



Student Financial Aid: CARES Act and COVID-19 Guidance

April 9, 2020



Introduction

The COVID-19 pandemic has created numerous challenges in serving students and administering Federal Student Aid (FSA). Further, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The law allocated \$14 billion for higher education, as well as relief to several current statutory provisions. As of the publication date of this paper, the U.S. Department of Education (ED) has not promulgated regulations or provided guidance specific to CARES Act implementation. However, ED has published two Electronic Announcements (EA) to give some advice to institutions ([EA 2020-03-05](#) & [EA 2020-04-03](#)). This paper summarizes the information provided in both EAs and provisions of the CARES Act.

CARES Act

Emergency Aid

ED will distribute \$12.5 billion in aid based on 75% on the number of Pell grant Full-Time Enrollments (FTE) and 25% on the number of non-Pell FTE. All students that were 100% distance education before the COVID-19 pandemic are excluded from the calculation. Further, at least 50% of the funds allocated to an institution must be used to provide direct aid to students, in the form of grants. ED will be publishing further guidance.

On 4/9/2020, ED released about \$6 billion of funding. This initial release is intended to be used for disbursing emergency aid for students. The additional \$6 billion in funding will be released at a later, yet to be determined date. Institutions must complete a [certification form](#) to draw the funds. Finally, institutions may develop their own methodology for awarding the funds to students, with the only requirement being that the funds cover expenses related to distribution of campus operations due to the COVID-19 pandemic ([ED's Letter](#)).

Campus-Based Institutional Share Requirements

The CARES Act waives the requirement of an institutional share for the Federal Work Student and Supplemental Education Opportunity Grant (SEOG) for the 2019-2020 and 2020-2021 award years.

Waiver of Standard Awarding Rules for SEOG

SEOG awarding is typically reserved for the neediest students, determined by their Expected Family Contribution (EFC). The act waives this requirement and allows the institution to decide SEOG awarding criteria. Further, the law caps the amount of this emergency award to the maximum Pell amount (\$6,195). Finally, the award is not counted as Estimated Financial Assistance.

Pell Lifetime Eligibility Usage (LEU) and Subsidized Usage Limit Applies (SULA)

Payment periods that a student is unable to complete due to the COVID-19 pandemic are excluded from both the LEU and SULA calculations. ED will be providing further guidance.

Return to Title IV (R2T4) — Unearned Portions of Direct Loans and Grant

The requirement to return or have the student repay unearned portions of Direct Loans and grants is waived by the CARES Act. There will be an institutional reporting requirement, for which ED will publish details at a later date.

Satisfactory Academic Progress (SAP)

The act allows an institution to exclude the quantitative component of the SAP calculation without an appeal. ED will provide further details at a later date.

Suspension of Student Loan Payments

The act suspends all loan payments and sets the interest rate at 0% until 9/30/2020. It also stops all collection and wage garnishment activities during that time. The borrower does not have to do anything to have this take effect.

Additional Financial Aid Guidance

This section is a summary of guidance provided by the U.S. Department of Education in [Electronic Announcement 2020-03-05](#) and [Electronic Announcement 2020-04-03](#).

Guidance Timeframe

With the exception of distance education (see section below), this guidance applies through June 30, 2020. If a payment period crosses over June 30, 2020, it applies until the end of the payment period.

Enrollment Status Changes

The calculation of enrollment status has not changed. However, ED published a reminder that the enrollment status for a Direct Loan is determined at the time of disbursement and does not require recalculation. Additionally, if the institution uses a census date for Pell, any changes after that date do not require a recalculation.

Distance Education

ED is temporarily allowing all institutions to offer courses through distance education regardless of if the institution has previously been approved to offer distance education courses or programs. Further, ED has provided accrediting agencies the ability to temporarily waive distance education review requirements for institutions that do not have prior distance education accrediting approval.

We strongly encourage institutions that are not approved for distance education by their accreditor to contact their accrediting agency for guidance before making any decision on distance education. [EA 2020-04-03](#) states that an institution that does not have distance education approval (program or institutional) may be required to gain approval to continue offering the program after June 1, 2020. We recommend contacting the case management team with questions regarding eligibility to provide distance education.

Acceptable delivery of distance education does vary by how progress is measured (e.g., clock vs. credit hour).

For Credit Hour Programs

ED has also clarified that instruction does not have to occur through a Learning Management System (LMS). The standard is defined by substantive communication with the professor via such methods as email, chat software, phone calls, or real-time lecture through web conferencing software.

For Clock-Hour Programs

Clock-hour programs require that the instruction is entirely overseen by qualified

personnel. The requirement can be met by "...synchronous instruction through distance education, where students are actively engaged with an instructor in real-time discussion..." or "...an online learning platform or another system for monitoring each student's academic engagement to ensure that students are academically engaged in at least 50 minutes for each hour that is recorded as a clock hour attended by the student." ([EA 2020-03-05 FAQs](#))

Federal Work-study (FWS)

An institution may pay enrolled students for hours they were scheduled to work, but could not, due to COVID-19 closures, as long as they:

- Received an FWS award for the award period during which a COVID-19 related interruption occurred on the campus;
- Earned FWS wages from the institution for that award period; and
- Was prevented from fulfilling his or her FWS obligation for all or part of the award period due to a COVID-19 related interruption.

