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# Return of Title IV Funds

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## WITHDRAWALS\*

**T**his chapter explains how Title IV funds are handled when a recipient of those funds ceases to be enrolled prior to the end of the term.

The Higher Education Amendments of 1998, Public Law 105-244 (the Amendments of 1998) substantially changed the way funds paid toward a student's education are handled when a recipient of Title IV funds withdraws from school. All schools were required to implement these provisions by October 7, 2000.

The old provisions required schools participating in the Title IV programs to use specific refund policies when a Title IV funds recipient withdrew. The school determined the amount of institutional charges it earned, the unearned amount, and the amount that had to be refunded. In addition, the old provisions specified an order of return of unearned funds from all sources of aid, not just the Title IV programs.

The new requirements do not dictate an institutional refund policy. Instead, a statutory schedule is used to determine the amount of Title IV funds a student has earned as of the date he or she ceases attendance. The amount of Title IV program assistance earned is based on the amount of time the student spent in academic attendance; it has no relationship to the student's incurred institutional charges. Because these requirements deal only with Title IV funds, the order of return of unearned funds no longer includes funds from sources other than the Title IV programs.

Up **through the 60% point** in each payment period or period of enrollment, a pro rata schedule is used to determine the amount of

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\* Although elsewhere the Handbook refers to the *SFA programs*, rather than the *Title IV programs*, which is the term used in the law, this Chapter will use the term Title IV programs to make it easier to use with the worksheets for the Treatment of Title IV Funds When A Student Withdraws.

Title IV funds the student has earned at the time of withdrawal. **After the 60% point** in the payment period or period of enrollment, a student has earned 100% of the Title IV funds.



### Clarification

The new requirements do not prohibit a school from developing its own refund policy or complying with refund policies required by state or other outside agencies. Although an institutional, state or agency refund policy will determine the charges a student will owe after withdrawing, those policies will not affect the amount of aid the student has earned under the return calculation.

Schools are still required to provide students with the details of all refund policies applicable at the institution as well as information on the Title IV program requirements for determining the amount of Title IV funds a student has earned when he or she withdraws.

### *Worksheets*

The Department developed worksheets to assist schools in their implementation the final regulations (you can find blank worksheets at the end of this chapter). There is one worksheet for students who withdraw from credit-hour programs and one for students who withdraw from clock-hour programs. These worksheets are available at the end of this chapter and in portable document file (PDF) format on the Department's *Information for Financial Aid Professionals* Web site at

<http://ifap.ed.gov>

This chapter will discuss the general requirements for the treatment of Title IV funds when a student withdraws and will then follow the steps in the worksheets.

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### Technical Questions

*Technical questions on the return to Title IV funds software are handled by the CPS at 800-330-5947, option 9, or via e-mail at CPS@NCS.COM.*

The Department has also developed Return of Title IV Aid software that automates the return calculation. The software can be downloaded from ED's SFA download site

<http://wwwsfadownload.ed.gov>

The use of the Department's worksheets and the software is optional; schools are not required to use either for the determination of the treatment of Title IV funds when a student withdraws.

### *General requirements*

If a recipient of SFA grant or loan funds withdraws from a school after beginning attendance, the amount of SFA grant or loan assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the student earned, unearned funds must be returned. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, he or she is eligible to receive a post-withdrawal disbursement of the earned aid that was not received.

The change to the law makes clear that Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive.

### Verification

The return calculations impose no additional liability for initial disbursements made to students selected for verification.

Under 34 CFR 668.53(a) (1) an institution must establish a timeframe in which students who withdraw must provide all verification documents necessary for the institution to make any required post-withdrawal disbursements in the time allowed by the return regulations. In its policies and procedures manual, in order to comply with the return regulations an institution might have to shorten the number of days it allows for students who withdraw to provide any required verification documents. A student who fails to provide all required verification documents within the time frame established by the institution forfeits eligibility *for the entire award period*. Therefore, for this student, the return of Title IV funds requirements would not be applicable because an institution must return all Title IV funds received for an ineligible student.

If a school treats students in verification as ineligible and does not make any initial disbursements of Title IV funds to them, then no return calculation is required.

In the near future, the Department intends to issue expanded guidance on verification and the return of Title IV funds.

### Consumer information

A school must make available upon request to prospective and enrolled students a statement of

- any refund policy with which the school must comply,
- the requirements for the treatment of Title IV funds when a student withdraws, and
- the requirements and procedures for officially withdrawing from the school.

Because these new provisions no longer affect institutional refund policies, the school must provide the student with information on both the Title IV requirements and the school's refund requirements.

A school should include some discussion of how the Title IV requirements and the school's refund requirements interact, including how the school might adjust a student's charges to take into account repayments of Title IV funds that the school was required to make.

### Clarification

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**Consumer Information Cite**  
*Section 485(a)(1)(F), 34 CFR 668.43*  
 For more information see chart on  
 “Institutional and Financial Assistance  
 Information for Students” at the end of  
 chapter 7.

## *Foreign schools*

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### Lender Notification to Foreign Schools Cite

34 CFR 682.207

Foreign schools participating in the Title IV programs are also subject to the requirements for the treatment of Title IV funds when a student withdraws. The HEA includes a provision that allows lenders to make FFEL program loan disbursements directly to a student who is attending a foreign school. A lender making a direct disbursement to a student attending a foreign school must notify the school that the disbursement was made. This provision was added to the regulations because, as a result of direct disbursements, a foreign school would not necessarily know that a student had received a disbursement and would not be able to properly determine the return of Title IV funds if the student withdrew. As part of the notification, the lender must provide the information necessary for the school to determine the amount of Title IV funds that the student has earned if the student withdraws. This information is:

- the name and social security number of the student;
- the name and social security number of the parent borrower, if the loan disbursed is a PLUS loan;
- the type of loan;
- the amount of the disbursement, including the amount of any fees assessed the borrower;
- the date of the disbursement; and
- the name, address, telephone number, and fax number or electronic address of the lender, servicer, or guaranty agency to which any inquiries should be addressed.

## *Definition of a Title IV recipient*

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### Recipient of SFA Grant or Loan Assistance

*A student for whom the requirements of 668.164(g)(2) have been met.*

These requirements for the treatment of Title IV funds when a student withdraws apply to any recipient of SFA grant or loan funds who withdraws. For purposes of these requirements, *a recipient of grant or loan assistance* is a student who has actually received Title IV funds **or** has met the conditions that entitle the student to a late disbursement. These conditions are listed in a chart on *Late Disbursements* in chapter 5 of this volume.

These requirements apply only to the receipt of or qualification for aid that could be included in the calculation. For example, the requirements of 34 CFR 668.22 do not apply to Federal Work-Study funds. Therefore, a student would not be considered an SFA recipient if the only Title IV program assistance that the student had received or could have received was FWS funds. For more information on the types of Title IV program assistance included in the calculation, see the discussion of *Funds to Include in the Calculation* under Step 1.

Please note that if the student never actually began attendance for the payment period or period of enrollment, 34 CFR 668.22

does not apply. Likewise, if a student began attendance, but was not and could not have been disbursed Title IV grant or loan funds prior to withdrawal, the student is not considered to have been a Title IV recipient and the requirements of 34 CFR 668.22 do not apply. In these cases, Title IV funds would be handled in accordance with other Title IV regulations (see margin).

Funds Awarded to Students Who Do Not Begin Training Cites  
 34 CFR 668.21  
 34 CFR 682.604(d)(3) or (4), and  
 34 CFR 685.303(b)(3)

## Rounding

Monetary amounts are to be reported in dollars and cents using standard rounding rules to round to the nearest penny. Final repayment amounts that the school and student are each responsible to return may be rounded to the nearest dollar.

Percentages are calculated to three decimal places. The third decimal place is rounded up if the fourth decimal place is 5 or above. For example, .4486 would be rounded to .449, or 44.9 percent.

The **one exception** to this rule is in determining of the percentage of Title IV program assistance earned. Students who withdraw at any point **after the 60% point** in the payment period or period of enrollment have earned 100% of their Title IV funds. If the standard rounding rules were used in this situation, a quotient of .6001 through .6004, which is greater than 60%, would be rounded down to .600 (60%). Therefore, to recognize that students completing more than 60% of the period (by any amount) earn 100% of their Title IV program assistance, **amounts of .6001 through .6004 are not rounded** for the purpose of determining whether a student has earned 100% of the Title IV funds for the term.

*From this point on, this chapter will discuss issues in the order in which they occur on the worksheets.*

## *Date of the institution's determination that the student withdrew*

Some aspects of the withdrawal process cannot occur until the school is aware that the student has withdrawn. For example, a school cannot be expected to return Title IV funds for a withdrawn student unless the school knows that the student is no longer in attendance. The *date of the institution's determination that the student withdrew* captures the point in time when a school could reasonably be expected to be aware that a student has withdrawn.

The *date of the institution's determination that the student withdrew* varies depending on the type of withdrawal. For example, if a student begins the official withdrawal process or provides official notification to the school of his or her intent to withdraw, the *date of the institution's determination that the student withdrew* would be the student's withdrawal date or the date of the student's notification, whichever is later. If a student did not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the had student ceased

attendance. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on *Withdrawal Dates* at the end of this chapter.

**Note:** For a student who withdraws without providing notification to the school, the school must determine the withdrawal date **no later than 30 days after the end of the earlier** of (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

As noted above, the *date of the institution's determination that the student withdrew* is not necessarily the same as a student's withdrawal date. A student's withdrawal date is used to determine the percentage of the payment period or period of enrollment completed and, therefore, the amount of aid a student has earned. **The date of the institution's determination that the student withdrew is used in the following circumstances:**

- A school must offer any amount of a post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of determination;
- If the student or parent submits a timely response that instructs the school to make all or a portion of the post-withdrawal disbursement, the school must disburse the funds within 90 days of the date of determination;
- A school must document a student's withdrawal date and maintain the documentation as of the date of determination;
- Within 30 days of the date of determination, a school must notify a student if a grant overpayment is due;
- A school that is collecting an overpayment must require repayment of the full amount of the overpayment within two years of the date of determination;
- The school must return the amount of Title IV funds for which it is responsible no later than 30 days after the date of determination; and
- The amount of aid disbursed as of the date of determination is used to determine the amount of unearned aid that must be returned.

### ***Use of payment period or period of enrollment***

The worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or a period of enrollment. For students who withdraw from standard term-based educational programs (semester, trimester, or quarter), a school must determine the treatment of the student's Title IV program assistance on a payment period basis. For students who withdraw from a

nonstandard term-based or non-term-based educational program, the school has the choice of determining the treatment of the student's SFA, program assistance on either basis. The institution must use the same basis (payment period or period of enrollment) in its calculations for all students within a program who cease attendance.

An exception is allowed for students who transfer to or reenter a school that offers nonterm-based or a nonstandard term-based educational programs. For students who transfer to or reenter a nonterm-based or a nonstandard term-based educational programs a school may make a separate selection of payment period or period of enrollment to use in calculating their return of funds.

For example, a school using a payment period basis for students who have been in attendance from the beginning of the program may decide to use a period of enrollment basis for transfer and reentry students because these students are more likely to have a short, nonstandard payment period that would have to be completed before their schedules could fit into the standard payment periods at the school. **The periods used for transfer and reentry students do not have to be the same.** A school may choose to use payment period for transfer students and period of enrollment for reentry students.

### *Payment period*

The definition of a payment period is the same definition used for other Title IV program purposes. This definition is found in 34 CFR 668.4 (see chapter 2). Schools that use payment periods as the basis for their return calculations should note that making multiple disbursements within a payment period does **not** create a new or additional payment period.

### *Period of enrollment*

For students who withdraw from a nonstandard term-based or non-term-based educational program, the school has the choice of determining the treatment of the student's Title IV program assistance on either a payment period basis or a period of enrollment basis. A school must use the chosen period consistently for all students in the program.

