



# Student Aid and Financial Assistance Resource Sheet

***HOTMA mandates the exclusion of earned income for full-time dependent students and the exclusion of certain financial aid for both full and part-time students.***

## Mandatory Deduction for Full-time Students **24 CFR 5.609(b)(14)**

The earned income of dependent full-time students in excess of the amount of the deduction for a dependent is excluded from income. Since there is a mandatory \$480 deduction\* for dependents, the result is that all earned income of dependent students will either be excluded or deducted from income. (\*The deduction amount will be adjusted annually for inflation and rounded to the next lowest multiple of \$25.)

## Educational Savings Account **24 CFR 5.609(b)(10)**

Any amount in or from, or any benefits, income, or distributions from, any Coverdell educational savings account or any qualified tuition program under IRS sections 529 and 530 shall be excluded from income.

## Student Financial Assistance **24 CFR 5.609(b)(9)**

The new rules create two categories of student financial aid. The first category, is any assistance that section 479B of the Higher Education Act of 1965, as amended, requires to be excluded from a family's income, referred to here as, "Title IV HEA Assistance." For public housing residents, all assistance in this category must be excluded from income. See the exception for some Housing Choice Voucher participants below in the final section.

The second category is any other grant-in-aid, scholarship, or other assistance amounts an individual receives for the actual covered costs charged by the institute of higher education.

Exclusion in both categories apply equally to full and part-time students.

## Title IV HEA Assistance **24 CFR 5.609(b)(9)(i)**

**Title IV HEA Assistance refers to** any assistance that section 479B of the Higher Education Act of 1965, as amended (20 U.S.C. 1087uu), requires to be excluded from a family's income. This includes:

- Bureau of Indian Affairs/ Education student assistance programs. Current examples include:
  - » The Higher Education Tribal Grant, and
  - » The Tribally Controlled Colleges or Universities Grant Program.



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- Student assistance received under Title IV of HEA currently includes, but is not limited to:
  - » Federal Pell Grants
  - » Teach Grants
  - » Federal Work-Study Programs
  - » Federal Perkins Loans

**Beginning January 1, 2024**, PHAs shall exclude from income amounts received for the forms of assistance listed in the revised version of Section 479B of the HEA. This will expand the forms of excluded income to include:

- Income earned in employment and training programs under section 134 of the Workforce Innovation and Opportunity Act (WIOA), including: **workforce investment activities for adults and workers dislocated** as a result of permanent closure or mass layoff at a plant, facility, or enterprise, or a natural or other disaster that results in mass job dislocation, in order to assist such adults or workers in obtaining reemployment as soon as possible.

Section 479B of the HEA requires that all assistance under Title IV of the HEA as well as Bureau of Indian Affairs student financial assistance, even assistance provided to students in excess of tuition and required fees or charges, be excluded from HUD income calculations. (See the exception for some Housing Choice Voucher participants below.)

### Other Student Financial Assistance

#### 24 CFR 5.609(b)(9)(ii)

This category of excluded student financial assistance recognizes that student aid can take a variety of forms and come from a variety of sources.

It seeks to cover student financial assistance, for both full and part-time students, that is **not** included under Title IV of the HEA or under Bureau of Indian Affairs student assistance programs.

To qualify as excluded student financial assistance under this category, the aid must be:

- Used for “actual covered costs”
- Expressly to assist the a student with the costs of higher education; or
- Expressly to assist a student who is not the head of household or spouse, with the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit;
- A grant or scholarship received from:
  - » The federal government;
  - » A State, Tribe, or local government;
  - » A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3);



**Work Study:** Amounts received under work study may only be excluded if provided pursuant to Title IV of the HEA or deducted as earned income if performed by a dependent full-time student (24 CFR 5.609(9)(ii)(B)(2)).

**Loans:** Loan proceeds for educational expenses, though considered student financial assistance if provided under a loan program in Title IV of the HEA, are not considered student financial assistance in the second category (Student Financial Assistance) but are already excluded from income as a loan (24 CFR 5.609(b)(20)).

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- » A business entity (such as corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or
- » An institution of higher education.

The aid may be paid directly to the student or to the educational institution on the student's behalf. However, any student financial assistance paid to the student must be verified by the PHA as consistent with this section (24 CFR 5.609 (b)(9)(iii)).

