Aid Officer should assume that the student will enroll for the same number of hours in each session during the summer. Aid Officers at institutions with multiple summer sessions of varying lengths should make a reasonable assumption about the equivalent number of credit hours a student will be taking in each session. If the student's enrollment status changes at the beginning of the second or third session in the summer term, the student's award may, but need not be recalculated on the basis of the actual number of credits taken for the entire summer term.

Costs of attendance are computed in the same way as they are for a normal semester. If tuition is charged by the credit, the tuition amount used for the summer session would be based on the assumed enrollment status for the total term. This amount would then be multiplied by the regular number of terms in the normal academic year. Remember that the summer term is being substituted for another term in the academic year, so you must be sure that you do not add the tuition and fees for the summer to the tuition and fees for the other 2 semesters, 2 trimesters or 3 quarters. Next, the appropriate room, board, books, supplies and miscellaneous expense allowances for one academic year are added to arrive at the total allowable cost of attendance. It should be noted that if an award has been computed for a given student in a previous term and his enrollment status has not changed (eg. he is half-time for the spring term and also for the summer), his cost of attendance for the academic year need not be recalculated. However, cost should be computed at the beginning of the new academic year.

A student who has received a full-time Basic Grant award for both semesters or all three quarters during an academic year has used up his entitlement for that academic year. However, if the student was not full-time for one or all of the terms, he may still receive some Basic Grant funds for the portion of the summer session which falls before July 1, as long as that portion for the summer session plus the total amount of money he has received for previous terms in the academic year does not exceed the amount computed as his highest Scheduled Award during the academic year.

We have received numerous questions from Financial Aid Officers regarding transfer students who may exceed their entitlements by attending summer school at another institution. Under current Basic Grant regulations, a Financial Aid Officer is under no obligation to check the amounts of Basic Grant received by transfer students at previous schools. Although we are anxious to avoid situations in which students might exceed their entitlements

it is apparent that a requirement to check amounts previously disbursed to every transfer student would place an excessive burden upon Financial Aid Officers.

Many Aid Officers have indicated that they would like to adjust the awards of transfer students who have received awards at other institutions. If the Aid Officer has documentation that payment of the full Expected Disbursement to a transfer student would result in that student's entitlement being exceeded, the Aid Officer may adjust the award at his institution. Of course, the Aid Officer is responsible for making sure that no student receives more than a full award at his own institution. Institutions which pay students for enrollment in summer school will need to make sure that this does not occur. In addition, if Aid Officers make sure that only those students who are enrolled as regular students in an eligible program at the institution are paid Basic Grant awards, the number of students who could exceed their entitlements will be decreased.

TUITION TAX CREDITS vs. INCREASED STUDENT ASSISTANCE:
CONTROVERSY REVISITED

In the April Newsletter, PASFAA members were asked to respond to the article regarding the tuition tax credit/increase student assistance issue. The response was overwhelming. Forty-five PASFAA members returned the questionnaire and many took the time to include detailed comments.

With only one exception, every response indicated support for the Administration supported increases in present student assistance programs. There was unanimous agreement that the concern for the middle income family and rising educational costs is a legitimate one. Several responses expressed concern that the tuition tax credit proposals would not provide timely, direct assistance to students. Several other responses noted the increase in paperwork and bureaucratic confusion the tuition tax credits would bring to both the financial aid community and the Internal Revenue Service. Specific comments are included below.

Suggestions for institutional and individual responses to this issue were varied. One institution included a letter of explanation with its financial aid notices and provided students with a draft letter to be sent to the Pennsylvania Congressional delegation in support of the increases in current student aid programs. Another institution included a letter which was sent to at least one Pennsylvania Congressman who voted against the suspension of rules and special consideration of the student assistance measure in March.

COMMENTS:

"Both proposals intend to target relief to middle income families which is long overdue. I support the intention of each and support the enactment of each. However, since "either/or" consensus will dominate the voting outcome, direct student assistance must prevail. Tax relief should be studied further, for the opportunity for abuse is so obvious. Student Financial Assistance regulated by professional aid officers is money well spent. Can the I.R.S. audit properly the millions of new tax deductions?"