### *Applicability*

The use of payment period or period of enrollment is important for many aspects of the calculation. For example, if a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance to be used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period. Also, the institutional charges used in the calculation would have to reflect the charges for the payment period.

Generally the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school

## Clarification

### **Period of Enrollment**

*The academic period established by the school for which institutional charges are generally assessed (i.e., length of the student's program or academic year).*

(Step 4). In some cases this mitigates against a school using the period of enrollment as the basis for the return to Title IV funds calculation. An institution may prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment period rather than period of enrollment basis for the return calculations.

Nonterm and nonstandard term schools should carefully examine the demographics of the students who withdraw, choose the basis (payment or enrollment) for the return calculations that best fits its situation, and appropriately adjust its policies and procedures manual.

If for a nonterm or nonstandard term program a school chooses to calculate refunds on a payment period basis, but the school charges for a period longer than a payment period (e.g. period of enrollment), total institutional charges for the period will be the greater of the

- prorated amount of institutional charges for the period, or
- the amount of Title IV assistance retained for institutional charges as of the student's date of withdrawal.

Additional guidance is provided in the discussions that follow.

### ***Step 1: Student's Title IV Aid Information***

The worksheet begins by gathering information about the student's Title IV aid grant and loan assistance.

### **Funds to include in the calculation**

The calculation of earned Title IV program assistance includes all SFA grant and loan funds that were disbursed or that could have been disbursed to a student. Federal Work-Study (FWS) funds are not included in the calculation. In addition, Federal Supplemental Educational Opportunity Grant (FSEOG) program funds and Leveraging Education Assistance Partnership (LEAP) program funds, formerly known as the State Student Incentive Grant (SSIG) program funds, are excluded under certain circumstances.

### **FSEOG program funds**

The nonfederal share of FSEOG program funds is excluded when a school meets its FSEOG matching share by either the individual recipient method or the aggregate method. If a school meets its matching share requirement through the use of a fund-specific match, 100% of the FSEOG award must be included in the return calculation. Otherwise, the nonfederal share of FSEOG awards is excluded from the calculation. For more information on types of FSEOG matching funds in *Volume 7 – Supplemental Educational Opportunity Grants*.



## LEAP program funds

Funds from the LEAP program must be treated in accordance with the guidance of Dear Colleague Letter GEN-89-38, which addresses the treatment of LEAP funds when a student withdraws. This policy provides that, if a state agency specifically identifies a student's state grant as LEAP funds, the entire amount of the grant must be included in the calculation of earned Title IV funds. If a school does not know whether a particular student's state grant contains LEAP funds, the grant would not have to be included in the calculation.

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Title IV grant or loan funds that could have been disbursed  
*Determined in accordance with the late disbursement provisions in 34 CFR 668.164(g).*

## Title IV Aid Disbursed

Generally, a student's Title IV funds are disbursed when a school credits a student's account with the funds or pays a student or parent directly with:

- Title IV funds received from the Department,
- FFEL funds received from a lender, or
- institutional funds labeled as Title IV funds in advance of the school receiving actual Title IV funds.

There are a couple of exceptions to this definition. For a complete discussion of the definition of disbursed Title IV funds, see chapter 5.

**A student's aid is counted as *disbursed* for the calculation if it is disbursed as of the date of the institution's determination that the student withdrew.**

A school may not alter the amounts of Title IV grant and loan funds that were disbursed prior to the school's determination that the student withdrew. For example, a school may not replace a withdrawn student's loan funds with grant funds that the student was otherwise eligible to receive before performing the calculation for the treatment of Title IV funds when a student withdraws.

## Title IV Aid that Could Have Been Disbursed

In addition to aid disbursed, aid that could have been disbursed is also used in the calculation. Title IV aid that could have been disbursed is grant or loan funds for which the student meets the conditions for a late disbursement. These conditions are discussed in chapter 5.

A school must calculate the amount of earned Title IV funds by applying a percentage to the total amount of Title IV program assistance that was disbursed or that could have been disbursed. Under Step 1 of the worksheet, a school fills in the amount of each type of Title IV aid that was disbursed or that could have been disbursed. **When entering the amount of loan funds, a school should enter the net amount** disbursed or that could have been disbursed. The determination of which funds were disbursed versus those that

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### Plus Loan denied

*If an institution uses a PLUS loan in its return calculations and later is informed that the loan was denied by the lender, the institution should revise its return calculation and make the appropriate adjustments to its records and the RFMS system. If the denied PLUS loan was the only Title IV assistance for which the student was eligible, no return calculation would be required.*

could have been disbursed is made as of the date of the school's determination that the student withdrew.

### *Second or subsequent FFEL/DL disbursements*

A second or subsequent FFEL or Direct Loan disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid if the institution would not have been prohibited from making the disbursement on or before the day the student withdrew. **However, a student can never receive as a post-withdrawal disbursement funds made up all or in part by a second or subsequent FFEL or Direct Loan disbursement.**

An institution must include in the return of funds calculation amounts of any second or subsequent disbursement that the institution could legally have made on or before the student withdrew, but did not. Consider a student who completed 500 clock hours in a 900 clock hour program and passed the midpoint in calendar time of the loan period. The loan period is the 900 clock hour academic year. The payment periods are 450 hours each. Half of the Stafford loan was disbursed at the beginning of the first payment period and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and passed the midpoint in calendar time of the loan period, and was otherwise eligible to receive the second installment of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the institution was not prohibited from making the second disbursement on or before the day the student withdrew, the second disbursement of the loan is included as *aid that could have been disbursed* in the calculation of earned Title IV aid.

However, the late disbursement regulations (34 CFR 668.164(g) (2) prohibit an institution from making a second or subsequent disbursement of a FFEL or Direct Stafford Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The Return of Title IV Aid requirements, including the post-withdrawal disbursement requirements, do not supercede this provision. **Therefore, although in some circumstances, a second or subsequent FFEL or Direct Loan disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid, the funds may not be disbursed.**

Consider a student who withdraws after completing 350 clock hours in a 900 clock hour program. The loan period is the 900 clock hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Stafford loan for the first quarter of the period of enrollment has been disbursed. The student is scheduled to receive the second quarter of the loan in the second half of the first 450 hour payment period. The student

withdraws during the first payment period after receiving only the first disbursement of the loan. The third and fourth scheduled disbursements of the loan may not be included in the calculation as aid that could have been disbursed because the student had not completed half of the clock hours in the loan period. The second scheduled disbursement of the loan is included in the calculation as aid that could have been disbursed because the institution was not prohibited from disbursing that amount to the student on or before the day the student withdrew. However, the institution may not make a post-withdrawal disbursement from the second scheduled disbursement of the loan because of the prohibition on making second or subsequent disbursements of FFEL or Direct Stafford loans when a student has ceased attending an institution.

**When a student withdraws, no portion of any second or subsequent disbursement may be disbursed to a student as a post-withdrawal disbursement even though the amount of the second or subsequent disbursement is included as aid that could have been disbursed for purposes of determining earned Title IV funds.**

If an institution had received a valid output document prior to or as of the withdrawal date and a Direct or FFEL had been awarded as of or prior to that date, an institution could make an **initial disbursement** of that loan consistent with the provisions of 34 CFR 668.164(a) (2) for late disbursements.

A first-year, first-time borrower who withdraws before the 30th day of his or her program of study at a school that is **not** exempt from the *30-day delay provision* is prohibited from receiving any FFEL or Direct Loan funds at the time he or she withdrew. For such a student, no amount of an FFEL or Direct Loan may be included in the calculation of the treatment of Title IV program assistance.

### *Effects of the 30-day delayed disbursement requirement*

If an institution is exempt from delaying for 30 days the first disbursement of a FFEL/Direct Stafford Loan but chooses to retain the practice anyway, the unmade disbursement is included as aid that could have been disbursed. Such a first disbursement is included because the institution was not prohibited from making the disbursement on or before the day the student withdrew.

If the institution is exempt from the 30-day delayed disbursement requirement but has chosen to delay disbursement, the amount of the initial disbursement may also be used to make a post-withdrawal disbursement because it is the first disbursement of the loan. However, any scheduled second or subsequent disbursements may not be made as post-withdrawal disbursements because, as discussed previously, no portion of a second or subsequent disbursement may ever be disbursed to a student as a post-withdrawal disbursement.

### Late Arriving Aid

If a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period during which the student withdrew. (Also, the institutional charges used in the calculation would have to reflect the charges for the payment period.)

If aid that could have been disbursed during a previous payment period (completed by the student) is received in a subsequent period during which the student withdrew, the aid is not considered *Aid Disbursed or Aid That Could Have Been Disbursed* in the period during which the student withdrew. This assistance while it can be disbursed in the current term is attributed to the previous term. Therefore, it would not be included in the return calculation for the period in which the student withdrew.

**Please note that for a student who is has withdrawn, a school cannot disburse aid received for a previous semester unless the student qualifies for a late disbursement.**

### *Step 2: Percentage of Title IV Aid Earned*

The percentage of Title IV aid earned is determined differently for credit-hour program withdrawals and clock-hour program withdrawals. The requirements for determining a student's withdrawal date, however, differ based on whether a school is required to take attendance or not. The withdrawal date is used to determine the point in time that the student withdrew so the percentage of the payment period or period of enrollment completed by the student can be determined. The percentage of Title IV aid earned is equal to the percentage of the payment period or period of enrollment completed.

If the day the student withdrew occurs on or before the student completed 60 percent of the payment period or period of enrollment, the percentage earned is equal to the percentage of the payment period or period of enrollment that was completed. If the day the student withdrew occurs after the student has completed more than 60 percent of the payment period or period of enrollment, the percentage earned is 100 percent.

### Withdrawal Date

This definition of *withdrawal date* is required for Title IV program purposes only—including the withdrawal date that a school must report to a lender if FFEL program funds were received or to the Department if Direct Loan program funds were received. A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

The definition of *withdrawal date* is for determining the amount of aid a student has earned. Do not confuse it with the *date of the institution's determination that the student withdrew*, discussed previously and used for other purposes in the return calculation.

***Withdrawal date for a student who withdraws from a school that is required to take attendance.***

If a school is required to take attendance, a student's withdrawal date is the last date of academic attendance as determined by the school from its attendance records. This date is used for all students who cease attendance, including those who do not return from an approved leave of absence or who take an unapproved leave of absence (see the discussion of leaves of absence in chapter 3).

Only a school that is required to take attendance by an outside entity (see below) is considered a school that is required to take attendance for purposes of calculating the amount of Title IV Program assistance earned when a student withdraws. **A school that elects to take attendance, including a school that voluntarily complies with an optional attendance requirement of an outside entity, is not considered a school that is required to take attendance.**

### Attendance Requirements of Outside Entities

The goal of the Return of Title IV Aid provisions is to identify the date that most accurately reflects the point when a student ceases academic attendance, not the date that will maximize Title IV aid to the institution or to the student. Generally, the most precise determination of a student's withdrawal date is one that is made from institutional attendance records. **If an institution has such records as the result of the requirements of an outside entity, the institution must use those records for determining a student's withdrawal date.**

Examples of outside agencies that might require a school to take attendance are a school's accrediting agency and a school's state licensing agency. **An institution is required to take attendance if any requirements of an outside entity result in the institution having to take attendance, even if attendance taking is not directly required, and even if the outside entity states that the institution is not required to take attendance.**

In other words, if the only way an institution can comply with a requirement of an outside entity is to take attendance, the institution is considered to be an institution that is required to take attendance for return of Title IV Aid purposes. If a school's accrediting agency requires a school to monitor the withdrawal date of its students and the only way that an institution could comply with that is for the institution to take



Clarification

attendance, then the institution meets the definition of an institution required to take attendance. The Department would consider such an institution to be one required to take attendance even though the accrediting agency did not use words that specifically stated that the institution is required to take attendance. This would be true even if the accrediting agency specifically stated that the institution is not required to take attendance.