Student financial assistance, excluded here, does **not** include:

- Any assistance that is already excluded under Title IV of the HEA
- Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded as Title IV HEA Assistance).
- Gifts, including gifts from family or friends; or
- Any amount of the scholarship or grant that, either by itself or in combination with HEA assistance exceeds the actual covered costs of the student.



**Employer Grants:** A grant includes a qualified tuition remission, reduction, waiver, or reimbursement (i.e., for costs of tuition, books, and fees, etc. paid for by the student) by the educational institution, such as for an employee of the institution of higher education or an eligible family member of that employee. A grant would also include assistance provided by an employer as part of an employee educational assistance program or tuition reimbursement program.



**Actual covered costs** of the student are the actual costs of: tuition, books and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit. The educational institution must meet the definition of an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)).

### Calculating Exclusions from Both Categories

When the student is receiving assistance that is excluded under both categories, the Title IV HEA Assistance must be applied first. Student Financial Assistance can then be applied to any remaining actual covered costs. Once actual costs are covered, any remaining Student Financial Assistance would be considered income.

#### Steps:

1. Calculate the “actual covered costs.”
2. Apply the Title IV HEA Assistance.
3. Subtract the actual covered costs from the total amount of Title IV HEA Assistance.
  - a. If the amount of assistance excluded as Title IV HEA Assistance is equal to or exceeds the actual covered costs, none of the assistance included under “Student Financial Assistance”

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would be excluded from income. This is because this assistance would no longer be needed to cover actual costs and therefore would not meet the definition of Student Financial Assistance.

- b. If the amount of Title IV HEA Assistance is less than the actual covered costs, go to the next step.
4. Exclude the amount of Student Financial Assistance up to the amount of the remaining actual covered costs (those not covered by Title IV HEA Assistance).

### Example 1

Title IV HEA Assistance:	\$26,000
Other Student Financial Assistance:	\$5,000
Actual covered costs:	\$25,000
Excluded income:	\$26,000

**Explanation:** All assistance under Title IV HEA Assistance must be excluded from income. This exclusion must be taken first. Student Financial Assistance could then cover any remaining actual covered costs. However, since there were no remaining actual covered costs, this assistance would be counted as income.

### Example 2

Title IV HEA Assistance:	\$15,000
Other Student Financial Assistance:	\$5,000
Actual covered costs:	\$22,000
Excluded income:	\$20,000

**Explanation:** All financial assistance (\$20,000) is still less than the student's actual covered costs (\$22,000). Therefore, all financial assistance should be applied.

### Example 3

Title IV HEA Assistance:	\$15,000
Student Financial Assistance:	\$5,000
Actual covered costs:	\$18,000
Excluded income:	\$20,000

**Explanation:** In this case, the student's actual covered costs are only \$18,000. The amount of the scholarship that is considered Student Financial Assistance and excluded from income would be \$3,000. This is because

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\$3,000 is the amount by which actual covered costs exceed the assistance excluded as Title IV HEA assistance (\$18,000 - \$15,000). The amount of the scholarship that is in excess of the student's actual covered costs (\$2,000) is not student financial assistance and is not excluded under § 5.609(b)(9)(ii).

Another way to explain this is that, Student Financial Assistance (§ 5.609(b)(9)(ii)) excluded from income is the lower of either:

1. the total amount of scholarships and grants the student received that are not covered by 479B of the HEA or
2. the amount by which the student's actual covered costs exceeds the assistance the student received that is excluded under section 479B of the HEA.

### HCV Limitation for Student Assistance in Excess of Covered Costs

Section 479B of the HEA requires that all assistance under Title IV of the HEA and Bureau of Indian Affairs student financial assistance, even assistance provided to students in excess of tuition and required fees or charges, be excluded from HUD income calculations. However, for over 10 years through FY 2022, HUD appropriations have included a provision that for Section 8 students who are age 23 and under or without dependent children any amounts received in excess of tuition and any other required fees and charges shall be considered income. This limitation has been interpreted to apply when the student is the head of household or spouse, but not when the student resides with parents in a Section 8 unit (71 FR 18146). For any funds from a year where HUD's appropriations acts include this limitation, it will apply with respect to Section 8 participants. HUD will notify PHAs if this requirement is removed from the appropriations act.