"The concern is misplaced when phrased this way. Concern should be for a uniform methodology which abuses assets, mixes assets and income as if they were one and the same. It ignores private retirement plans, increasingly becomes more simplified and utilizes taxing rates which are based in no economically definable theory or fact!"

"I support the increased student assistance proposals if the responsible bill-paying, conservative family is helped. I believe the whole structure should be revised so that the stable family unit is not penalized for its stability. This is particularly true in judging assets which increase on paper over the years (real estate, for example) but do not put any more cash in the pockets of the family. It is time we stopped rewarding the less financially responsible at the expense of the middle class."

"Many students who enter my office express their anger toward the federal programs "non-realistic" distribution of funds. Since our job is to serve the students as best we can, I believe that the increased student assistance proposals is the better approach. By giving the students something immediate rather than a paper promise I feel that this will instill in them a sense of self supportiveness. When students realize that every effort is being made to help them, I believe that more students will make an effort to help themselves."

"In my position as a financial aid officer for a student body predominantly at the graduate/professional level, choosing between these proposals is choosing the "lesser of two evils". Tuition tax credits will not aid graduate/professional students until FY 80, I believe, and the only portion of the second proposal of any significance is the increased ceiling on GSL interest subsidy income levels."

"I feel that more financial aid should be available to middle income families. This could be accomplished by raising eligibility requirements (that is, income levels, etc.). Under tax credits many of those receiving benefits would be high income. Tax credits in time would also mean less financial aid to those really needing it, since money (tax credit) would be given to those who do not need it."

"If there is concern about the middle income family, then there must be a direct effect shown in meeting educational costs, especially to attend high cost institutions. This, I believe, can be best achieved by utilizing a delivery system such as the BEOG program, which provides direct entitlement if eligible. It also would minimize the number of governmental bureaus to verify eligibility and compliance."

"I feel very strongly that this is a time that Congress could make a significant step toward more adequate funding of student financial aid programs. I feel that increased appropriations to existing aid programs is the best means of doing so.

To implement tax credits would add to the confusion over student aid, and tax credits would not put dollars into the hands of students and their parents on a timely basis.

It is infuriating that Congress comes up with a tax credit proposal and seems to be pushing it through as a political football against President Carter and without a thorough research job via the student aid community."

The issue remains unresolved. According to the Chronicle of Higher Education, (May 15), the House has included \$635 million in tax credits for college and private school tuition in its FY 1979 budget resolution. The same budget resolution also would allow \$1.2 billion to be spent on expanding existing student aid programs for middle-income families. The FY 1979 Senate budget resolution provided \$600 million for college tuition tax credits. The Senate did not make allowances for expansion of the existing student aid programs. Supporters of either approach still are urged to represent their views to Pennsylvania Senators and Congressmen.

* * * * *

The following financial aid job openings have been received:

FINANCIAL AID DIRECTOR
McCarrie Schools of Health, Sciences and Technology
132 N. 12th Street
Philadelphia, PA 19107

For further information, contact Robert Walder
LO9-9155

* * * * *

FINANCIAL AID DIRECTOR
Xavier University
Cincinnati, Ohio

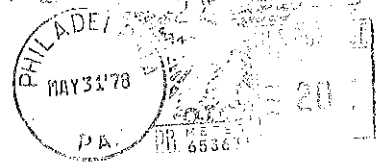
ASSISTANT DIRECTOR OF FINANCIAL AID
University of Wisconsin - Stout
Menomonie, Wisconsin

The application deadlines for the above job openings is June 1, 1978. For further information, please contact Cathy R. George, PASFAA Corresponding Secretary, 215-843-9700.

One more.....

Assistant Director of Financial Aid at Lehigh University; Contact Bill Stanford for details.

PASFAA NEWSLETTER
PCT&S
4201 Henry Ave.
Phila., PA 19144



Peg C. O'Meara
Asst. Director, Student Aid
Allegheny College
North Main
Meadville, PA 16335