

DEPARTMENT OF EDUCATION**34 CFR Parts 668, 673, 674, 675, 676, and 690**

RIN 1840-AC34

Student Assistance General Provisions; General Provisions for the Federal Perkins Loan Program, Federal Work-Study Program, and Federal Supplemental Educational Opportunity Grant Program; Federal Perkins Loan Program; Federal Work-Study Programs; Federal Supplemental Educational Opportunity Grant Program; and Federal Pell Grant Program

AGENCY: Department of Education.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Secretary proposes to amend the regulations governing the student financial assistance programs authorized under title IV of the Higher Education Act of 1965, as amended (title IV, HEA programs). These programs include the campus-based programs (Federal Perkins Loan, Federal Work-Study (FWS), and Federal Supplemental Educational Opportunity Grant (FSEOG) programs) and the Federal Pell Grant Program. These proposed amendments, which eliminate duplicate provisions for the student financial assistance programs and consolidate common provisions for the campus-based programs, are part of a planned series of regulatory reform and relief proposals for the title IV, HEA programs. The Secretary is proposing these changes in response to the President's Regulatory Reform Initiative.

DATES: Comments must be received on or before October 21, 1996.

ADDRESSES: All comments concerning these proposed regulations should be addressed to Nancy Adams, U.S. Department of Education, P.O. Box 23272, Washington, D.C. 20026-3272. Comments may also be sent through the Internet to "reg-relief@ed.gov".

To ensure that public comments have maximum effect in developing the final regulations, the Department urges that each comment clearly identify the specific section or sections of the regulations that the comment addresses and that comments be in the same order as the proposed regulations.

FOR FURTHER INFORMATION CONTACT:

1. For the Federal Perkins Loan Program: Gail H. McLarnon, U.S. Department of Education, 600 Independence Avenue, S.W., Regional Office Building 3, Room 3053, Washington, D.C. 20202-5447. Telephone: (202) 708-8242.

2. For the FWS and FSEOG programs: Richard P. Coppage, U.S. Department of Education, 600 Independence Avenue, S.W., Regional Office Building 3, Room 3053, Washington, D.C. 20202-5447. Telephone: (202) 708-4690.

3. For the Federal Pell Grant Program: Daniel J. Sullivan, U.S. Department of Education, 600 Independence Avenue, S.W., Regional Office Building 3, Room 3053, Washington, D.C. 20202-5447. Telephone: (202) 708-4607.

Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION: On March 4, 1995, the President directed every Federal agency to review its rules and procedures to reduce regulatory and paperwork burden and directed Federal agencies to eliminate or revise those regulations that are outdated or otherwise in need of reform. Responding to the President's Regulatory Reform Initiative, the Secretary announced plans to eliminate or revise 93 percent of the Department's regulations. To launch the Department's reinvention effort, the Secretary published a notice in the May 23, 1995 Federal Register (60 FR 27223-27226), eliminating more than 30 percent of the Department's regulations, primarily in areas not related to student financial assistance.

The Secretary is conducting a page-by-page review of all student financial assistance regulations to identify those that should be eliminated or improved. The Secretary is considering amending these regulations by moving the provisions that are common to all three of the campus-based programs to a new part 673 of the Department's regulations. The Secretary is proposing these changes to eliminate duplication in the regulations and to make the regulations easier to understand and use in administering the campus-based programs. The public is invited to comment on this proposal. The Secretary is also considering developing proposals for statutory amendments to eliminate unnecessary administrative burden.

As part of his response to the President's Regulatory Reinvention Initiative, the Secretary published the first part of a planned series of regulatory reform and relief measures that apply to the title IV, HEA programs on December 1, 1995. These amendments are part of that series.

A description of the major proposed changes follows. The proposed changes

that apply to more than one program are described first followed by descriptions of provisions that apply only to a specific program.

Summary of Proposed Changes*Campus-Based Programs*

A new part 673 of Title 34 of the Code of Federal Regulations is being created to consolidate sections with common provisions contained in the Federal Perkins Loan—part 674, the FWS—part 675, and the FSEOG—part 676, program regulations.

Sections 674.3, 675.3, and 676.3 Application

Sections 674.3, 675.3, and 676.3 of the Federal Perkins Loan, FWS, and FSEOG program regulations, respectively, provide the procedures for an institution to apply for campus-based program funds. The application procedures are the same for all three programs. Therefore, the Secretary is proposing to delete these sections currently found in parts 674, 675, and 676 and consolidate the application procedures into the new part 673 under § 673.3.