Additional examples are a state agency requiring an institution to refund tuition and fees based on a student's last date of class attendance, and state regulations requiring an institution to drop a student if the student misses more than a certain number of days or hours in a term. In both instances, the only way a school could comply with the state regulations is by taking attendance. Therefore, in both instances schools covered by the state regulations would be considered schools that are required to take attendance for purposes of the return of Title IV Aid requirements. This would be true even if the agency stated that it does not require institutions to take attendance. If a school is required by an outside entity (for example, a state Workforce Development Agency), to take attendance for only some students, the school is required use those attendance records for only the cohort of students under the outside agencies jurisdiction to determine the student's withdrawal date (the last date of academic attendance). The school would not be required to take attendance for any of its other students, or to use attendance records to determine any of its other students' withdrawal dates, unless the school is required to take attendance for those students by another outside entity.

For example, 10 students at Peabody University receive assistance from the state. The state requires the school to take attendance for the recipients of the state's education benefits. Peabody University is not required by any other outside entity to take attendance for any of its other students. Seven of the 10 students who receive state benefits are also Title IV program recipients. If any of those seven students withdraw from the school, the school must use the state required attendance records for those students to determine the withdrawal date as required for institutions required to take attendance. For all other Title IV program recipients at Peabody University who withdraw, the school must determine the withdrawal date in accordance with the requirements for students who withdraw from a school that is not required to take attendance.

### **Documentation**

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. If a school is required to take attendance, it is up to school to ensure that accurate attendance records are kept for purposes of identifying a student's

last date of academic attendance. A school must also determine which attendance records most accurately support its determination of a student's withdrawal date and the school's use of one date over another if the school has conflicting information.

### *Determining a student's withdrawal date at a school that is not required to take attendance*

If a school is not required to take attendance, the determination of a withdrawal date varies with the type of withdrawal. The chart on Withdrawal Dates at the end of this chapter lists the withdrawal date for the various types of withdrawals, as well as the date of the institution's determination that the student withdrew for each type of withdrawal.

### **Official Notification**

A student may provide official notification of his or her intent to withdraw by following the school's withdrawal process. In this case, the withdrawal date is the date the student begins the school's withdrawal process. A student may also provide official notification in other ways. If a student otherwise provides official notification (as explained below), the withdrawal date is the date notification was provided. If a student both begins the school's withdrawal process and otherwise provides official notification orally or in writing of his or her intent to withdraw, the earlier of the two withdrawal dates is the withdrawal date, that must be used for purposes of this calculation.

These withdrawal dates apply even if a student begins the school's withdrawal process or otherwise notifies the school of his or her intent to withdraw and projects a future last date of attendance. For example, if on May 5 a student provided notification of his intent to cease attending the school beginning on May 10, the withdrawal date is May 5. **A school that is not required to take attendance may always use a last date of attendance at an academically-related activity as a student's withdrawal date** (this is discussed in detail below). Therefore, the school may use May 10 as the student's withdrawal date if the institution documents that date as the student's last date of attendance at an academically related activity.

Likewise, a school could use an earlier last documented date of attendance at an academically related activity if this date more accurately reflects the student's withdrawal date than the date the student begins the school's withdrawal process or notifies the school of his or her intent to withdraw.

These requirements for the treatment of Title IV funds do not apply to a student who does not actually cease attendance at the school. For example, when a student reduces his or her course load from 12 credits to 9 credits, the reduction represents a change in status not a withdrawal. Therefore, no return calculation is required.

### School's withdrawal process

Again, for a student who provides official notification of his or her intent to withdraw by following the school's withdrawal process, the withdrawal date is the date the student begins the school's withdrawal process. **The beginning of the school's withdrawal process must be defined.** The individual definition is left up to the school. **Schools are required to make available to students a statement specifying the requirements for officially withdrawing from the school.** The school is expected to identify the beginning of its process as a part of this information (see chapter 7). A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

The distinction is that while the institution's officially defined withdrawal process might include a number of required steps, and though the institution might not recognize the student's withdrawal (for purposes of determining an institutional refund) until the student has completed all the required steps, for the purpose of calculating the return of Title IV funds, the date the student began the institution's withdrawal process is the withdrawal date or Title IV purposes.

### Otherwise provides official notification

Official notification to the school occurs when a student notifies an office designated by the school of his or her intent to withdraw. In its written description of its withdrawal procedures a school must designate at least one office for this purpose. For example, a school could designate a dean's, registrar's, or financial aid office. If a student provides notification to an employee of that office while that person is acting in his or her official capacity, the student has provided official notification. If the student provides notification to an employee of that office while that person is not acting in his or her official capacity (for example, the student runs into her financial aid officer at the grocery store) we would expect the employee to inform the student of the appropriate means for providing official notification of his or her intent to withdraw.

Official notification from the student is any official notification that is provided in writing or orally. For example, acceptable official notification would include notification by a student via telephone, through a designated web site, or orally in person. The responsibility for documenting oral notifications is the school's; however, the school may request, but not require, the student to confirm his or her oral notification in writing. If a student provides official notification of withdrawal to the institution by sending a letter to the designated office stating his or her intent to withdraw, the withdrawal date would be the date that the institution receives the letter. Notification is not provided to an institution until the institution receives the notification. An institution has the option of using another date if it has



evidence of an academically-related activity which the student attended on that date.

*Intent to withdraw* means that the student indicates he or she has either ceased to attend the school and does not plan to resume academic attendance, or believes at the time he or she provides notification that he or she will cease to attend the school. A student who contacts a school and only requests information on aspects of the withdrawal process, such as the potential consequences of withdrawal, would not be considered a student who is indicating that he or she plans to withdraw. However, if the student indicates that he or she is requesting the information because he or she plans to cease attendance, the student would be considered to have provided official notification of his or her intent to withdraw.

When a student triggers both dates

A student might both begin the school's withdrawal process and otherwise provide official notification to the school of his or her intent to withdraw. For example, on November 1, a student calls the school's designated office and states his or her intent to withdraw. Later, on December 1, the student begins the school's withdrawal process by submitting a withdrawal form. If both dates are triggered, the earlier date, November 1 in this case, is the student's withdrawal date.

Again, remember that **a school that is not required to take attendance is always permitted to use the *last date of academically-related attendance* as the student's withdrawal date.**

Timeframe for the determination of a withdrawal date for an unofficial withdrawal

Some schools may not know that a student has dropped out (unofficially withdrawn) until the school checks its records at the end of an academic period. However, to ensure that Title IV funds are returned within a reasonable period of time, a school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.

### **Official notification not provided by the student**

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of this calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines from its consideration of

circumstances beyond a student's control. The second category of unofficial withdrawals encompasses all other withdrawals where official notification is not provided to the school. For these withdrawals, commonly known as *drop outs*, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable. Once again, this is strictly for schools that are not required to take attendance.

Withdrawal without student notification due to circumstances beyond the student's control

There are two circumstances in which the special rule applies that define a withdrawal date for a student who withdraws due to circumstances beyond the student's control. They apply when (1) a student who would have provided official notification to the school was prevented from doing so due to those circumstances; and (2) a student withdrew due to circumstances beyond the student's control and a second party provided notification of the student's withdrawal on the student's behalf.

A school may determine the withdrawal date that most accurately reflects when the student ceased academic attendance due to the circumstances beyond the student's control. This date would not necessarily have to be the date of the occurrence of the circumstance. For example, if a student is assaulted, he or she may continue to attend school, but ultimately not be able to complete the period because of the trauma experienced. Because the student's withdrawal was the result of the assault, the withdrawal date would be the date the student actually left the school, not the date of the assault. A school should document that the student left at the later date because of issues related to the assault.

All other withdrawals without student notification

For all other withdrawals without notification, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable.

It is the responsibility of the school to develop a mechanism for determining whether a student who is a recipient of Title IV grant or loan funds has ceased attendance without notification during a payment period or period of enrollment. The requirement that a school identify students who have dropped out during a payment period or period of enrollment is not new. Under the Title IV refund requirements a school was required to identify drop outs. As part of this requirement, **a school must have a mechanism in place for identifying and resolving instances where a student's attendance through the end of the period could not be confirmed.**

### *Leave of absence related withdrawals*

At an institution not required to take attendance, if a student does not return to the school at the expiration of an approved leave of absence (or a student takes an unapproved leave of absence), the student's withdrawal date is the date the student began the leave of absence. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

### **Withdrawals after rescission of official notification**

A student may provide official notification to the school of the intent to withdraw and then change his or her mind. To allow a student to rescind his or her intent to withdraw for purposes of this calculation, the school must obtain a written statement from the student stating his or her intent to remain in academic attendance through the end of the payment period or period of enrollment. If the student subsequently withdraws (without returning to school) after rescinding an intent to withdraw, the withdrawal date is the date the student first provided notification to the school or began the school's withdrawal process, unless the school chooses to document a last date of attendance at an academically related activity.

As noted previously, **a school may always use the last date of attendance at an academically related activity to take into account attendance by the student subsequent to the student's first notification of withdrawal.** For example, Dave notifies his school of his intent to withdraw on January 5. On January 6, Dave notifies the school that he has changed his mind and has decided to continue to attend the school, and provides the required written statement to that effect. On February 15, Dave notifies the school that he is withdrawing and actually does. The school has a record of an exam that Dave took on February 9. The school may use February 9 as Dave's withdrawal date. If the school could not or did not choose to document a last date of attendance at an academically related activity for Dave (in this case, the record of the exam), his withdrawal date would be January 5, the date of Dave's original notification of his intent to withdraw, not February 15.

### *Last date of attendance at an academically-related activity*

A school that is not required to take attendance may always use a student's last date of attendance at an academically related activity, as documented by the school, as the student's withdrawal date, in lieu of the withdrawal dates listed above. So, if a student begins the school's withdrawal process or otherwise provides official notification of his or her intent to withdraw and then attends an academically related activity after that date, the school would have the option of using that last actual attendance date as the student's withdrawal date, provided the school documents the

student's attendance at the activity. Similarly, a school could choose to use an earlier date if it believes the last documented date of attendance at an academically related activity more accurately reflects the student's withdrawal date than the date on which the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw.

**The school must document**

- **that the activity is academically related, and**
- **the student's attendance at the activity.**

The concept of using a last date of attendance at an academically related activity as a student's withdrawal date is a long-standing one for the Title IV programs. Examples of academically-related activities are an exam, a tutorial, computer-assisted instruction, academic counseling, academic advisement, turning in a class assignment, or attending a study group that is assigned by the school. Examples of activities that are not academically related would be living in institutional housing or participating in the school's meal plan. A school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

Activities that meet this definition of an academically-related activity would not necessarily count as instructional time for purposes of the *12-hour rule* found in the definition of *academic year* and in the definition of an *eligible program* (see chapters 1 and 2).

***Withdrawals from standard term-based programs using modules***

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Withdrawal from Program  
Offered in Modules Cite  
*DC-GEN-00-24*

**Clarification**

When a student withdraws from a standard term-based program comprised of a series of modules, the school must determine whether return calculation is required and if so, the length of the period of enrollment or payment period, as applicable. Among the variables a school must consider are whether the student has completed at least one course, and whether the student intends to return for another module within the term. The principles for determining the appropriate values to use in an return calculation are applicable only when the courses and modules have the following characteristics:

- Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. (The modules may overlap.)
- The institution has chosen to have two or more modules make up the standard term (semester, trimester, or quarter). For example, in each 15-week semester, courses are offered in three five-week modules.