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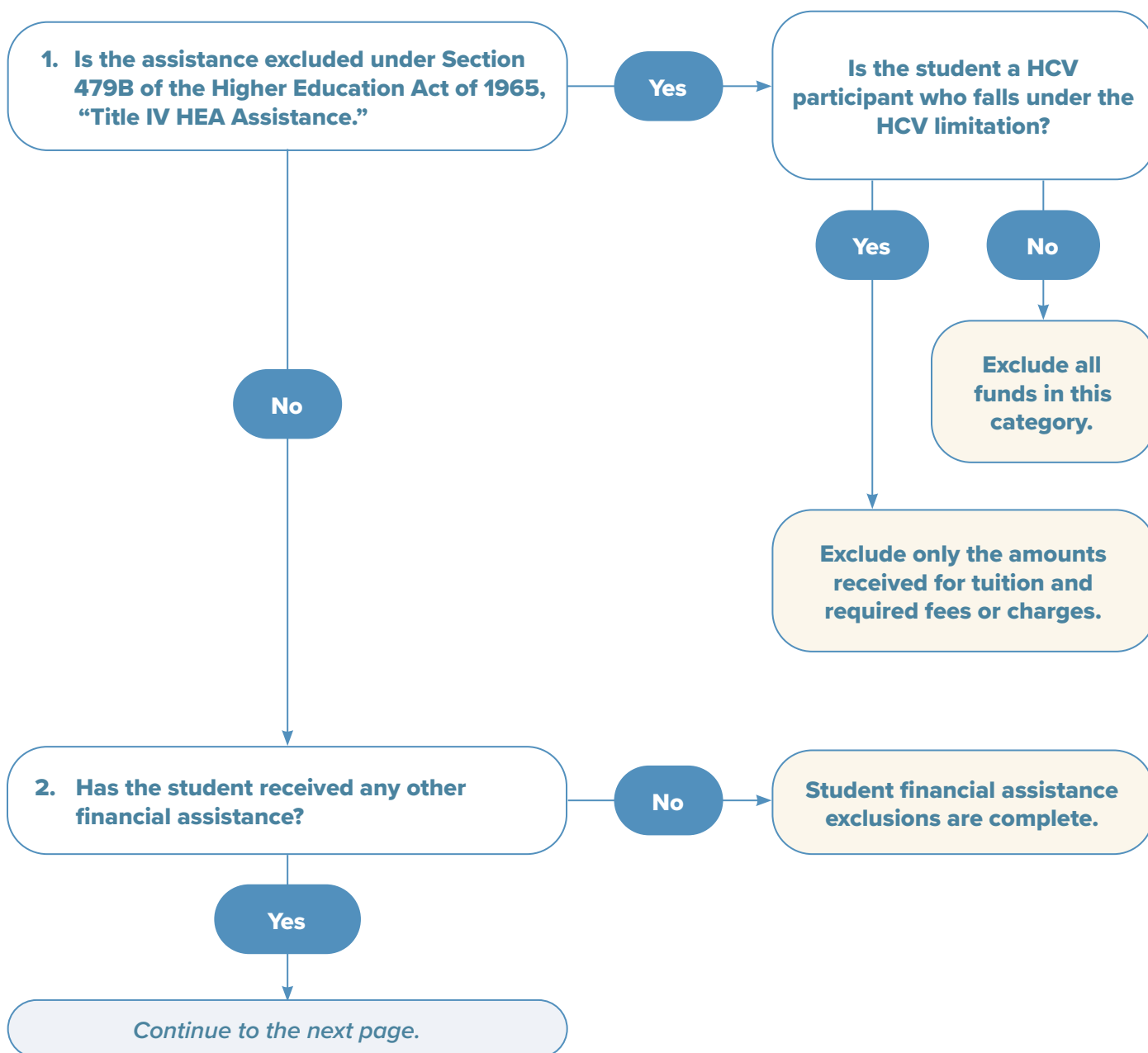
# Student Financial Assistance Exclusion Decision Tree

