**Packaging Title IV aid to avoid Credit Balances**

When packaging aid to students, your first priority would be to determine the cost of attendance for the first academic year (first 900 hours and 26 instructional weeks, 24 semester/trimester credit hours and 30 instructional weeks, or 36 quarter credit hours and 30 instructional weeks, but not less than 2 payment periods in the academic year). Once you determine the institutional charges for the academic year (tuition for the 900 hours, registration fees, books, supplies and equipment, do not include the application fee), you will need to add the allowed room, board, transportation and personal costs in your budget to get the cost of attendance for the academic year.

Once you set your initial financial aid package, FIRST include Pell Grant and SEOG, and then determine the student maximum loan eligibility for the subsidized loan. If the cost of attendance is still larger than the aid offered, provide the student with the maximum eligibility for unsubsidized loan. If the student is a dependent student, their aid package could include PLUS loan to the eligible parent.

When you award aid for an academic year, any amount awarded above the total direct educational costs (tuition, fees, and supplies) for the academic year must be paid to the student to cover personal expenses.  ED rules don't let you award loans for less than the maximum eligible amount without authorization from the student.  Counseling can encourage a student to authorize lower loans (covering less personal expenses) to reduce later debt, but a school can't have a policy to award only to cover direct educational costs and not cover any personal expenses.

Counseling at this time plays a very important role in the student’s enrollment into the course of study. It is very important to take the time to discuss with the student the risks involved in borrowing Federal Loans, the extreme collection actions taken by the government to collect the loan funds back (loans cannot discharge by bankruptcy, defaulters on this loan would more than likely not be able to buy a car or buy a house or even have a credit card), also how expensive the loans are, with sample repayment schedules, and finally how much your graduates are in fact earning to meet this student obligation. Sounds silly, but it is important for schools to meet this administrative responsibility.

As you finalize the aid awards and prepare for aid disbursement, take note of the following:

The calculation of aid to be disbursed will be divided from all programs into two disbursements. The total amount of aid to be disbursed in the academic year (two payment periods) minus the total of institutional charges would represent the amount awarded for personal expenses.

Take the amount of Personal expenses awarded and divided by two, each amount will correspond to the amount that you MUST give to the student for payment periods one and two. The balance of each payment period will be paid to the school for institutional charges. The first payment will be slightly smaller than the second payment, but there will be no credit balances at any time.

**REMEMBER: NEW RULES** As of 7/1/2016 any school that is in HCM1 OR HCM2 will have to actually pay the students from their own funds before a cash request can be made to G5.

For your information, The Department of Education published a listing of 250+ schools on HCM1 and HCM2 in the United States of America. You do not want to be on that listing. Your CPA should analyze your numbers at least in October and February to give enough time to correct your annual numbers. Do not wait until JUNE--that would be too late.