- Students can begin attending at the beginning of any one of the modules in a term. For example, a student enrolling in a three module per semester program can start in module two or three as well as in module one.
- Students may skip one or more modules within the term. For example, a student enrolling in a three module per semester program can attend module one , skip module two and return for module three.
- Students enroll up-front for courses in all of the modules they plan to attend for the entire term; however, some students may subsequently add or drop a course in a later module.

For modular programs meeting the aforementioned criteria, the following principles apply to the application of the Return of Title IV Aid provisions:

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1. If a student withdraws from an institution after completing at least one course in one module within the term, the student is not considered to have withdrawn and the requirements of 34 CFR 668.22 for the return of Title IV aid do not apply. Note however, other regulatory provisions concerning recalculation may apply.
2. If a student withdraws from the institution before completing at least one course in one module, the student is considered to have withdrawn and the requirements for the return of Title IV aid apply unless the institution has obtained a confirmation from the student that the student intends to continue in the program by attending a module later in the term.
3. When a student withdraws without completing at least one course in one module, the payment period to be used in the return of Title IV aid calculation includes all of the modules that the student was scheduled to attend in the term. The payment period begins on the student's first day of attendance for the term and ends on the last day of attendance in the last module the student was scheduled to attend.
4. A student who has not completed at least one course in the payment period does not have to be considered to have withdrawn if the institution has obtained a confirmation from the student that the student intends to continue in the program and attend a module later in the term.

A school may not rely upon the student's previous registration. Rather, the confirmation from the student must be obtained after the student's withdrawal. If a student indicates an intention to continue in a subsequent module in the term but does not return

for that module, the student would be considered to have withdrawn and withdrawal date would be the withdrawal date that would have applied if the student had not indicated an intention to attend a module later in the term.

For further treatment of withdrawals from standard term-based programs using modules, please see DC GEN 00-24, December 2000.

### *Documentation*

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. Note that the determination of a student's withdrawal date is the responsibility of the school. Therefore, if a school is using a last date of attendance at an academically related activity as the withdrawal date, the school, not the student, must document the student's attendance. **A student's certification of attendance that is not supported by school documentation would not be acceptable documentation of the student's last date of attendance at an academically related activity.**

### *Leaves of absence*

A leave of absence must meet certain conditions to be counted as a temporary interruption in a student's education rather than as a withdrawal for the calculation of the treatment of Title IV funds when a student withdraws. If a leave of absence does not meet the conditions, the student is considered to have ceased attendance at the school, and therefore to have withdrawn from the school.

A leave of absence refers to the specific time period during an ongoing program when a student is not in academic attendance. It does not include non attendance for a scheduled break in a student's program.

Term-based credit hour schools often allow students to receive an *incomplete* status for coursework, that can be, and is expected to be, completed within a reasonable timeframe after the term is over. For example, a student may request and receive an incomplete because he or she failed to turn in an assigned paper. If a student is assigned an incomplete status but the school determines that the student will likely complete the required coursework, the student could be considered not to have withdrawn. If the school assigns a student a leave status other than a leave of absence just to keep the student from having to reapply the next semester, the student would be considered to have withdrawn, unless he or she was granted an approved leave of absence under the provisions of this section. As discussed below, a student on an approved leave of absence must be permitted to complete the coursework he or she began prior to the leave of absence.

When a student returns from an approved leave of absence the payment period or period of enrollment used for a return calculation would be adjusted to reflect the new ending date. In order to prevent a situation where a student is able to earn funds simply by taking a leave of absence, the days of the leave of absence must be excluded from the calculation of the percentage of the payment period or period of enrollment completed.

**A student who is granted an approved leave of absence is considered to remain in an in-school status for Title IV loan repayment purposes.** However, as discussed previously, if a student does not return from an approved leave of absence, the student's withdrawal date, and the beginning of the student's grace period, is:

- for a student who withdraws from a school that is not required to take attendance, the date the student began the leave of absence, or
- for a student who withdraws from a school that is required to take attendance, the last date of academic attendance prior to the beginning of leave as determined by the school from its attendance records.

Subsequently, if a student on an approved leave of absence fails to return, a school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

## Approved leaves of absence

For purposes of this calculation, a school does not have to treat a leave of absence as a withdrawal if it is an approved leave of absence. As noted above, the requirements for not treating a leave of absence as a withdrawal also apply to terminating a student's in-school status for a Title IV loan. A leave of absence is an approved leave of absence if:

- it is the only leave of absence granted to the student in a 12-month period (see exceptions listed below);
- the school has a formal written policy regarding leaves of absence;
- the student followed the school's policy in requesting the leave of absence;
- the school approved the student's request in accordance with the school's policy;
- the school determines that there is a reasonable expectation that the student will return to the school;
- the leave of absence does not involve additional charges by the school;

- the leave of absence does not exceed 180 days in any 12-month period;
- upon the student's return from the leave of absence, the student is permitted to complete the coursework he or she began prior to the leave of absence; and
- if the student is a Title IV loan recipient, the school explains to the student, prior to granting the leave of absence, the effects that the student's failure to return from a leave of absence may have on the student's loan repayment terms, including the exhaustion of the student's grace period.

### *Number of leaves of absence in a 12-month period*

Generally, only one leave of absence may be granted to a student in a 12-month period. However, more than one leave of absence may be granted for the limited, well-documented cases due to unforeseen circumstances that are listed below.

Provided that the total number of days of all leaves of absence does not exceed 180 days in any 12-month period, an institution may treat as an approved leave of absence:

- one additional leave of absence, if it does not exceed 30 days and the school determines that it is necessary due to unforeseen circumstances; this type of leave of absence would have to be subsequent to the granting of the single leave of absence, which is granted at the school's discretion; and
- subsequent leaves of absence if the school documents that they are granted for jury duty, military reasons, or circumstances covered under the Family and Medical Leave Act of 1993 (FMLA) (Public Law 103-3), enacted February 5, 1993.

The circumstances that are covered under the FMLA, as applied to students, are:

- birth of a son or daughter of the student and the need to care for that son or daughter (for 12 months beginning from the date of birth of the child);
- placement of a son or daughter with the student for adoption or foster care (for 12 months beginning on the date of the placement);
- need to care for the student's spouse, or a son, daughter, or parent, if the spouse son, daughter, or parent has a serious health condition; and
- a serious health condition that makes the student unable to function as a student.



The definitions of terms taken from the FMLA and its implementing regulations (29 CFR Part 825) are applicable for these criteria. The statutory language, with links to the implementing regulations, can be found on the Internet at

<http://www.dol.gov/dol/esa/public/regs/statutes/whd/fmla.htm>

Two of the circumstances that are covered under the FMLA, birth and care of a child and adoption or foster care placement, are covered for up to 12 months for purposes of the FMLA. For purposes of the Title IV programs, this means a student may be granted an approved leave of absence for these circumstances, as long as:

- the entire leave of absence will occur during this 12 month period of time; and
- the total number of days of all leaves of absence for the student does not exceed 180 days in the 12-month period that began on the first day of the student's first leave of absence.

For example, a student's child is born on February 1, 2000. The student has never taken an approved leave of absence before. The student may be granted an approved leave of absence for the birth or care of the child for up to 180 days during the period of February 1, 2000 through January 31, 2001, 12 months from the birth date of the child. If the student requests a subsequent leave of absence to care for the child that would begin on January 1, 2001, the leave of absence could be no longer than 30 days, because the circumstance that triggered the leave of absence would no longer be covered under the FMLA after January 31, 2001.

A school may accept one request for multiple leaves of absence from a student when those leaves are initially requested for the same reason. For example, a student who will be receiving multiple chemotherapy treatments over the course of the student's enrollment could submit one request to cover the recovery time needed for each session.

### *Formal policy*

A *formal policy* is one that requires a student to provide a written, signed, and dated request for a leave of absence prior to the leave of absence, unless unforeseen circumstances prevent the student from doing so. For example, if a student were injured in a car accident and needed a few weeks to recover before returning to school, the student would not have been able to request the leave of absence in advance. A school may grant a leave of absence to a student who did not provide the request prior to the leave of absence due to unforeseen circumstances if the school documents

the reason for its decision and collects the request from the student at a later date.

A school must put its leave of absence policy in writing and publicize it to students. This requirement would be met by including the policy with the onetime dissemination of other consumer information (see chapter 7).

### *Reasonable expectation of return*

This condition is specified to make clear that a school may not grant a student a leave of absence merely to delay the return of unearned Title IV funds.

### *No additional charges*

A leave of absence is a temporary break in the student's attendance during which, for purposes of determining whether a calculation for the treatment of Title IV funds when a student withdraws applies, the student is considered to be enrolled. Since students are not assessed additional charges for continuing enrollment, any additional charges to a student, even de minimus reentry charges, indicate that the student is not considered to be on an approved leave of absence.

### *Does not exceed 180 days in any 12-month period*

The 12-month period would begin on the first day of the student's leave of absence.

### *Completion of coursework upon return*

In order for a leave of absence to be an approved leave of absence, the school must permit the student to complete the coursework that he or she began prior to the leave of absence. Approved leaves of absence are viewed as temporary interruptions in a student's attendance. Therefore, when a student returns from a leave of absence, the student **must** be continuing his or her education where he or she left off.

Many institutions cannot meet this standard because they **require** the student to return at the beginning of a term and repeat some coursework previously completed. Even if a school does not charge for work repeated, if a school **requires** a student to return from a leave of absence at the beginning of a term rather than at the point at which the student interrupted his or her training, the school's leave of absence does **not** meet the standard required for a Title IV leave of absence.

### *Explanation of consequences of withdrawal to loan recipients*

As discussed previously, if a student does not return from an approved leave of absence, the student's withdrawal date is the date the student began the leave of absence. One consequence of not returning from a leave of absence is that a student's grace

period for a Title IV program loan might be exhausted.

**Therefore, in order for a leave of absence to be an approved leave of absence, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms, including the exhaustion of the student's grace period.** A student who has exhausted his or her grace period and is unable to begin repayment of a loan may apply for a deferment or forbearance of payment (see *Volume 8 – Direct Loan and FFEL Programs* for more information).

## Unapproved leaves of absence

A school may grant a student a leave of absence that does not meet the conditions for an *approved* leave of absence (for example, for academic reasons). However, any leave of absence that does not meet all of the conditions for an approved leave of absence is considered a withdrawal for Title IV purposes. The student's withdrawal date is the date the student begins the leave of absence.

An unapproved leave of absence may not be treated as an unofficial withdrawal. An unofficial withdrawal is one where the school has not received notice from the student that the student has ceased or will cease attending the school. If a school has granted a student an unapproved leave of absence, the school would be aware of when the student will cease attendance.

## Percentage of payment period or period of enrollment completed

Once a student's withdrawal date is determined, a school needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed represents the percentage of aid earned by the student. This percentage is determined differently for students who withdraw from credit-hour programs and students who withdraw from clock-hour programs.

## Credit-hour programs

For a credit-hour program, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period. The total number of calendar days in a payment period or period of enrollment includes all days within the period, **except for institutionally scheduled breaks of five or more consecutive days.** Days in which the student was on an approved leave of absence would also be excluded. The day the student withdrew is counted as a completed day.

## Scheduled breaks

Institutionally scheduled breaks of five or more consecutive days are excluded from the return calculation as *periods of nonattendance* and therefore do not affect the calculation of the amount of Title

IV aid earned. This provides for more equitable treatment of students who withdraw near each end of a scheduled break. In those instances, the student who withdrew after the break would not be given credit for earning an additional week of funds during the scheduled break, but would instead earn only an additional day or two more funds than a student who withdrew right before the start of the break. All days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. For example, where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (9 days) would be excluded from the return calculation. If classes were taught on either weekend for the programs that were subject to the scheduled break, those days must be counted.