Sections 674.4, 675.4, and 676.4 Allocation and Reallocation

The procedures for allocating and reallocating campus-based funds are contained in the HEA for the Federal Perkins Loan Program in section 462, the FWS Program in section 442, and the FSEOG Program in section 413D. The current regulations for allocating and reallocating these program funds are common in several areas. Therefore, the Secretary is proposing to delete these sections currently found in parts 674, 675, and 676 and consolidate the allocation and reallocation provisions into the new part 673 under § 673.4.

Sections 674.14, 675.14, and 676.14 Overaward

A financial aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need. Before awarding aid from campus-based programs, the aid administrator must take into account the aid that the student will receive from other student financial assistance programs and other resources that the aid administrator knows about or can reasonably anticipate at the time aid is awarded to the student. If the student receives additional resources at any time during the award period that were not considered in determining the student's eligibility for aid, and these resources combined with the expected financial

aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.

Currently §§ 674.14, 675.14, and 676.14 of the campus-based program regulations provide procedures that institutions must follow in the event that an overaward situation occurs. The majority of the overaward provisions are the same for all three programs. The Secretary believes that the provisions are duplicates as presented in the three program parts. Therefore, the Secretary is proposing to delete these sections from parts 674, 675, and 676 and consolidate them into the new part 673 under § 673.5.

*Sections 674.15, 675.15, 676.15
Coordination With BIA Grants*

Sections 674.15, 675.15, and 676.15 of the Federal Perkins Loan, FWS, and FSEOG program regulations provide institutions with the procedures to follow when awarding title IV student financial aid to a student who is also eligible for a Bureau of Indian Affairs (BIA) education grant. Identical procedures are duplicated in all three program regulations. The Secretary proposes to delete these identical sections from parts 674, 675, and 676 and consolidate the provisions into the new part 673 under § 673.6.

*Sections 674.18, 675.18, and 676.18
Use of Funds*

Section 674.18(b), 675.18(b), and 676.18(b) of the Federal Perkins Loan, FWS, and FSEOG program regulations provide the formula for calculating an institution's administrative cost allowance and the permissible use of the allowance. Institutions participating in these programs are entitled to an allowance to help offset administrative costs incurred in the administration of the campus-based programs and the Federal Pell Grant program. These costs include salaries, furniture, travel, supplies, and equipment and also include the expense incurred for carrying out the student consumer information services requirements of Subpart D of the Student Assistance General Provisions regulations, 34 CFR part 668.

The formula for calculating this allowance is identical and duplicated in all three program regulations. The allowable use of the allowance is almost the same in all three program regulations. Therefore, the Secretary is proposing to remove these duplicate formulas and the allowable use provisions from parts 674, 675, and 676 and present them in the new part 673 under § 673.7 with a new heading of *Administrative cost allowance*.

Federal Pell Grant Program

There are no major proposed changes to the Federal Pell Grant Program. However, the Secretary plans to make some minor technical changes as described in the following paragraphs.

Section 690.2 General Definitions

The Secretary is proposing to clarify the definition of "Annual award" in § 690.2(c) to inform institutions of what a Federal Pell Grant payment would be under the appropriate Disbursement Schedule for a student attending half-time, three-quarter-time, and less-than-half-time during that academic year. The Secretary also is proposing to remove the definition for "Comparable State income tax return." This definition predated § 668.57(a)(1) of Subpart E (Verification of Student Aid Application Information) of the Student Assistance General Provisions regulations, which requires the use of the income tax return.

Subpart B—Application Procedures for Determining Expected Family Contribution (EFC)

Section 690.14 Request for Recalculation of Expected Family Contribution Because of Clerical or Arithmetic Error

The Secretary is proposing to amend § 690.14 by revising the heading of the section to include "or if the information submitted was incorrect" and by clarifying paragraph (b)(1) to include the phrase "or inaccurate information was submitted when the application was signed." These changes would add an additional reason for recalculating a student's EFC that was inadvertently left out of earlier regulations.

Subpart F—Determination of Federal Pell Grant Awards

Section 690.61 Submission Process and Deadline for a Student Aid Report or Institutional Student Information Record

The Secretary is proposing to amend § 690.61(b)(2) by deleting the June 30 deadline date for a student to submit a valid Student Aid Report (SAR) or the institution to obtain a valid Institutional Student Information Record (ISIR) and adding "By the deadline date established by the Secretary through publication of a notice in the Federal Register." Due to faster electronic data processing, a student now has an extended period of time to submit the required documents.

Subpart G—Administration of Grant Payments

Section 690.75 Determination of Eligibility for Payment

The Secretary is proposing to amend § 690.75(e) by deleting "the family contribution amount of \$3,000" and adding "family contribution amount at least equal to the maximum authorized award amount for the award year."