**Before going through the decision tree, determine:**

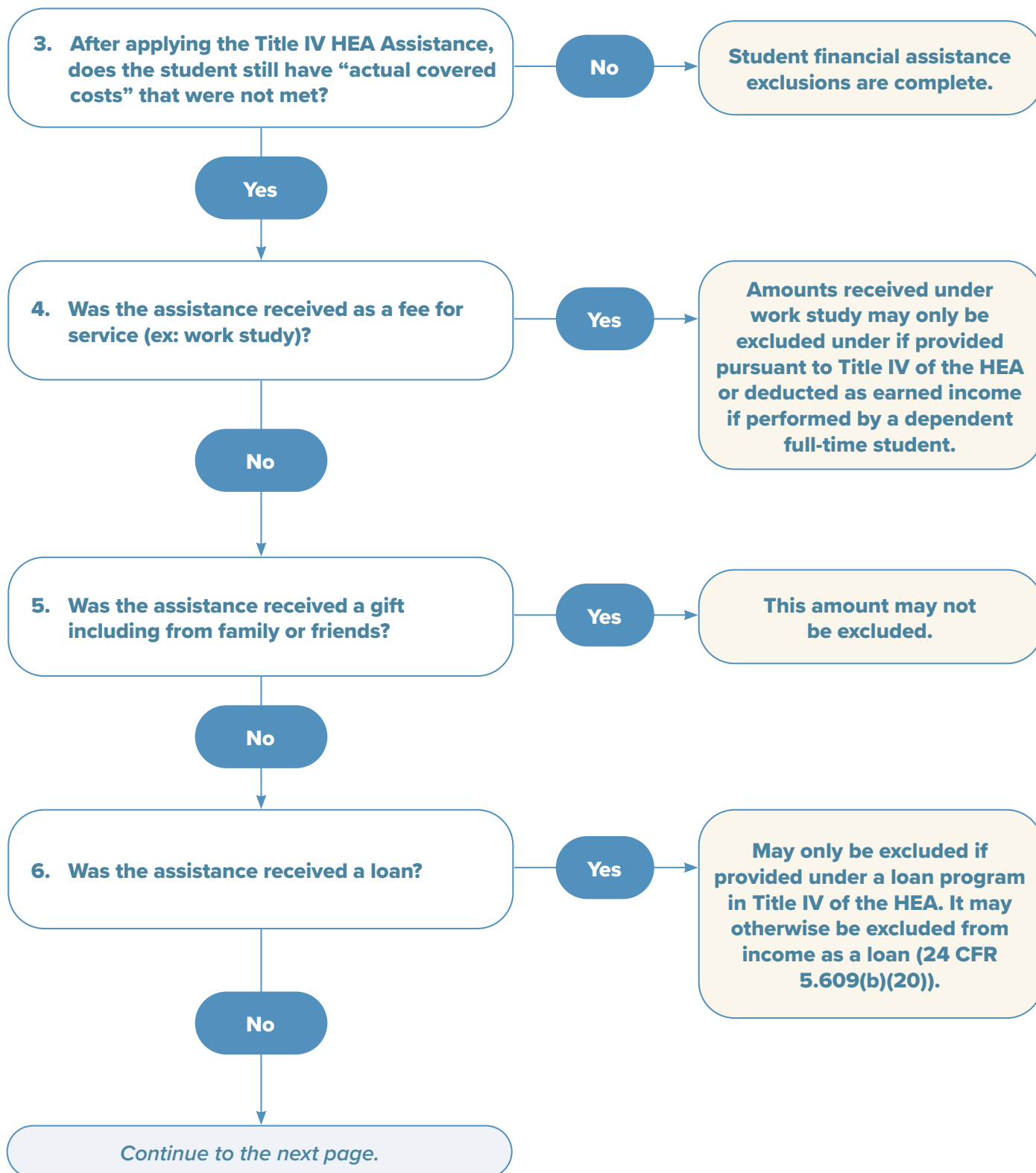
Title IV HEA Assistance:

Other Student Financial Assistance:

Actual covered costs:



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### 7. Does the aid meet the following requirements:

- Expressly to assist a student with the costs of higher education; or
- Expressly to assist a student who is not the head of household or spouse, with the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit;
- A grant or scholarship received from:
  - » The federal government; a State, Tribe, or local government; a private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3); a business entity (such as corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or an institution of higher education.

Yes

**Exclude the amount of Other Student Financial Assistance up to the amount of the remaining actual covered costs (those not covered by Title IV HEA Assistance). After making this exclusion, any remaining funds are considered income.**

No

**Student financial assistance exclusions are complete.**