Please note that the beginning date of a scheduled break is defined by the school's calendar for the student's program. For a program that regularly meets each Saturday and or Sunday, the days between classes are not excluded because they were not part of any regularly scheduled break. If classes were not held on at least one of the normally scheduled days of a weekend, the period from the last scheduled day of class before the scheduled break until the next scheduled day of class after the break would be excluded from the number of days in the period of enrollment used in the return calculation.



Clarification

If a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance. For example, the institution's last date of scheduled class attendance prior to spring break is Friday, March 7. Spring break at the institution runs from Saturday, March 8 to Sunday, March 16. If the student contacts the institution's designated office on Wednesday, March 12 to inform the institution that he will not be returning from the institution's Spring break, the student's withdrawal date is Friday, March 7, which was the institution's last day of scheduled class attendance. However, the date of the institution's determination that the student withdrew is March 12, the date the student actually informed the institution that he would not be returning. The date of the institution's determination that the student withdrew is used as the starting date for institutional action, such as the requirement that an institution return Title IV funds for which it is responsible no later than 30 days after this date.

If a student officially withdraws while on a scheduled break of less than five days, the actual date of the student's notification to the institution is the student's withdrawal date. Remember that an institution may always choose to use a documented last date of attendance at an academically-related activity as the student's withdrawal date.

### *Clock-hour programs*

Under the Title IV refund requirements, schools were allowed to use only clock hours actually completed by the student upon his or her withdrawal. Hours that were scheduled to be completed by the student at the time of withdrawal could not be used. The new law provides that for the determination of the treatment of Title IV funds when a student withdraws, scheduled hours may be used to determine the percentage of the period completed by the student if certain conditions are met.

Calculation 1 on the clock-hour worksheet determines whether the student withdrew after the student has actually completed 60% of the payment period or period of enrollment. **If the student withdrew after actually completing at least 60% of the payment period or period of enrollment, the student has earned 100% of his or her aid so it is not necessary to determine whether scheduled hours may be used.** If a student withdrew on or before the 60% point, the school should proceed to calculation 2 to determine if scheduled hours may be used.

### *Use of scheduled hours*

If the clock hours completed by the student as of his or her withdrawal are equal to at least 70% of the hours that were scheduled to be completed by the student as of his or her withdrawal, scheduled hours may be used to determine the percentage. Put another way, **students who complete at least 70% of their scheduled hours before they withdraw earn Title IV funds based upon their total scheduled hours for the time they were enrolled**, rather than the hours the student completed.

Calculation 2 first determines the percentage of scheduled hours completed. If this amount is equal to or greater than 70%, scheduled hours are used and the school should proceed to the second part of calculation 2. **If the percentage of scheduled hours completed is less than 70%, completed hours must be used in the calculation of the percentage of the period completed.** Because calculation 1 determined the percentage of the period completed using completed hours, the result of that calculation is the percentage of the period completed.

For example, if a student withdraws after completing 230 hours in a 450 clock-hour payment period, and the student was scheduled to have completed 280 hours of the program at the time he or she withdrew, that student has completed 82% of the scheduled hours (230/280) for the time he or she was enrolled. In this case, the student exceeded the attendance threshold of 70% and, therefore, the school would use the 280 scheduled hours, rather than the 230 hours that were actually completed, in calculating of the percentage of the period completed. If the same student had completed 230 clock hours while he or she was scheduled to have completed 335 hours at the point of withdrawal,

the student's attendance rate would have been less than 70% ( $230/335=68.7\%$ ) and only the 230 completed hours would be used in the calculation.

The second part of calculation 2, which uses scheduled hours to determine the percentage of the period completed, notes that **using scheduled hours, the percentage of the period completed may be greater than 60%**. This is because only students who actually complete more than 60% of the hours in the payment period or period of enrollment earn 100% of the Title IV funds. In the example above, the school determined that the student may be paid for 280 scheduled hours in the 450 clock-hour-payment period. The percentage of the payment period completed would be 62.2% ( $280/450$ ), even though the student actually completed only 51.1% of the total hours ( $230/450$ ). However, the student would not earn 100% of the Title IV funds because the 230 clock hours completed were less than 60% of the 450 clock hours in the payment period. The student would earn 62.2% of the Title IV funds that were disbursed or that could have been disbursed rather than the 51.1% the student would have earned if completed hours were used in the calculation.

If a student has completed more hours than he or she was scheduled to complete as of his or her withdrawal, completed hours may be used rather than scheduled hours (e.g. as when a student accelerates attendance).

### **Excused absences**

Excused absences do not count as completed hours in calculating of the treatment of Title IV funds when a student withdraws. For students who withdraw from their programs, the absences must be counted as scheduled hours that were not completed. In order to be paid for those hours, the student must satisfy the 70% attendance measure. The allowance of up to 30% of the scheduled hours to be missed is sufficient to cover most of the situations for unexpected absences. Remember that a school may grant a student a leave of absence if he or she is unable to attend the school for a period of time but is planning to return to academic attendance (see the discussion of leaves of absence above). For students who do not withdraw from their programs, the existing policy of not requiring clock hours to be completed for excused absences of up to 10% of the program remains.

### ***Step 3: Amount of Title IV aid earned by the student***

The amount of Title IV aid earned by the student is determined by multiplying the percentage of Title IV aid earned (box C on the worksheet) by the total of Title IV program aid disbursed plus the Title IV aid that could have been disbursed to the student or on the student's behalf (box B on the worksheet).

## Effects of a post-withdrawal reduction in charges

If a student withdraws and as a result the institutional refund policy does not assess any charges to the student, regardless of the reason a school reverses or cancels a student's charges, the Return of Title IV Aid requirements still apply. An otherwise eligible student who began attendance at a school and was disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal has earned a portion of those Title IV funds. After a student withdraws, any adjustment or elimination of a student's institutional charges, changes to the student's enrollment status, or other administrative determinations made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22.

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### Determining Charges Cites

*34 CFR 668.22(a),  
34 CFR 668.22(l)(4), and  
DC-GEN-00-24*

### *Step 4: Total Title IV Aid to be disbursed or returned*

If the student receives less Title IV aid than the amount earned, the school must make a disbursement of the earned aid that was not received. This is called a post-withdrawal disbursement. If the student receives more Title IV aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order.

## Post-withdrawal disbursements

If a post-withdrawal disbursement is due, a school stops at Step 4, E on the worksheet. A school may use the *Post-Withdrawal Disbursement Tracking Sheet* to track the handling of the post-withdrawal disbursement, or it may use a form developed locally. A school must track post-withdrawal disbursements.

The requirements for a post-withdrawal disbursement are similar in many areas to the requirements under Subpart K – Cash Management of the Student Assistance General Provisions regulations. However, in some cases, the post-withdrawal disbursement requirements differ from the cash management requirements.

Any post-withdrawal disbursement due must meet the current required conditions for late disbursements. For example, the school must have received the student's Student Aid Report (SAR) or Institutional Student Information record (ISIR) with an official expected family contribution (EFC). These conditions are listed in a chart on Late Disbursements in chapter 5. Post-withdrawal disbursements differ from late disbursements in several ways. While a school has the discretion to determine whether to make a late disbursement to a student who became ineligible solely because of a change in enrollment status, **a school is required to make post-withdrawal disbursements.** A late disbursement must be for incurred educational costs, and must be made within 90 days of the date the student becomes ineligible. The amount of a post-withdrawal disbursement is determined by following the requirements for calculating earned Title IV aid, and has no relationship to incurred

educational costs. Moreover, **a post-withdrawal disbursement made as the result of a withdrawal must be made within 90 days of the date of the institution's determination that the student withdrew, rather than within 90 days of the date that the student becomes ineligible.**



### Clarification

#### Crediting a student's account

An institution should not request Title IV; HEA program funds for a post-withdrawal disbursement unless and until it has determined:

1. that a post-withdrawal disbursement is due;
2. the amount of the post-withdrawal disbursement;
3. the student meets the criteria for a late disbursement; and
4. that the school can disburse any post-withdrawal disbursement within three business days of receiving the funds.

If the student is due a post-withdrawal disbursement of a federal education loan, in the information a school provides to a student when the school informs the student that he or she is due a post-withdrawal disbursement, the school should include information about the advantages of using the post-withdrawal disbursement to pay down Title IV education loans. With a student's permission, funds due a student in a post-withdrawal disbursement can be used to pay down a Title IV education loan thereby reducing any post-withdrawal disbursement made directly to the student.

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Cash Management Requirements  
for Student and Parent  
Authorizations Cite  
*34 CFR 668.165(b)*



### Clarification

The requirements for the treatment of Title IV funds when a student withdraws reflect the cash management requirements for disbursing Title IV funds. Specifically, a school is permitted to credit a student's account with a post-withdrawal disbursement without the student's (or parent's, in the case of a PLUS loan) permission for current charges for tuition, fees, and room and board (if the student contracts with the school) up to the amount of outstanding charges. An institution must obtain a student's or parent's authorization to credit a student's account for charges other than current charges for tuition, fees, room and board (if the student contracts with the institution) (see chapter 5 and chart on *Institutional and Financial Assistance Information for Students* at the end of chapter 7 for more information).

Outstanding charges on a student's account are charges for which the institution will hold the student liable after the application of any applicable refund policy. These are the institutional charges, after any adjustment, that reflect what the student will really owe for the current term after his or her withdrawal, any other current charges, plus any permitted minor prior year charges.



For example, consider a student who is due a post-withdrawal disbursement of \$450. The institutional charges that the student was originally assessed by the institution totaled \$2,300. However, under the institution's refund policy, the institution may only keep \$700 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes \$50 for a bus pass. The outstanding charges on the student's account that would be entered in Box B of the Post-Withdrawal Disbursement Tracking Sheet are \$750 (the \$700 in institutional charges plus the \$50 owed for the bus pass). All or a portion of the \$450 the institution must disburse under the post-withdrawal disbursement provisions may be used to satisfy this balance.

A school is permitted to use a student's or parent's authorization, obtained prior to the student's withdrawal date for this purpose so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges for educationally-related activities. (See chapter 5 for more information on student and parent authorizations.) The school's request for the student's or parent's authorization must make clear that if the student or parent does not give permission for the school to credit the student's account with the Title IV funds, these funds will be disbursed directly to the student or parent, if the student or parent accepts the funds. If a school does not have permission from the student (or parent for a PLUS loan) prior to the student's withdrawal and does not obtain that permission after the student's withdrawal, **the undisbursed earned funds must be offered to the student and cannot be used by the school to pay remaining institutional charges other than for tuition, fees, and room and board (if the student contracts with the school).**

A school may credit a student's account for **minor prior award year charges** in accordance with the cash management requirements (see chapter 5). Schools should make every effort to explain to a student that all or a portion of his or her post-withdrawal disbursement has been used to satisfy any charges from prior award years.

These requirements also mirror the current cash management provisions that require a school to provide notice to a student, or parent in the case of a PLUS loan, when the school credits a student's account with Direct Loan, FFEL or Federal Perkins Loan Program funds.

## Notice to a student offering a post-withdrawal disbursement

Earned funds in excess of those credited to a student's account must be provided to the student. The Department recognizes the difficulty a school may have in locating a withdrawn student, however a school is required to offer in writing to the student (or parent for PLUS loan funds) any amount of a post-withdrawal disbursement that is not credited to a student's account. The written notification must include the information necessary for the student or parent to make an informed decision as to whether the student or parent would like to accept any of the disbursement. This notification would have to be provided for post-withdrawal disbursements of both SFA grant and loan funds that are available for direct disbursement.

A school must send the notification as soon as possible, but **no later than 30 calendar days after the date that the school determines the student withdrew**. The notice must identify the type and amount of the Title IV funds that make up the post-withdrawal disbursement, and explain that the student or parent may decline all or a portion of those funds. This information must be provided to permit a student or parent to determine which funds, if any, he or she wishes to decline.