Section 690.78 Method of Disbursement—by Check or Credit to a Student's Account

The Secretary is proposing to amend § 690.78 (c)(2), (c)(3), and (c)(4) to revise from 15 days to 20 days the timeframes governing disbursements. If a student does not pick up the check on time, the institution would still be required to pay the student if he or she requests payment within 20 days after the last date of enrollment in the award year. Also, the Secretary proposes to change from 15 days to 20 days the time period after which the institution may credit only certain items to a student's account and after which the student forfeits the right to receive payment. This additional five days would give the student a longer time to claim Federal Pell Grant Program funds to which he or she is entitled and would help standardize the numerous timeframes in the title IV program regulations.

Section 690.81 Fiscal Control and Fund Accounting Procedures

The Secretary is proposing to delete § 690.81(c) because the provisions contained in this paragraph duplicate provisions in 34 CFR 668.161(b) of the Student Assistance General Provisions regulations, which cover all of the title IV programs.

Goals 2000: Educate America Act

The Goals 2000: Educate America Act (Goals 2000) focuses the Nation's education reform efforts on the eight National Education Goals and provides a framework for meeting them. Goals 2000 promotes new partnerships to strengthen schools and expands the Department's capacities for helping communities to exchange ideas and obtain information needed to achieve the goals.

These proposed regulations would address the National Education Goal that calls for increasing the rate at which students graduate from high school and pursue high quality postsecondary education and for supporting life-long learning.

Executive Order 12866

Clarity of the Regulations

Executive Order 12866 requires each agency to write regulations that are easy to understand.

The Secretary invites comments on how to make these proposed regulations easier to understand, including answers to questions such as the following: (1) Are the requirements in the proposed regulations clearly stated? (2) Do the proposed regulations contain technical terms or other wording that interferes with their clarity? (3) Does the format of the proposed regulations (grouping and order of sections, use of headings, paragraphing, etc.) aid or reduce their clarity? Would the proposed regulations be easier to understand if they were divided into more (but shorter) sections? (A "section" is preceded by the symbol "§" and a numbered heading; for example, § 674.18 Use of funds.) (4) Is the description of the proposed regulations in the "Supplementary Information" section of this preamble helpful in understanding the proposed regulations? How could this description be more helpful in making the proposed regulations easier to understand? (5) What else could the Department do to make the proposed regulations easier to understand?

A copy of any comments that concern how the Department could make these proposed regulations easier to understand should be sent to Stanley M. Cohen, Regulations Quality Officer, U.S. Department of Education, 600 Independence Avenue, S.W., (Room 5100, FB-10B), Washington, D.C. 20202-2241.

Regulatory Flexibility Act Certification

The Secretary certifies that these proposed regulations would not have a significant economic impact on a substantial number of small entities. The small entities that would be affected by these proposed regulations are small institutions of postsecondary education. The proposed changes in these regulations would not substantially increase institutions' workload or costs associated with administering the title IV, HEA programs and, therefore, would not have a significant economic impact on a substantial number of small entities.

Paperwork Reduction Act of 1995

These proposed regulations have been examined under the Paperwork Reduction Act of 1995 and have been found to contain no new information collection requirements.

Intergovernmental Review

The Federal Supplemental Educational Opportunity Grant Program is subject to the requirements of Executive Order 12372 and the regulations in 34 CFR part 79. The objective of the Executive order is to foster an intergovernmental partnership and a strengthened federalism by relying on processes developed by State and local governments for coordination and review of proposed Federal financial assistance.

In accordance with the order, this document is intended to provide early notification of the Department's specific plans and actions for this program.

The Federal Perkins Loan, FWS, and Federal Pell Grant programs are not subject to the requirements of Executive Order 12372 and the regulations in 34 CFR part 79.

Invitation to Comment

Interested persons are invited to submit comments and recommendations regarding these proposed regulations.

All comments submitted in response to these proposed regulations will be available for public inspection, during and after the comment period, in Room 3045, ROB-3, 7th and D Streets, S.W., Washington, D.C., between the hours of 8:30 a.m. and 4:00 p.m., Monday through Friday of each week except Federal holidays.

Assessment of Educational Impact

The Secretary particularly requests comments on whether the proposed regulations in this document would require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

List of Subjects

34 CFR part 668

Administrative practice and procedure, Colleges and universities, Consumer protection, Loan programs—education, Grant programs—education, Student aid.

34 CFR part 673

Loan programs—education, Grant programs—education, Student aid.

34 CFR part 674

Loan programs—education, Student aid.

34 CFR part 675

Loan programs—education, Student aid.

34 CFR part 676

Grant programs—education, Student aid.

34 CFR part 690

Grant programs—education, Student aid.

Dated: September 16, 1996.

Richard W. Riley,
Secretary of Education.