This flexibility applies only to students who have begun their FWS job prior to the declaration of the national emergency and may not exceed one academic year. ([EA 2020-04-03](#))

The various athletic associations (e.g., NCAA, NJCAA, NAIA) generally consider paying athletes for hours they did not work an improper benefit. Therefore, we recommend working with your athletic compliance office, to determine if making payments for hours scheduled but not worked would be a compliance violation.

Finally, ED asks institutions concerned about meeting their community service requirement to contact the campus-based call center (1-800-848-0978).

Academic Year Length

We recommend you check with your accrediting agency regarding modifying academic year and course length, as some accreditors may require prior approval of changes.

Shorten

The institution may shorten its academic year without ED approval as long as the length does not fall below the minimum duration (30 weeks for credit hour and 26 weeks for clock-hour).

Further, ED has indicated that permission will be granted to reduce academic years below the minimum requirements due to COVID-19 closures.

To do so, email ED at CaseTeams@ed.gov. The email must:

1. Have a subject line stating the institution's name, OPEID, and the state where it is located
2. List the programs and the number of weeks in the new academic year (we suggest providing the current number and the requested number of weeks)
3. Explain the reason for the request (COVID-19 Pandemic)

Lengthen

The institution can lengthen its academic year without approval from ED.

Regardless of the type of change, the updated start and end dates are required for any R2T4 calculation.

Overlapping Terms

ED has indicated that programs will still be considered term-based if overlapping terms are created due to lengthening a term as a result of the COVID-19 pandemic.

Impact of Tuition & Housing Refunds

ED has issued guidance that the cost of attendance does not need to be adjusted due to refunds of tuition, housing, or other direct expenses that result from the COVID-19 pandemic. Please note that there are no changes to the timeframe to issue a Title IV credit balance. Therefore, unless the student or parent has previously signed a waiver to hold the credit balance, any Title IV credit balance created must be resolved in 14 days. The institution still has discretion on how it handles non-Title IV credit balances and should continue to follow their written policies.

We caution that there are a multitude of factors involved determining the effect of making these refunds, including the timing of the refund, the types of aids (Title IV vs Non-Title IV), credit balance waivers on file, and the end date of the loan period or academic year. As such, we cannot make blanket recommendations but are available to review your specific scenario.

Common Origination and Disbursement System (COD) Adjustments

If the term starts or ends before June 30, 2020, any change in loan periods and other COD dates do not require adjustments in COD.

R2T4

The CARES Act made significant changes to the R2T4 requirements. ED has not yet published any guidance on those changes.

Provided below is the guidance provided in [EA 2020-03-05](#). The institution may want to wait until new direction is published before performing R2T4 calculations, as long as it does not cause a later calculation or return of funds.

- **Calculations** – Calculations performed before the changes of any payment period's dates do not need to be recalculated.
- **Payment Period Dates** – The institution should use the actual payment period dates. Therefore, if the end date is changed (i.e., the term is shortened or lengthened), the new payment period dates must be used.
- **Scheduled Breaks** – All breaks of greater than five days must be included as a scheduled break. For example, if the spring break is extended, the new end date of spring break must be used. Also, if due to COVID-19, there is no instruction for a period of at least five days, and must be considered a scheduled break.
- **The date the institution Determined the Withdrawal (DOD)** – There are no changes in the determination of the date the student withdrew. However, if the institution closes and fails to reopen or a student does not return after the institution reopens, the date the institution closed can be used as the DOD.

National Student Loan Data System (NSLDS) Enrollment Reporting

If the institution unexpectedly ceases operation during a payment period and fails

to reopen during the same payment period, the institution may delay reporting a student as withdrawn. As long as:

1. The institution will resume operation within 90 days of the closure: and
2. It is reasonably expected that the student will continue enrollment.

If the student does not restart after the school reopens, the institution must report the student as withdrawn and use the date the student actually withdrew.

Special Grants to Assist Student with Unexpected COVID Expenses or Loss of Employment

Any special or emergency grants, other than those outlined in the SEOG section under CARE Act (see earlier in the document), provided to students to assist them through this challenging time must be considered Estimated Financial Assistance (EFA). To prevent an over-award, the institution can consider increasing the Cost of Attendance (COA) by Professional Judgement (PJ). All PJs must be on a case-by-case basis, and the institution is not permitted to make a blanket decision to increase the COA for all students.

Need Analysis

Grants and low-interest loans received as a result of the COVID-19 pandemic are excluded from the calculation of the EFC.

Verification

The notary or in-person submission requirements for V4 and V5 student is suspended. The institution can accept a copy of the required documents as well as identity documents that expired after March 1, 2020.

Finally, if a dependent student cannot obtain their parent's signature, the institution may still complete verification. However, the institution must document why the parent's signature could not be provided.

Final Federal Reporting Deadlines

An institution can request an extension to report its final Pell Grant payments by submitting a request via the Common Origination and Disbursement (COD) website (<https://cod.ed.gov>) or by contacting the COD School Relations Center (1-800-474-7268).

About the Author

John Knost has over 20 years' experience in tying together higher education operations, compliance, and technology to increase student success, institutional efficiency, and improve compliance. Mr. Knost has served in lead compliance roles, run large financial aid processing centers, and assisted in both system design and implementations. He holds a master's degree in Higher Education Administration with a Certificate in Enrollment Management from the University of Miami.

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