

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



September 10, 1987

ALL COUNTY LETTER NO. 87-123

TO: ALL COUNTY WELFARE DIRECTORS

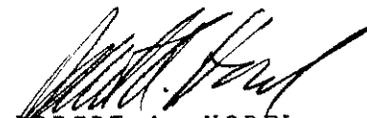
SUBJECT: QUESTIONS AND ANSWERS ON THE TREATMENT OF EDUCATIONAL
LOANS AND GRANTS IN AFDC, RDP, RCA & ECA

REFERENCE: MPP 44-111.43, Educational Loans & Grants (Income)
MPP 42-213.2c(2), Loans & Grants (Property)

The purpose of this letter is to provide clarifying information which may assist you in interpreting and applying the referenced regulations with regard to the treatment of educational loans and grants. The letter responds to the many questions received from counties and educational institutions on this subject.

In the attachment to this letter, we have chosen a question and answer format to address the substantive issues that have been brought to our attention. The questions and answers are divided among the following subject areas on the attachment: Exempt Educational Loans and Grants, Partially Exempt Educational Loans and Grants, and Miscellaneous. Where appropriate, we included narrative summaries of key regulatory provisions to establish the basis for treatment of the issues.

If you have questions regarding this letter or additional questions regarding the treatment of educational loans and grants, please call Jim Mullany at (916) 324-2661 or ATSS 454-2661.


ROBERT A. HOREL
Deputy Director

Attachment

cc: CWDA

EXEMPT EDUCATIONAL LOANS AND GRANTS

Any grant or loan to an undergraduate student for educational purposes made or insured under any program administered by the Federal Secretary of Education is exempt from consideration as income in AFDC (MPP 44-111.432). The primary loan and grant programs in this category are: Pell Grants (Formerly Basic Educational Opportunity Grants), Supplemental Educational Opportunity Grants (SEOG), Guaranteed Student Loans (GSL) and Perkins Loans (Formerly National Direct Student Loans).

Educational loans and grants to an undergraduate student are exempt from consideration in AFDC if they are awarded on the basis of the student's need (MPP 44-111.433).

Any unexpended portions of an exempt educational loan or grant are excluded from consideration as personal property [MPP 42-213.2c(2)].

1. Q: Are all loan and grant programs administered by the Federal Secretary of Education listed in the AFDC regulations?

A: No. The list of loan and grant programs in the regulations (MPP 44-111.432) is not all inclusive, nor is the list always current with regard to the programs named.

2. Q: Is a student with one four-year academic degree who is now pursuing a second undergraduate degree or a teaching credential considered an undergraduate student?

A: No. A student possessing a four-year undergraduate degree (not a two-year community college degree) would not be classified as an undergraduate student.

3. Q: A community organization awards a scholarship (grant) to an undergraduate student based solely upon the student's academic achievement. Would this grant be exempt in accordance with MPP 44-111.433?

A: No. Only grants (or loans) awarded on the basis of the student's need are totally exempt in accordance with MPP 44-111.433. If the same community organization awarded a scholarship to an undergraduate student based upon the student's need, the scholarship would be totally exempt from consideration as income in AFDC. In evaluating educational loans and grants to undergraduate students in accordance with MPP 44-111.433, the county must determine if the grant or loan is awarded based upon the student's need.

4. Q: The regulations (MPP 44-111.433) list examples of educational loans and grants which are awarded based upon need (Bureau of Indian Affairs Loans and Grants, Cal Grants A, B, and C). Are these the only loans and grants awarded based upon need which are exempt as income?

A: No. ALL educational loans and grants awarded to undergraduate students on the basis of the student's need are exempt from consideration in AFDC. The educational loans and grants listed in the regulations are only examples of loans and grants awarded on the basis of need. There are numerous other educational loans and grants awarded on the basis of need.

5. Q: Is a grant to an undergraduate student provided by the Bilingual Teacher Grant Program exempt from consideration in AFDC?