(Catalog of Federal Domestic Assistance Numbers: 84.007 Federal Supplemental Educational Opportunity Grant Program; 84.033 Federal Work-Study Program; 84.038 Federal Perkins Loan Program; and 84.063 Federal Pell Grant Program)

The Secretary proposes to amend chapter VI of Title 34 of the Code of Federal Regulations as follows:

1. A new part 673 is added to read as follows:

PART 673—GENERAL PROVISIONS FOR THE FEDERAL PERKINS LOAN PROGRAM, FEDERAL WORK-STUDY PROGRAM, AND FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Subpart A—Purpose and Scope

Sec.

673.1 Purpose.

673.2 Applicability of regulations.

Subpart B—General Provisions for the Federal Perkins Loan, FWS, and FSEOG programs

673.3 Application.

673.4 Allocation and reallocation.

673.5 Overaward.

673.6 Coordination with BIA grants.

673.7 Administrative cost allowance.

Authority: 20 U.S.C. 421-429, 1070b-1070b-3, 1087aa-1087ii; 42 U.S.C. 2751-2756b, unless otherwise noted.

Subpart A—Purpose and Scope**§ 673.1 Purpose.**

This part governs the following three programs authorized by title IV of the Higher Education Act of 1965, as amended (HEA) that participating institutions administer:

(a) The Federal Perkins Loan Program, which encourages the making of loans by institutions to needy undergraduate and graduate students to help pay for the students' cost of education.

(b) The Federal Work-Study (FWS) Program, which encourages the part-time employment of undergraduate and graduate students who need the income to help pay for the students' costs of education and which encourages FWS recipients to participate in community service activities.

(c) The Federal Supplemental Educational Opportunity Grant (FSEOG) Program, which encourages the providing of grants to exceptionally needy undergraduate students to help pay for the students' cost of education.

(Authority: 20 U.S.C. 421-429, 1070b-1070b-3, 1087aa-1087ii; 42 U.S.C. 2751-2756b)

§ 673.2 Applicability of regulations.

The participating institution is responsible for administering these programs in accordance with the regulations in this part and the applicable program regulations in 34 CFR part 674, 675, or 676.

(Authority: 20 U.S.C. 421-429, 1070b-1070b-3, 1087aa-1087ii; 42 U.S.C. 2751-2756b)

Subpart B—General Provisions for the Federal Perkins Loan, FWS, and FSEOG Programs

§ 673.3 Application.

(a) To participate in the Federal Perkins Loan, FWS, or FSEOG programs, an institution shall file an application before the deadline date established annually by the Secretary through publication of a notice in the Federal Register.

(b) The application for the Federal Perkins Loan, FWS, and FSEOG programs must be on a form approved by the Secretary and must contain the information needed by the Secretary to determine the institution's allocation or reallocation of funds under sections 462, 442, and 413D of the HEA, respectively.

(Authority: 20 U.S.C. 1070b-3, 1087bb; 42 U.S.C. 2752)

§ 673.4 Allocation and reallocation.

(a) *Allocation and reallocation of Federal Perkins Loan funds.* (1) The Secretary allocates Federal capital contributions to institutions participating in the Federal Perkins Loan Program in accordance with section 462 of the HEA.

(2) The Secretary reallocates Federal capital contributions to institutions participating in the Federal Perkins Loan Program by—

(i) Reallocating 80 percent of the total funds available in accordance with section 462(j) of the HEA; and

(ii) Reallocating 20 percent of the total funds available in a manner that best carries out the purposes of the Federal Perkins Loan Program.

(b) *Allocation and reallocation of FWS funds.* The Secretary allocates and reallocates funds to institutions participating in the FWS Program in accordance with section 442 of the HEA.

(c) *Allocation and reallocation of FSEOG funds.* (1) The Secretary allocates funds to institutions participating in the FSEOG Program in accordance with section 413D of the HEA.

(2) The Secretary reallocates funds to institutions participating in the FSEOG Program in a manner that best carries out the purposes of the FSEOG Program.

(d) *General allocation and reallocation—*(1) *Categories.* As used in section 462 (Federal Perkins Loan Program), section 442 (FWS Program), and section 413D (FSEOG Program) of the HEA, "Eligible institutions offering comparable programs of instruction" means institutions that are being compared with the applicant institution and that fall within one of the following six categories:

- (i) Cosmetology.
- (ii) Business.
- (iii) Trade/Technical.
- (iv) Art Schools.
- (v) Other Proprietary Institutions.
- (vi) Non-Proprietary Institutions.

(2) *Payments to institutions.* The Secretary allocates funds for a specific period of time. The Secretary pays an institution its allocation in periodic installments as determined by the Secretary.