In the notification, the school must advise the student or parent that he or she has 14 calendar days from the date the school sent the notification to accept a post-withdrawal disbursement. The notification must make it clear that if the student or parent does not respond to the notification within the timeframe, the school is not required to make the post-withdrawal disbursement. However, a school may *choose* to make a post-withdrawal disbursement based on acceptance by a student or parent after the 14 calendar days. If a response is not received from the student or parent within the permitted timeframe, or the student declines the funds, the school would return any earned funds that the school was holding to the Title IV programs.

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal disbursement, per the student's or parent's instructions, the school must disburse the funds within 90 days of the date of the institution's determination that the student withdrew. (For additional information, see the discussion under *Date of the institution's determination that the student withdrew* earlier in this chapter. Note that the date of the institution's determination that the student withdrew is the same date that triggers the 30-day period that the school has for notifying the student or parent of any post-withdrawal disbursement available for direct disbursement. Consequently, the sooner a school sends the notification to a student or parent, the more time the school has to make any accepted post-withdrawal disbursement.

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A school may use one notification to:

1. inform the student or parent that loan funds were credited to the student's account;
2. request permission to credit the student's account for other current charges for educationally-related activities, if prior authorization was not obtained; and
3. notify the student or parent of the availability of any remaining earned Title IV program assistance.

If authorization from a student (or parent for a PLUS loan) is received after the 14-day deadline and the school chooses not to make a post-withdrawal disbursement, the school must notify the student (or parent) that the post-withdrawal disbursement will not be made and why. This notification must be made in writing or electronically. It is required because a student or parent may assume incorrectly that his or her acceptance of a post-withdrawal disbursement has been received within the timeframe and that the post-withdrawal disbursement will be made. If an authorization from the student (or parent for a PLUS loan) is never received, or if the school chooses to make a post-withdrawal disbursement on an authorization received after the 14-day deadline, the school does not need to notify the student.

### Disburse grant before loan

A post-withdrawal disbursement, whether credited to the student's account or disbursed to the student or parent directly, must be made from available grant funds before available loan funds since it is in the student's best interest to minimize loan debt. *Available* grant or loan funds refers to Title IV program assistance that could have been disbursed to the student but was not disbursed as of the date of the institution's determination that the student withdrew. For example, if a student is due a post-withdrawal disbursement of \$500, and the student has received \$400 of \$1,000 in Federal Pell Grant funds that could have been disbursed, and \$1,200 of the \$2,000 in Federal Stafford Loan funds that could have been disbursed, the available undisbursed funds are \$600 in Federal Pell Grant funds, and \$800 in Federal Stafford loan funds. Any portion of the \$500 post-withdrawal disbursement that the school makes must be from the \$600 in available Federal Pell Grant funds.

The regulations do not address how a school should ensure that Title IV funds are disbursed to the proper individual. However, a school may not require a student who has withdrawn from a school (or a parent of such a student, for PLUS loan funds) to pick up a post-withdrawal disbursement in person. Because the student is no longer attending the school, he or she may have moved out of the area and may be unable to return to the school to pick up a post-withdrawal disbursement.

### **Example of the post-withdrawal disbursement requirements**

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has ceased attending. The school determines that because Michael has earned \$900 in Title IV Program assistance that he has not received, he is due a post-withdrawal disbursement of \$900. When Michael withdrew, only \$600 of the \$1,000 in Federal Pell Grant funds that could have been disbursed had been disbursed. Of the \$2,000 in Federal Stafford Loan funds that could have been disbursed, only \$1,200 had been disbursed. The school determines that Michael has \$50 in outstanding tuition charges and \$100 in outstanding parking fines for the payment period. The school credits Michael's account with \$50 of Michael's Federal Pell Grant funds. The school wants to use another \$100 of his post-withdrawal disbursement to cover the outstanding parking fines. However, the school has not received permission from Michael prior to his withdrawal to credit his account for educationally-related charges other than tuition, fees, and room and board.

On November 12, the school sends a notification to Michael stating that:

1. He is due a post-withdrawal disbursement of \$900 that is made up of \$400 in Federal Pell Grant funds and \$500 in Federal Stafford Loan funds.
2. \$50 of the Federal Pell Grant funds were credited to his account for tuition charges, so Michael has a remaining potential post-withdrawal disbursement of \$850.
3. Michael may accept all, a portion, or none of the \$850.
4. The school is obligated to make a post-withdrawal disbursement of funds only if Michael accepts the funds by November 26, 14 days after the school sent the notification.
5. The school is requesting his permission to credit his account with an additional \$100 of the Federal Pell Grant funds to cover his unpaid parking fines.
6. If Michael does not authorize the school to credit his account with the \$100 of Federal Pell Grant funds, those funds will be disbursed to him if he chooses to accept them. The school could have sent the notification no later than December 10th, that is, 30 days after the date of the institution's determination that the student withdrew.

Michael responds on November 19. He authorizes the school to apply \$100 of the Federal Pell Grant funds to his outstanding parking fines. Michael accepts the remaining \$250 in Federal Pell Grant funds, but declines the \$500 in Federal Stafford Loan funds to minimize his overall loan debt.

The school has until February 8, 90 days from the date of the institution's determination that the student withdrew, to disburse the \$250 in Federal Pell Grant funds to Michael and to credit his account with the \$100 of Federal Pell Grant funds to cover his outstanding parking fines. The school sends Michael a check for the \$250 in Federal Pell Grant funds and a letter confirming that \$100 of the Federal Pell Grant funds will be credited to his account and no additional loan funds will be disbursed.

### Title IV aid to be returned

If the student receives more Title IV aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. The amount of Title IV aid to be returned is determined by subtracting the amount of earned Title IV aid (box D) from the amount of Title IV aid that was actually disbursed to the student, **not** including *aid that could have been disbursed* (box A).

The amount of aid that was actually disbursed, rather than the total amount of aid that was disbursed and that could have been disbursed, is used because the only amount of Title IV aid that needs to be returned is the amount of disbursed aid that exceeds the amount of earned aid.

### ***Step 5: Amount of unearned Title IV aid due from the school***

When a return of Title IV funds is due, the school and the student both have a responsibility for returning funds. Whatever funds are not returned by the school must be returned by the student. Although these requirements talk in terms of returning funds, a school is not required to actually return its share before the student. Rather, it is the calculation of the amount of assistance the school is responsible for returning to the Title IV accounts that must be calculated first. The student's repayment obligation is determined after the school's share is calculated.

The school must return the lesser of

- the amount of Title IV funds that the student does not earn; or
- the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned.

The percentage not earned is determined by subtracting the percentage of Title IV aid earned (box C) from 100%.

### **Aid disbursed to the student before institutional charges are paid**

Consider a case in which, in order to assist a student with living expenses, a school elects to deliver the first Title IV aid the school receives for a student to the student. Then, the student withdraws before the school receives anticipated aid from a second Title IV program. The return calculations indicate the school must return funds, but the school had passed through all funds to the student. **The school still must return the funds to the Title IV programs.**

During the negotiated rulemaking process, it was agreed that Title IV funds are provided under the assumption that they are used to pay institutional charges ahead of all other aid. Institutions may establish their own policies for distributing Title IV aid. However, if a school's policies allow a school to disburse directly to a student Title IV funds to which the institution is entitled, the institution must bear the consequences of those policies in the event the student withdraws.

### **Institutional charges**

On January 7, 1999, the Secretary published guidance on the definition of institutional charges for the purpose of refund calculations. This guidance was published in the form of a policy bulletin on the Education Department's Information for Financial Aid Professionals (IFAP) web site. The guidance was initially developed to address requests for clarification of the definition of institutional charges as used in the pre-1998 Amendments refund requirements.

Under the pre-1998 Amendments requirements, refund provisions were used to determine the portion of institutional charges that a school had to return when a student withdrew. The 1998 Amendments differ in that they only require institutional charges be used to determine the portion of unearned Title IV aid that the school is responsible for returning. **Under the return provisions, institutional charges do not affect the amount of Title IV aid that a student earns when he or she withdraws.**

### ***Use of institutional charges in determining the school's responsibility for return***

The institutional charges used in the calculation are always the charges that were initially assessed the student for the payment period or period of enrollment. Because Title IV aid is provided for the entire payment period or period of enrollment, as applicable, the calculation uses institutional charges assessed for that entire payment period or period of enrollment. An institution may not use the unpaid charges on the student's account at the time of withdrawal or the adjusted amount of institutional charges that results from the institution's refund policy or from a *retroactive withdrawal* of the student.

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#### **Institutional Charges Cite**

*34 CFR 668.22(g)(1)(ii)*

*34 CFR 668.22(g)(2)*

*DC-GEN-00-24*

**Clarification**

**Institutional Charges may not be reduced even if other sources of aid are used to pay those charges.** For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition. The allocation of repayment responsibilities in the HEA looks first to the institution to repay unearned Title IV, HEA program funds. The presumption, embodied in the current regulations is that SFA program funds are used to pay institutional charges ahead of all other sources of aid. The regulations do not provide for institutions to adjust this allocation by taking into consideration other sources of aid that might be used to pay institutional charges for a student.

Effect of Other Assistance Cite  
*Federal Register/Vol. 64, No. 210,*  
*11/1/99, page 59032*

## Clarification

Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status). If after a student withdraws the institution changes the amount of institutional charges it assessed the student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. (Please see Step 3 – Amount of Title IV Aid earned by the Student, for a further discussion of aid earned and institutional charges).

As stated previously, for students who withdraw from a non-term-based educational program, the school has the choice of determining the calculation on either a payment period basis or a period of enrollment basis. If a school with a nonterm program chooses to base the calculation on a payment period, but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. In this situation, the student's institutional charges for the payment period are the prorated amount of institutional charges for the longer period. However, if a school has retained Title IV funds in excess of the institutional charges prorated amount, including allocating costs for equipment and supplies to the front of the program, the funds retained by the school are attributed to that payment period because they are a better measure of the student's institutional charges for that period.

Because Federal Work-Study funds are not included in the calculation of earned Title IV funds when a student withdraws, **Federal Work-Study funds that are credited to a student's account would not be included as Title IV program assistance retained for institutional charges.**

For example, institutional charges are \$8,000 for a non-term-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of Title IV funds on a payment period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is \$4,000. However, the school has retained \$5,000 of the Title IV funds for institutional charges for the

payment period. Therefore, the institutional charges for the payment period are \$5,000 — the greater of the two elements from the proration calculation

### *Effects of Waivers on Institutional Charges*



Clarification

If the institution treats a *waiver* as a payment of tuition and fees actually charged to a student, then that payment would be considered to be a financial aid resource and the Cost of Attendance calculation would include the full amount of the tuition and fees. Any return of Title IV Aid calculation would be based on the full original charge for the tuition and fees for the period used in the calculation.

For example, an institution charges state residents \$900 per semester. Out of state students are charged an additional \$2,000 for a total of \$2,900. However, the institution grants *waivers* of the out-of-state charges to some out-of-state athletes. If the institution treats this waiver as a payment, the full charges to an out-of-state student who received a waiver would be \$2,900, and would be included in the COA. The waiver would be considered a payment to those charges and a subsequent transaction would need to show the application of the waiver funds of \$2,000 to the student's account. Institutional charges for any return of Title IV aid calculation would be the original \$2,900 amount.

On the other hand, if the institution's policy for these *waivers* is that the student was never actually assessed the higher amount and the waiver is not considered to be financial aid, only the actually assessed charges would be used for COA and return of Title IV aid purposes. In the example, the full charges to an out-of-state student who receives a waiver would be \$900 because the \$2,000 charge does not exist for that student. Any return of Title IV aid calculation would use institutional charges of \$900.