A: Yes. Grants awarded by the Bilingual Teacher Grant Program are awarded on the basis of need; therefore, these grants awarded to undergraduates would be exempt in accordance with MPP 44-111.433.

6. Q: A graduate student is awarded a grant which is based upon the student's need. Is this grant exempt in accordance with MPP 44-111.433?

A: No. Only grants to undergraduate students are exempt under MPP 44-111.433. Grants (or loans) to graduate students are exempt from consideration as income only to the extent the proceeds are used to meet educational expenses in accordance with MPP 44-111.434. (See the following section regarding partially exempt loans and grants.)

PARTIALLY EXEMPT EDUCATIONAL LOANS AND GRANTS

Educational loans and grants (other than those which are totally exempt) are exempt from consideration as income only to the extent that the proceeds are used to meet educational expenses (MPP 44-111.434).

7. Q: An undergraduate receives an educational grant in November and this grant is not exempt. The grant is intended to cover educational expenses for the fall semester (September through December). Would educational expenses incurred in September and October be allowed as a deduction from this grant received in November when computing net income?

A: Yes. These prior educational expenses for the same period (fall semester) that the grant is intended to cover would be allowed as a deduction when computing net income from the educational grant.

8. Q: What is the correct treatment of Veterans' Educational Assistance Payments (VEAP) and G.I. Bill Educational Benefits?

A: The benefits from the G.I. Bill and VEAP are not totally exempt educational loans or grants. A detailed description of the methods for computing net income from these veterans educational benefit programs can be found in All County Letter Number 87-48.

9. Q: Are all educational loans and grants to graduate students treated in accordance with MPP 44-111.434 (exempt only to the extent the proceeds are used for educational expenses)?

A: Yes. All educational loans and grants to graduate students are exempt only to the extent that the proceeds are used for educational expenses.

10. Q: A graduate student receives a \$2,400 educational grant in November. The grant is intended for the school term which began in September and will end in January. In accordance with MPP 44-111.434, how is the amount of countable income (if any) in AFDC computed when all of the educational expenses for the semester have yet to be incurred?

A: Although actual educational expenses are to be used whenever possible, future educational expenses (December and January) should be estimated for the period the grant is intended to cover. The expenses (actual and estimated) are subtracted from the educational grant amount and the remainder (if any) is to be considered as lump sum income in the month the grant was received (November). A corrective payment or overpayment adjustment may be appropriate if the actual expenses vary from the expenses originally estimated when the grant was received (November).

\$2400	(Educational grant received in November)
<u>-\$1800</u>	(Educational expenses, actual and estimated)
\$ 600	(Lump Sum Income, November)

MISCELLANEOUS

11.Q: How is income from the College-Work Study Program treated in AFDC?

A: Income from the College Work-Study Program is totally exempt earned income in accordance with MPP 44-111.25. This exemption applies whether the student-recipient is an undergraduate or graduate student.

12.Q: A student receives an exempt educational loan in September and the loan is intended to cover educational expenses for the entire school year. The student deposits the loan proceeds in a savings account to use when needed. How is the interest earned on that account treated in AFDC?

A: The interest earned on the exempt loan proceeds deposited in a bank account would be countable income in accordance with MPP 44-102(a). The actual loan proceeds in the bank account would be excluded as personal property in accordance with MPP 42-213.2c(2).

13.Q: Can the net countable income from a nonexempt educational loan be averaged and apportioned equally over the period the loan is intended to cover? For example; the net countable income (after deduction of educational expenses) from a scholarship received in September is \$500. The scholarship is intended to cover educational expenses for the period September through January. Can the income be apportioned equally over that period at the rate of \$100 per month?

A: No. The net countable income cannot be averaged and then apportioned equally over the period the loan or scholarship is intended to cover. MPP 44-102 requires that income shall be considered currently available in the month received except in four specific situations. In the example presented, the \$500 net income amount would be counted as having been received in September.