(3) *Unexpended funds.* (i) If an institution returns more than 10 percent of its Federal Perkins Loan, FWS, or FSEOG allocation for an award year, the Secretary reduces the institution's allocation for that program for the second succeeding award year by the dollar amount returned.

(ii) The Secretary may waive the provision of paragraph (d)(3)(i) of this section for a specific institution if the Secretary finds that enforcement would be contrary to the interests of the program.

(iii) The Secretary considers enforcement of paragraph (d)(3)(i) of this section to be contrary to the interest of the program only if the institution returns more than 10 percent of its allocation due to circumstances beyond the institution's control that are not expected to recur.

(e) *Anticipated collections of Federal Perkins Loan funds.*

(1) For the purposes of calculating an institution's share of any excess allocation of Federal Perkins Loan funds, an institution's anticipated collections are equal to the amount that was collected during the second year preceding the beginning of the award period multiplied by 1.21.

(2) The Secretary may waive the provision of paragraph (e)(1) of this section for any institution that has a cohort default rate that does not exceed 7.5 percent.

(f) *Authority to expend FWS funds after the award year.* Except as specifically provided in 34 CFR 675.18 (b), (c), and (f), an institution may not

use funds allocated or reallocated for an award year—

(1) To meet FWS wage obligations incurred with regard to an award of FWS employment made for any other award year; or

(2) To satisfy any other obligation incurred after the end of the designated award year.

(g) *Authority to expend FSEOG funds after the award year.* Except as specifically provided in 34 CFR 676.16(e), an institution shall not use funds allocated or reallocated for an award year—

(1) To make FSEOG disbursements to students in any subsequent award year; or

(2) To satisfy any other obligation incurred after the end of the designated award year.

(Authority: 20 U.S.C. 1070b-3, 1087bb; 42 U.S.C. 2752)

§ 673.5 Overaward.

(a) *Overaward prohibited.* (1) *Federal Perkins Loan and FSEOG Programs.* An institution may only award or disburse a Federal Perkins loan or an FSEOG to a student if that loan or the FSEOG, combined with the other resources the student receives, does not exceed the student's financial need.

(2) *FWS Program.* An institution may only award FWS employment to a student if the award, combined with the other resources the student receives, does not exceed the student's financial need.

(b) *Awarding and disbursement.* (1) When awarding and disbursing a Federal Perkins loan or an FSEOG or awarding FWS employment to a student, the institution shall take into account those resources it—

(i) Can reasonably anticipate at the time it awards Federal Perkins Loan funds, an FSEOG, or FWS funds to the student;

(ii) Makes available to its students; or

(iii) Otherwise knows about.
(2) If a student receives resources at any time during the award period that were not considered in calculating the Federal Perkins Loan amount or the FWS or FSEOG award, and the total resources including the loan, the FSEOG, or the prospective FWS wages exceed the student's need, the overaward is the amount that exceeds need.

(c) *Resources.* (1) Except as provided in paragraph (c)(2) of this section, the Secretary considers that "resources" include, but are not limited to, any—

(i) Funds a student is entitled to receive from a Federal Grant;

(ii) William D. Ford Federal Direct Loans;

(iii) Federal Family Education Loans;
(iv) Long-term loans, including Federal Perkins loans made by the institution;

(v) Grants, including FSEOGs, State grants, and ROTC subsistence allowances;

(vi) Scholarships, including athletic scholarships and ROTC scholarships;

(vii) Waiver of tuition and fees;

(viii) Fellowships or assistantships;

(ix) Veterans benefits;

(x) Net earnings from need-based employment; and

(xi) Insurance programs for the student's education.

(2) The Secretary does not consider as a resource—

(i) Any portion of the resources described in paragraph (c)(1) of this section that are included in the student's expected family contribution (EFC); and

(ii) Earnings from non-need-based employment.

(3) The institution may treat a Federal Direct PLUS Loan, a Federal PLUS Loan, a Federal Direct Unsubsidized Stafford/Ford Loan, a Federal Unsubsidized Stafford Loan, or a State-sponsored or private loan as a substitute for a student's EFC. However, if the sum of the loan amounts received exceeds the student's EFC, the excess is a resource.

(d) *Treatment of resources in excess of need—General.* An institution shall take the following steps if it learns that a student has received additional resources not included in the calculation of Federal Perkins Loan, FWS, or FSEOG eligibility that would result in the student's total resources exceeding his or her financial need by more than \$300:

(1) The institution shall decide whether the student has increased financial need that was unanticipated when it awarded financial aid to the student. If the student demonstrates increased financial need and the total resources do not exceed this increased need by more than \$300, no further action is necessary.