**Note:** The following guidance was written specifically for the Refund and Repayment calculations that were required prior to the 1998 amendments.

### January 7, 1999 Policy Bulletin

#### *Institutional versus noninstitutional charges*

Tuition, fees, room and board, and other charges have been collectively and historically referred to as *institutional charges*. **Institutional and noninstitutional expenses are not defined by whether an actual charge has been made to a student's institutional account.** As a general rule, institutional charges are defined as expenses that a school assesses a student for educational expenses and are paid to the school directly.



**Principle 1: Most costs are institutional**

The most important principle to keep in mind is that all tuition, fees, room and board, and other charges a school assesses a student are institutional charges, unless demonstrated otherwise. Thus, a school is never compelled to classify a charge as noninstitutional if it wishes to classify the charge as institutional. However, if a school wishes to exclude specific charges or costs from a calculation, it must demonstrate that the charges are noninstitutional charges. Noninstitutional costs are discussed under *General Guidelines for Defining Institutional Charges*.

**Principle 2: An institutional charge does not need to be assessed to all students**

Schools sometimes mistakenly assume that a charge is not an institutional charge because it was not assessed to all students, or the charge was not included in the enrollment agreement. For example, general guidance provides that *other charges assessed the student by the school include, but are not limited to* all items issued by the school to the student when those charges are specified in the enrollment agreement as separate charges. However, it should be noted that other charges are not limited to items that are listed in the enrollment agreement. While a charge must be assessed to all students carrying the same academic workload to be considered an allowable cost of attendance, and Title IV funds may only be used to pay allowable cost of attendance charges, it is not true that a charge must be assessed to all students, or be listed in an enrollment agreement, to be considered a institutional charge for purposes of this calculation.

**Principle 3: Institutional charges may or may not be charged to a student's account**

Note the following points about institutional charges:

1. All charges to a student's account are not necessarily institutional charges.

With the student's permission, a school may credit a student's account with Title IV funds to pay for noninstitutional charges. Consequently, if a student withdraws from the school with charges for noninstitutional charges on his or her account, the school must use those charges to determine if the student owes a repayment. Specific charges that may be classified as noninstitutional charges are defined in the discussion on *General Guidelines for Defining Institutional Charges*.

2. Charges that do not appear on the student's institutional account may still be institutional charges.

For example, a student does not have to charge the purchase of required course materials to his or her institutional account for the course materials to be classified as *institutional charges*. If a

school disburses funds to a student to buy equipment that he or she is required to have by the first day of class, but the disbursement is so late that the student only has time to purchase the equipment at the school, those costs must be **classified as institutional charges because the student does not have a *real and reasonable opportunity* to purchase the equipment from someplace other than the school.**

### *General guidelines for defining institutional charges*

The following educational expenses must be considered institutional charges:

- all charges for tuition, fees, and room and board (if contracted with the school); and
- expenses for required course materials, if the student does not have a *real and reasonable opportunity* to purchase the required course materials from any place but the school.

**Exceptions:** *Excludable costs* are defined as costs that a school may exclude from the total amount of institutional costs, such as an administrative fee, documented cost of unreturnable equipment, and documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Noninstitutional charges include:

- a charge for any required course materials that a school can document are noninstitutional because the student had a *real and reasonable opportunity* to purchase them elsewhere (see the discussion that follows);
- a charge to the student's account for room charges that are collected by the school but are *passed through* to an unaffiliated entity;
- a charge to student's account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal; or
- a charge to a student's account for discretionary educationally related expenses (e.g., parking or library fines, the cost of athletic or concert tickets, etc.).

### *Demonstrating a real and reasonable opportunity*

A school may treat certain charges as noninstitutional charges when the school can show that its students have the option of obtaining required course materials from the school or receiving payment of the funds from the school to purchase the items from alternative sources.

If a school does not have a separate charge for equipment and the student has the option of purchasing the equipment from more than one source, the school would not have to include the equipment charge in the return of funds calculation.

With regard to this exception, note that if a school wishes to classify the cost of required books, supplies, and equipment as noninstitutional charges, **it must be able to substantiate that an option actually existed for its students.** For example, the school must be able to demonstrate that: (1) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school; and (2) the school did not restrict the availability of financial aid funds, so its students could exercise the option to purchase the required course materials from alternative sources.

**A school would not be able to demonstrate that a student had a real and reasonable opportunity to purchase his or her required course materials from alternative sources if one of the following is true:**

- The required course materials are not available elsewhere (i.e., they were only available at the school), or they are not conveniently available for purchase from another vendor unaffiliated with the school;
- When financial aid is available to the school for disbursement to the student, the school does not make those funds available to the student in time to purchase the required materials from another vendor before those materials are required for academic purposes;
- The school's practices do not allow or actually discourage a student (e.g., the use of vouchers that are only good at the campus bookstore or the late disbursement of funds to students to pay for noninstitutional charges) from exercising his or her option to purchase the required course materials from another vendor; or
- The school has the student sign a statement stating that the student has the option to purchase course materials from someplace other than the school, but the school is unable to document that an option truly existed.

If the school's return policies are reasonable, consistent, and fair to all students, and students were notified, in writing, of the school's policies when they enrolled, the school may exclude documented costs for

- nonreturnable equipment, and
- returnable equipment, if not returned in good condition within 20 days of withdrawal.

**Note:** The \$100 or 5% fee (whichever is less) that was excludable under the former Refund and Repayment regulations is **not** excluded in the Return of Title IV Funds calculation.

The school is responsible for demonstrating that its policy on nonreturnable equipment is reasonable, consistent, and fair to students. For example, it is not reasonable or fair to students to classify all used books or equipment as nonreturnable. A school must be able to demonstrate that there are specific circumstances that would prevent the school from selling the books or equipment to other students. Also, if the school's students are not notified in writing about the school's return policy when they enroll or the policy is not consistent with federal regulations on excludable costs, the school may not exclude the documented cost of books, supplies, and equipment from any refund calculations.

### *Applying the rules: Is this an institutional charge?*

To see how the guidelines for defining institutional charges can be applied, consider how a school would determine whether a charge for tools is noninstitutional or institutional. A student is required to purchase, by the first day of class, certain types of high quality tools for the student's program of study. The school's enrollment agreement does not contain a charge for the tools, and it does not say that the student is required to purchase the tools from the school or a vendor affiliated with the school. The required tools are available for purchase from the school and from a retailer across the street from the school. As a routine practice, the school obtains permission to credit all financial aid to students' institutional accounts, and establishes a line of credit for students at the campus bookstore so they can purchase the required tools by the first day of class. All students buy the tools at the campus bookstore and charge the purchase to their institutional accounts.

The first step would be to determine if the purchase of the tools falls under the category of expenses that are generally considered institutional charges. Although the cost of the tools is not listed as a charge in the student's enrollment agreement, the school requires the student to purchase the tools for his or her program of study. Therefore, as a general rule, the tool charges will be considered institutional charges. However under the exceptions rule, the tool charges may be considered noninstitutional if the school can document that its students had a "real and reasonable opportunity" to purchase the tools from someplace other than the school. The real and reasonable test is whether the school could demonstrate the following: (1) the tools were available for purchase elsewhere; (2) the school made financial aid available to students in time to purchase the tools from another vendor before the first day of class; and (3) the school's practices provide students with an equal opportunity to purchase the tools from the campus bookstore or the retailer across the street.

In this case, the school meets the first criterion: the tools are available at the store across the street, so an opportunity could exist. However, the school fails to satisfy the second and third criteria because the school's routine practice of crediting students' accounts with all financial aid, and extending lines of credit for purchases at the campus bookstore, does not allow its students the option of purchasing the required tools from the retailer across the street. Therefore, the only choice this school's students have is to purchase the tools at the campus bookstore. As a result, the cost of the tools must be classified as institutional charges.

### *Summary*

The following summarizes the key points for determining institutional and noninstitutional charges:

- √ Institutional charges are defined as charges that a school assesses a student for educational expenses, which must be paid to the school directly.
- √ A school either disburses financial aid to the student directly to pay for noninstitutional charges, or the school may, with the student's permission, credit the student's account to pay for noninstitutional charges.
- √ All tuition, fees, room and board, and other charges a school assesses a student are institutional charges, unless demonstrated otherwise.
- √ If a school wishes to exclude specific charges from institutional charges, it must demonstrate that the charges are either noninstitutional costs or are excludable costs.
- √ An institutional charge does not have to be charged to all students or be listed as a charge in an enrollment agreement to be classified as an institutional charge.
- √ All charges to a student's account are not necessarily institutional charges.
- √ If a charge does not appear on the student's institutional account, it may still be an institutional charge.
- √ Tuition, fees, and room and board (if contracted with the school) are always institutional charges.
- √ Expenses for required course materials are institutional charges, if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school he or she is attending.

- √ For a school to classify the cost of required course materials as noninstitutional charges, it must be able to substantiate that: (a) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school; and (b) the school made financial aid funds available to students in a timely manner, so its students could exercise the option to purchase the required course materials from alternative sources.
- √ *Excludable costs* are costs a school may exclude from total institutional charges, such as an administrative fee, documented cost of unreturnable equipment and the documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.
- √ *Noninstitutional charges* include: charges for any required course materials that a school can document are noninstitutional because the student had a *real and reasonable opportunity* to purchase them elsewhere; charges to a student's account for room charges that are collected by the school but are *passed through* to an unaffiliated entity; charges to a student's account for group health insurance fees, (if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal); and charges to a student's account for discretionary educationally related expenses (e.g., parking or library fines, the cost of athletic or concert tickets, etc.).

### ***Step 6: Return of funds by the school***

#### **Order of return of Title IV funds**

A school must return Title IV funds to the programs from which the student received aid during the payment period or period of enrollment as applicable, in the following order, up to the net amount disbursed from each source:

- Unsubsidized Federal Stafford loans
- Subsidized Federal Stafford loans
- Unsubsidized Direct Stafford loans (other than PLUS loans)
- Subsidized Direct Stafford loans
- Perkins loans
- Federal PLUS loans

- Direct PLUS loans
- Federal Pell Grants for the payment period for which a return of funds is required
- Federal Supplemental Educational Opportunity Grants (FSEOG) for the payment period for which a return of funds is required
- Other assistance under this Title for which a return of funds is required (e.g., LEAP)

### Timeframe for the return of Title IV funds.

A school has 30 days from the date the institution determines that the student withdrew to return all unearned funds for which it is responsible.

### ***Step 7: Initial amount of unearned Title IV aid due from the student***

The statute specifies that a student is responsible for all unearned Title IV Program assistance that the school is not required to return. The initial amount of unearned Title IV aid due from the student (or parent, for PLUS loan funds) is determined by subtracting the amount returned by the school from the total amount of unearned Title IV funds to be returned. This is called the *initial* amount due from the student because a student will not have to return the full amount of any grant repayment due; therefore, the student may not have to return the full initial amount due.

### ***Step 8: Return of funds by the student***

The initial Title IV grant overpayment owed by the student is reduced by 50%. The student is obligated to return funds to the Title IV fund that it was received from and in the same order that is required for schools.

The student (or parent, if a Federal PLUS loan) returns funds to the loan programs in accordance with the terms of the loan, and to grant programs as an overpayment. In other words, the student will repay any unearned loan funds in the same manner that he or she will be repaying earned loan funds.

Grant overpayments are subject to

1. full and immediate repayment to the institution;
2. repayment arrangements satisfactory to the school; or
3. overpayment collection procedures negotiated with ED Collections.

## GRANT OVERPAYMENTS

The applicable regulations require that students repay only 50 percent of the initial amount of any Title IV grant overpayments. The overpayments are reduced by half of the **initial repayment amount**, not by half of the total grants students received.