(2) If the student's total resources still exceed his or her need by more than \$300, as recalculated pursuant to paragraph (d)(1) of this section, the institution shall cancel any undisbursed loan or grant (other than a Pell Grant).

(3) *Federal Perkins loan and FSEOG overpayment.* If the student's total resources still exceed his or her need by more than \$300, after the institution takes the steps required in paragraphs (d) (1) and (2) of this section, the institution shall consider the amount by which the resources exceed the student's financial need by more than \$300 as an overpayment.

(e) *Termination of FWS employment.*

(1) An institution may fund a student's FWS employment with FWS funds only until the amount of the FWS award has been earned or until the student's financial need, as recalculated under paragraph (d)(1) of this section, is met.

(2) Notwithstanding the provisions of paragraph (e)(1) of this section, an institution may provide additional FWS funding to a student whose need has been met until that student's cumulative earnings from all need-based employment occurring subsequent to the time his or her financial need has been met exceed \$300.

(f) *Liability for and recovery of Federal Perkins loans and FSEOG overpayments.* (1) A student is liable for any Federal Perkins loan or FSEOG overpayment made to him or her.

(2) The institution is also liable for a Federal Perkins loan or FSEOG overpayment if the overpayment occurred because the institution failed to follow the procedures in this part, 34 CFR part 668, 34 CFR part 674 and 34 CFR part 676. The institution shall restore an amount equal to the overpayment and any administrative cost allowance claimed on that amount to its loan fund for a Federal Perkins loan overpayment or to its FSEOG account for an FSEOG overpayment if it cannot collect the overpayment from the student.

(3) If an institution makes a Federal Perkins loan or FSEOG overpayment for which it is not liable, it shall help the Secretary recover the overpayment by promptly attempting to recover the overpayment by sending a written notice to the student requesting repayment of the overawarded funds. The notice must state that failure to make that repayment or to make arrangements, satisfactory to the holder of the overpayment debt, to pay the overpayment renders the student ineligible for further title IV aid until final resolution of the overpayment.

(4) If a student objects to the institution's Federal Perkins loan or FSEOG overpayment determination on the grounds that it is erroneous, the institution shall consider any information provided by the student and determine whether the objection is warranted.

(5) *Referral of FSEOG overpayments.*

(i) If the student fails to repay an FSEOG overpayment or make arrangements, satisfactory to the holder of the overpayment debt, to pay the FSEOG overpayment after taking the action required by paragraphs (f)(3) and, if applicable, (f)(4) of this section, and the Federal share of the FSEOG overpayment is \$25.00 or more, the

institution shall notify the Secretary identifying the Federal share of the FSEOG overpayment, the student's name, most recent address, telephone number, and any other relevant information. After notifying the Secretary under this section, the institution need make no further recovery efforts of FSEOG overpayments.

(ii) If an institution fails in its attempt to collect the overpayment and the Federal share of the FSEOG overpayment is less than \$25.00, the institution need make no further recovery efforts of the FSEOG overpayment.

(Approved by the Office of Management and Budget under control number 1840-0535)

(Authority: 20 U.S.C. 1070b-1, 1087dd, and 1087hh; 42 U.S.C. 2753)

§ 673.6 Coordination with BIA grants.

(a) *Coordination of BIA grants with Federal Perkins Loans, FWS awards, or FSEOGs.* To determine the amount of a Federal Perkins Loan, FWS compensation, or an FSEOG for a student who is also eligible for a Bureau of Indian Affairs (BIA) education grant, an institution shall prepare a package of student aid—

(1) From resources other than the BIA education grant the student has received or is expected to receive; and

(2) That is consistent in type and amount with packages prepared for students in similar circumstances who are not eligible for a BIA education grant.

(b) (1) The BIA education grant, whether received by the student before or after the preparation of the student aid package, supplements the student aid package specified in paragraph (a) of this section.

(2) No adjustment may be made to the student aid package as long as the total of the package and the BIA education grant is less than the institution's determination of that student's financial need.

(c) (1) If the BIA education grant, when combined with other aid in the package, exceeds the student's need, the excess must be deducted from the other assistance (except for Federal Pell Grants), not from the BIA education grant.

(2) The institution shall deduct the excess in the following sequence: loans, work-study awards, and grants other than Federal Pell Grants. However, the institution may change the sequence if requested to do so by a student and the institution believes the change benefits the student.

(d) To determine the financial need of a student who is also eligible for a BIA

education grant, a financial aid administrator is encouraged to consult with area officials in charge of BIA postsecondary financial aid.

(Authority: 20 U.S.C. 1070b-1, 1087dd; 42 U.S.C. 2753)

§ 673.7 Administrative cost allowance.