Repayment terms for students who owe Title IV grant overpayments were established to ensure that students who could not immediately repay their debt in full had the opportunity to continue their eligibility for Title IV funds. Students who owe overpayments as a result of withdrawals generally will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of

- the date the school sends the student notice of the overpayment, or
- the date the school was required to notify the student of the overpayment.

Within 30 days of determining that a student who withdrew must repay all or part of a Title IV grant, a school must notify the student that he or she must repay the overpayment or make satisfactory arrangements to repay it. In its notification a school must inform the student that:

1. The student owes an overpayment of Title IV funds.
2. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45<sup>th</sup> day following the date the school sent or was required to send notification to the student.
3. There are three positive actions a student can take to extend the student's eligibility for Title IV funds:
  - a. the student may repay the overpayment in full to the school; or
  - b. the student may sign a repayment agreement with the school; or
  - c. the student may sign a repayment agreement with the Department.
4. If the student fails to take one of the positive actions during the 45-day period, the student's overpayment will be reported to the Department and referred to the Department for collection.
5. The student should contact the school to discuss his or her options.



## Examples of the relationship between the date of notification and the expiration of the 45-day period

### *Example 1 - A school sends notification to a student within the 30 days allowed.*

If a school sends notification to a student within the 30 days allowed, the 45-day period begins on the day after the school sends the notification to the student. If a school determines on August 20<sup>th</sup> that a student withdrew and owes a repayment and the school sends notification to the student on September 1<sup>st</sup> (within the 30 days allowed), then the first day of the 45-day period is September 2<sup>nd</sup>. The 45<sup>th</sup> day and last day of the student's eligibility for Title IV funds is October 16<sup>th</sup>.

### *Example 2 - A school fails to notify the student or notifies the student after the 30 days allowed.*

If the school fails to notify the student or notifies the student after the 30 days allowed, the 45-day period begins on the day after the end of the 30-day period (the date by which the school should have sent the notification to the student.). If a school determines on August 20<sup>th</sup> that a student who withdrew on July 8<sup>th</sup> owes a repayment, the 30<sup>th</sup> day following August 20<sup>th</sup> and the first day of the 45-day period is September 19<sup>th</sup>. The 45<sup>th</sup> day, last day of the student's eligibility for Title IV funds, is November 3<sup>rd</sup>. If a student agrees to a repayment arrangement and then fails to meet the terms of that arrangement, the student's eligibility ends as of the date the student fails to comply with the terms of the repayment arrangement.

## *Student overpayments less than \$25*

If a student owes a grant overpayment as a result of a withdrawal, the student does not have to repay the grant overpayment if the initial amount that the student is responsible for repaying (after the 50% reduction) is less than \$25. An institution should neither report to NSLDS or refer to SFA's Student Management Collections (ED Collections) an Amount for Student to Return (Step 8, line 5 or 6, in the return to Title 4 funds calculation) that is less than \$25.

If an institution is currently holding an overpayment resulting from a withdrawal for which the original amount (after the 50% reduction) was less than \$25, the school should delete the overpayment in NSLDS using the instructions provided in Dear Colleague Letter GEN-98-14. Please note that this provision applies only when the original overpayment amount (Step 8, line 5 or 6) is less than \$25. **An overpayment for which the original amount was \$25 or more that has a current balance of less than \$25 may not be written off.**



Clarification

**This provision does not apply to funds that a school is required to return.** A school must return the full amount owed to any Title IV program that the school is responsible for returning. However, because a school may round an amount to be returned to a Title IV program to the nearest dollar, a school would not have to return amounts of less than fifty cents.

The 50% reduction always applies to the repayment of grant funds for which the student is responsible, regardless of who actually returns the funds. Therefore, if an institution chooses to return all or a portion of a grant overpayment that otherwise would be the responsibility of the student to return, the 50% grant protection still applies. If an institution returns a grant overpayment for a student, the student would no longer be considered to have a Title IV grant overpayment and as such no reporting to either NSLDS or to ED Collections is required. This would be true whether the institution simply returned the overpayment for the student or returned the overpayment and created a debit on the student's school account.

Consider an example in which a school chooses to pay a grant overpayment on behalf of a student who withdrew and create a debit on the student's school account. Once the overpayment has been repaid by the institution there is no Title IV grant overpayment due from the student. If the student refuses to repay the institution, the debt cannot be referred to the Department for collection.

A school is never required to enter into a repayment agreement with a student rather; a school may refer an overpayment to the Department at any time **after** the student has had the opportunity to pay off the overpayment in full to the school. However, if a school reports a student overpayment (for which a student has not negotiated repayment arrangements) to NSLDS before the 45-day period has elapsed, the student will appear to be ineligible for Title IV aid. Since students retain their eligibility for 45 days, schools should provide students with every opportunity to repay their debt or negotiate repayment arrangements before reporting it to NSLDS and referring it to Student Credit Management Collections (ED Collections).

**Important:** ED Collections is unable to respond to a student-initiated request to negotiate a repayment arrangement until a school has referred the student's account for collection. In addition, ED Collections uses the information about the student in the NSLDS while conversing with a student. In order to ensure a student overpayment has been reported and referred to ED, when the school is communicating with a student about making repayment arrangements with ED, the school should make it clear that **the student should contact the school before contacting the Department.**

## *Accepting payments from students*

If a school receives a payment for an overpayment that has not been referred to Student Credit Management Collections, the school should **NOT** send the payment to ED Collections.

If through its Return of Title IV Funds calculations a school determines that a student has received an overpayment of Pell funds, the school should reduce the student's award (by entering a negative disbursement) through the RFMS system and adjust its institutional ledgers and the student's account. *Initially*, schools should report through RFMS (by entering a negative disbursement) only the Amount of Unearned Title IV Aid due from the **school**. The school's GAPS authorization will be reduced by the amount the school must return and the school's account will stay in balance. Subsequently, a school that has made repayment arrangements with a student should report in RFMS (by entering a negative disbursement) any payments made to the school by the student.

If through its Return of Title IV Funds calculations a school determines that a student has received an overpayment of FSEOG funds, the school should appropriately adjust its institutional ledgers, financial aid records, and the student's account (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the **current award year**, the school should deposit the payment in its *federal funds account*, and award the funds to other needy students. If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using GAPS procedures. Payments should be applied to the award year in which the recovered funds were awarded.

## *Notifying the Department*

Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Schools are encouraged to negotiate similar repayment agreements with students. However, schools' repayment arrangements with students must provide for complete repayment of the overpayments within two years of the date of the institutions' determination that the students withdrew.

There are exceptions to the recommendation that school's waiting the full 45 days before reporting a student overpayment through NSLDS. If during the 45-day period a student indicates that he or she cannot repay his or her debt in full and wishes to negotiate a repayment agreement with the Department, the school should immediately report the overpayment to NSLDS **and** refer the overpayment to ED Collections. Likewise, if a student contacts a school that will not be offering institutional repayment agreements and indicates that he or she cannot pay the overpayment within the

45 days, the school should immediately report the overpayment to NSLDS **and** refer the overpayment to ED Collections. *So that ED Collections will have time to receive and record an overpayment before a student contacts ED Collections, a school should tell a student to wait ten days before contacting ED Collections.*

**After a school has reported and referred a student's overpayment,** the school should provide the student with the phone number, e-mail, and postal address for ED Collections. A student can contact ED Collections by calling 1-800-621-3115 or by sending an e-mail to

DCS\_HELP@ed.gov

A student may also write ED Collections at the following address:

U.S. Department of Education  
Student Financial Assistance Programs  
P.O. Box 4222  
Iowa City, Iowa 52245

### *Reporting and referring overpayments*

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*NSLDS Cites*  
*Dear Colleague Letter*  
*GEN-98-14, July 1998;*  
*The NSLDS Training Guide.*

Referring overpayments for collections is a separate process from reporting overpayments to NSLDS. *Reporting* is the process of creating within NSLDS a record of a student's overpayment. *Referring* is the process of turning over a student's debt to Student Credit Management Collections (ED Collections). **Students who pay their debts in full during the 45-day period should neither be reported to NSLDS nor referred for collection.**

A school reports overpayments in the NSLDS on-line. A school sends referrals to ED Collections through the U.S. Mail. If a student who owes a repayment of a Title IV grant calls ED Collections before ED Collections has received and recorded the student's overpayment, ED Collections will examine the student's record in the NSLDS. If a school has reported the overpayment to NSLDS correctly, ED Collections will inform the student that the overpayment is being processed and that the student should call back in ten days for further information. If a student calls ED Collections before a school has reported the student's overpayment to the NSLDS, ED Collections will find no record of the overpayment and will tell the student to contact the school to resolve the discrepancy.

A student who does not take positive action during the 45-day period becomes ineligible for Title IV funds on the 46<sup>th</sup> day from the earlier of (1) the date the school sends a notification to the student of the overpayment; or (2) the date the school was required to notify the student of the overpayment. The student will remain ineligible until the student enters into a satisfactory repayment agreement with the Department. An overpayment resulting from a student's withdrawal remains an overpayment until it is repaid in full. Though a student may regain Title IV eligibility by negotiating and satisfying the

requirements of a satisfactory payment arrangement, the information on the student's NSLDS account will continue to reflect the status of the overpayment until the debt is repaid in full.

If a school enters into a repayment arrangement with a student who owes an overpayment, the school should immediately report the repayment arrangement using the on-line NSLDS screens. The school should report the status (IND field) of an overpayment for which it has entered a repayment agreement as "S." After the information is reported to the NSLDS, any future output from the CPS (SARs and ISIRs) will show that the student owes a repayment of a Title IV grant and that the student has negotiated a satisfactory repayment arrangement with the school.

As long as the student fulfills his or her commitment repayment under the repayment arrangement, the NSLDS overpayment status of "S" will indicate that, though the student owes an overpayment, the student remains eligible for Title IV funds. If at any time a student fails to comply with the terms of the student's agreement to repay, immediately the school must update the student's overpayment status (IND field) to "Y." From that point on the NSLDS will inform schools that the student is not eligible for Title IV funds.

**A school must refer to the Department:**

1. a student who does not satisfy the requirements of his or her repayment agreement with the school;
2. a student who fails to contact the school during the 45-day period; and
3. a student who fails, during the 45-day period, to pay his or her overpayment in full or enter into a repayment arrangement.

If a school is referring to ED Collections a student overpayment previously reported to NSLDS, the school must also update the information previously reported to NSLDS by changing the source field from "SCH" to "TRF". If a school is referring a student who has failed to satisfy the terms of his or her repayment agreement, the school should also change the status code (IND field) from "S" to "Y." If a school is referring for collection a student **not** previously reported to NSLDS, the school must report the account to NSLDS as a referred overpayment and enter "TRF" as the initial source and "Y" as the status (IND field).

To refer student overpayments for collection, schools should use a format similar to the one found at the end of this chapter and send the form to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead. **In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form, *Dates of Disbursements*, with the exact same dates the school used when it created the NSLDS record.** Once ED Collections has accepted a

referred student overpayment, ED Collections will transmit the information to NSLDS and “EDR” will replace “SCH” as the appropriate contact for information about the overpayment.

### ***Accepting payments on referred overpayments***

A school may continue to accept payment on a Title IV grant overpayment after the overpayment has been referred to the Department. If a school accepts a check from a student made out to the Department the school must:

1. note the student’s name and SSN on the check;
2. indicate that the payment is for an overpayment of a Title IV grant; and
3. forward the payment to ED Collections at

U.S. Department of Education  
National Payment Center  
P.O. Box 4169  
Greenville, Texas 75403-4169

If a school accepts a cash payment from one or more students who owe overpayments, the school should write its own check to the Department and attach a letter indicating that the check is for a Title IV Grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student’s name, social security number, and amount paid.