(a) An institution participating in the Federal Perkins Loan, FWS, or FSEOG programs is entitled to an administrative cost allowance for an award year if it advances funds under the Federal Perkins Loan Program, provides FWS employment, or awards grants under the FSEOG Program to students in that year.

(b) An institution may charge the administrative cost allowance calculated in accordance with paragraph (c) of this section for an award year against—

(1) The Federal Perkins Loan Fund, if the institution advances funds under the Federal Perkins Loan Program to students in that award year;

(2) The FWS allocation, if the institution provides FWS employment to students in that award year; or

(3) The FSEOG allocation, if the institution awards grants to students under the FSEOG program in that award year.

(c) For any award year, the amount of the allowance equals—

(1) Five percent of the first \$2,750,000 of the institution's total expenditures to students in that award year under the FWS, FSEOG and the Federal Perkins Loan programs; plus

(2) Four percent of its expenditures to students that are greater than \$2,750,000 but less than \$5,500,000; plus

(3) Three percent of its expenditures to students that are \$5,500,000 or more.

(d) The institution shall not include, when calculating the allowance in paragraph (c) of this section, the amount of loans made under the Federal Perkins Loan Program that it assigns during the award year to the Secretary under section 463(a)(6) of the HEA.

(e) An institution shall use its allowance to offset its cost of administering the Federal Pell Grant, FWS, FSEOG, and Federal Perkins Loan programs. Administrative costs also include the expenses incurred for carrying out the student consumer information services requirements of Subpart D of the Student Assistance General Provisions regulations, 34 CFR part 668.

(f) An institution may use up to 10 percent of the allowance, as calculated under paragraph (c) of this section, that is attributable to the institution's expenditures under the FWS program to pay the administrative costs of conducting its program of community

service. These costs may include the costs of—

(1) Developing mechanisms to assure the academic quality of a student's experience;

(2) Assuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives; and

(3) Collaborating with public and private nonprofit agencies and programs assisted under the National and Community Service Act of 1990 in the planning, development, and administration of these programs.

(g) If an institution charges any administrative cost allowance against its Federal Perkins Loan Fund, it must charge these costs during the same award year in which the expenditures for these costs were made.

(Authority: 20 U.S.C. 1087cc, 20 U.S.C. 1096, 42 U.S.C. 2753, and 20 U.S.C. 1070b-2)

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

2. The authority citation for part 668 continues to read as follows:

Authority: 20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099c, and 1141, unless otherwise noted.

§ 668.1 [Amended]

3. Section 668.1, paragraph (c)(4) is amended by adding "673 and" before "676" and adding an "s" to the word "part"; paragraph (c)(10) is amended by adding "673 and" before "675" and adding an "s" to the word "part"; and paragraph (c)(12) is amended by adding "673 and" before "674" and adding an "s" to the word "part".

§ 668.2 [Amended]

4. Section 668.2, in paragraph (b) amend the definition of "Campus-based programs" in paragraph (1) by adding "673 and" before "674" and adding an "s" to the word "part"; in paragraph (2) add "673 and" before "675" and add an "s" to the word "part"; and in paragraph (3) add "673 and" before "676" and add an "s" to the word "part".

§ 668.22 [Amended]

5. Section 668.22, paragraph (g)(3)(i) is amended by removing "674, 675, 676,".

PART 674—FEDERAL PERKINS LOAN PROGRAM

6. The authority citation for part 674 continues to read as follows:

Authority: 20 U.S.C. 1087aa-1087hh and 20 U.S.C. 421-429, unless otherwise noted.

§ 674.3 [Removed]

7. Section 674.3 is removed and reserved.

§ 674.4 [Removed]

8. Section 674.4 is removed and reserved.

§ 674.8 [Amended]

9. Section 674.8 is amended by removing in paragraph (b)(2), "§ 674.18(b)" and adding in its place "34 CFR 673.7".

§ 674.14 [Removed]

10. Section 674.14 is removed and reserved.

§ 674.15 [Removed]

11. Section 674.15 is removed and reserved.

§ 674.18 [Amended]

12. Section 674.18 is amended by removing paragraph (b) and by redesignating paragraph (c) as paragraph (b).

PART 675—FEDERAL WORK-STUDY PROGRAM

13. The authority citation for part 675 is revised to read as follows:

Authority: 42 U.S.C. 2751-2756b, unless otherwise noted.

§ 675.3 [Removed]

14. Section 675.3 is removed and reserved.

§ 675.4 [Removed]

15. Section 675.4 is removed and reserved.

§ 675.14 [Removed]

16. Section 675.14 is removed and reserved.

§ 675.15 [Removed]

17. Section 675.15 is removed and reserved.

§ 675.18 [Amended]

18. Section 675.18 is amended by removing paragraph (b) and by redesignating paragraphs (c), (d), (e), (f), (g), and (h) as paragraphs (b), (c), (d), (e), (f), and (g), respectively.

§ 675.49 [Amended]

19. Section 675.49 is amended by adding the words "34 CFR part 673 and" before the words "this part 675".

PART 676—FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

20. The authority citation for part 676 continues to read as follows:

Authority: 20 U.S.C. 1070b-1070b-3, unless otherwise noted.

§ 676.3 [Removed]

21. Section 676.3 is removed and reserved.

§ 676.4 [Removed]

22. Section 676.4 is removed and reserved.

§ 676.14 [Removed]

23. Section 676.14 is removed and reserved.

§ 676.15 [Removed]

24. Section 676.15 is removed and reserved.

§ 676.16 [Amended]

25. Section 676.16 is amended by removing in paragraph (e)(1) and (e)(2) “(f)” and adding in its place “(e)”.

§ 676.18 [Amended]

26. Section 676.18 is amended by removing paragraph (b) and by redesignating paragraph (c) as paragraph (b).

PART 690—FEDERAL PELL GRANT PROGRAM

27. The authority citation for part 690 continues to read as follows:

Authority: 20 U.S.C. 1070a, unless otherwise noted.

28. Section 690.2, paragraph (c) is amended by removing the definition of “Comparable State income tax return” and by revising the definition of “Annual award” to read as follows:

§ 690.2 General definitions.

* * * * *

(c) * * *

Annual award: The Federal Pell Grant award amount a full-time student would receive under the Payment Schedule for a full academic year in an award year, and the amount a three-quarter-time, half-time, and less-than-half-time student would receive under the appropriate Disbursement Schedule for being enrolled in that enrollment status for a full academic year in an award year.

* * * * *

29. Section 690.10(b) is revised to read as follows:

§ 690.10 Administrative cost allowance to participating schools.

* * * * *

(b) All funds an institution receives under this section must be used solely to pay the institution’s cost of administering the Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs.

* * * * *

§ 690.12 [Amended]

30. Section 690.12(b)(1) is amended by removing “a copy of”.

31. Section 690.13 is revised to read as follows:

§ 690.13 Notification of expected family contribution.

The Secretary sends a student’s application information and EFC as calculated by the central processor to the student on an SAR and allows each institution designated by the student to obtain an ISIR for that student.

(Approved by the Office of Management and Budget under control number 1840-0681) (Authority: 20 U.S.C. 1070a)

32. Section 690.14 is amended by removing paragraphs (b)(1) and (b)(2); by redesignating paragraph (b)(3) introductory text as paragraph (c) introductory text; by redesignating paragraph (b)(3)(i) as paragraph (c)(1); by redesignating paragraph (b)(3)(ii) as paragraph (c)(2); by redesignating paragraph (b)(4) as paragraph (d); and by revising the heading and paragraphs (a) and (b) to read as follows:

§ 690.14 Applicant’s request to recalculate expected family contribution because of a clerical or arithmetic error or the submission of inaccurate information.

(a) An applicant may request the Secretary to recalculate his or her expected family contribution if—

- (1) He or she believes a clerical or arithmetic error has occurred; or
(2) The information he or she submitted was inaccurate when the application was signed.

(b) The applicant shall request the Secretary to make the recalculation

described in paragraph (a) of this section by—

(1) Having his or her institution transmit that request to the Secretary under EDE; or

(2) Sending to the Secretary an approved form, certified by the student, and one of the student’s parents if the student is a dependent student.

* * * * *

33. Section 690.61 is amended by revising paragraphs (a)(1)(ii) and paragraph (b)(2) to read as follows:

§ 690.61 Disbursement conditions and deadlines.

(a) * * *

(1) * * *

(ii) The institution obtains a valid ISIR for the student.

* * * * *

(b) * * *

(2) By the deadline date established by the Secretary through publication of a notice in the Federal Register.

* * * * *

§ 690.75 [Amended]

34. Section 690.75 (a)(2) is amended by adding “in an eligible program” after “enrolled”; and paragraph (e) is amended by removing the phrase “an expected family contribution of at least \$3,000” and adding in its place “an expected family contribution amount at least equal to the maximum authorized award amount for the award year”.

§ 690.78 [Amended]

35. Section 690.78 (c)(2) is amended by removing “15” and adding in its place “20”; paragraph (c)(3) is amended by removing “15” and adding in its place “20”; and paragraph (c)(4) is amended by removing “15” and adding in its place “20”.

§ 690.81 [Amended]

36. Section 690.81 is amended by removing paragraph (c).

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