
Return of Title IV Funds

CHAPTER 6

WITHDRAWALS*

This 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 *Return of Title IV Funds* (Return) regulations 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.

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

Important: For a student who withdraws after the 60% point-in-time, a return will not be required. However, a school must still **complete a *Return calculation*** in order to determine whether the student is eligible for a post-withdrawal disbursement.

The Return regulations 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.

The Amendments of 1998

The Higher Education Amendments of 1998 (HEA), 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.

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.

* Although elsewhere the Handbook refers to the *FSA 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."

Schools are 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 and software

Technical questions

Technical questions on the Return of 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 developed worksheets and software to assist schools in implementing the Return 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>

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

<http://www.sfadownload.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.

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.

General requirements

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.

If a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the amount of Title IV 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.

Definition of a Title IV recipient

The requirements for the treatment of Title IV funds when a student withdraws apply to any recipient of Title IV grant or loan funds who ceases all attendance. 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 a Title IV 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).

Verification

The Return calculations impose no additional liability for interim disbursements made to students selected for verification. However, the Return requirements do place limits on interim disbursements that can be made to students selected for verification who have ceased attendance. A school may not make an interim disbursement to a student after the student has ceased attendance.

Under 34 CFR 668.53(a) (1) an institution must establish a time frame in which students who withdraw must provide all the verification documents necessary for the institution to make any required **post-withdrawal disbursements** in the time allowed by the Return regulations. In order to make post-withdrawal disbursements to students selected for verification, an institution in its policies and procedures manual 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 a time frame that permits a school to comply with the requirements in 34 CFR 668.22 forfeits eligibility for a post-withdrawal disbursement.

Title IV recipient

A student for whom the requirements of 34 CFR 668.164(g)(2) have been met. Before evaluating whether the requirements of 34 CFR 668.22 apply, a school must first determine whether a student was eligible to receive any Title IV funds. Before disbursing Title IV funds, a school must confirm that:

- the student attended at least one class;
- the enrollment status (full-time, three-quarter-time, etc.) that was the basis for determining the student's award was correct; and
- the student was eligible for his or her initial disbursement of Title IV funds.

If a student never begins attendance cite

34 CFR 668.21,
34 CFR 682.604(d)(3) and (4), and
34 CFR 685.303(b)(3).

If a student withdraws before Title IV funds are disbursed

If a student paid all institutional charges and ceased enrollment prior to Title IV funds being disbursed, the institution must determine the Title IV funds earned by the student and follow the procedures for making a post-withdrawal disbursement.

Consumer information

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.

Sample summary provided

A sample summary of the requirements of 34 CFR 668.22 is provided at the end of this chapter.

In the consumer information a school must make available upon request to prospective and enrolled students must be included 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.

An institution should provide sufficient information under these provisions for a student or prospective student to be able to determine the financial consequences of withdrawing and how to officially withdraw. A student should be able to estimate how much Title IV aid he or she will earn if the student withdraws, and how much he or she may have to return. In addition, because the Return provisions do not affect institutional refund policies, the school must provide the student with information on both the Title IV requirements and the school's refund requirements and explain the interaction between the two. A school should include some discussion of how it might adjust a student's charges to take into account any return of Title IV funds that the school was required to make. Finally, a student or prospective student should be informed if Title IV aid may not cover all unpaid institutional charges due to the institution upon the student's withdrawal.

As a part of the institution's disclosure of the procedures for officially withdrawing, the school must identify the office or offices that it has designated to accept notification of official withdrawals.

Foreign schools

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;

Lender notification to foreign schools cite

34 CFR 682.207

- 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.

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 for returning 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%.

The **one exception** to this rule occurs in determining 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 date the student began the official withdrawal process (see the discussion under *Official Notification*), 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

Date of determination that a student has withdrawn

34 CFR 668.22(l)(3)

withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student had 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 120 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

Basis for calculation cite

34 CFR 668.22(e)(5)

school has the choice of determining the treatment of the student's Title IV 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 program a school may make a separate selection of payment period or period of enrollment to use in calculating their Return of Title IV funds.

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

A period of enrollment is the academic period established by the school for which institutional charges are generally assessed (i.e., the length of the student's program or the academic year, but consistent with the period for which loans generally are certified).

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 (see *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 must 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 might want to examine the demographics of the students who withdraw in order to choose the basis (payment period or period of enrollment) for the Return

Payment period example

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.

Period of enrollment cite

34 CFR 668.22(l)(2)

calculations that best fits students within a program, and appropriately adjust their 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 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 worksheets begin 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 Title IV 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. Byrd Scholarship program funds are **not** included in Return calculations.

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 (both the federal and nonfederal shares) 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 see *Volume 7 — Supplemental Educational Opportunity Grants*.

LEAP program funds

Funds from the LEAP program (not to exceed \$5,000) are included in the Return of Title IV Aid calculation if, when the institution determines that the student withdrew, the institution has information in writing that has been provided to them by a state agency:

- stating the dollar amount or percentage of a student's state grant that is part of the LEAP program;

Treatment of Title IV funds when a student withdraws cite

34 CFR 668.22(a)(1)

LEAP Specifics

If the exact amount or percentage of LEAP funds included in an individual state grant is specified, only the specified amount or percentage of LEAP funds is included in the calculation. On the other hand, if the state agency states that LEAP funds are included in all students' state grants but does not provide an exact amount or percentage, the entire amount of the grant (up to \$5,000) must be included in the calculation.

- identifying a specific student's state grant as containing an indeterminate amount of LEAP funds;
- stating that LEAP funds are included in all students' state grant; or
- identifying the percentage of LEAP funds in the entire amount of state grant funds provided to the institution.

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 *aid disbursed* in the calculation if it is disbursed as of the date of the institution's determination that the student withdrew (see the discussion under *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 could have been disbursed is made as of the date of the school's determination that the student withdrew.

If the amount of LEAP funds included in the individual grant is not specified, but the percentage of LEAP funds in the entire amount of state grant funds provided to the institution is specified, the institution must apply this percentage to the individual student's state grant to determine the amount of the grant to include in the calculation.

If LEAP funds are included in the calculation and the calculation results in the student owing an overpayment of LEAP funds, the student must repay the overpayment to the institution or to the Department.

If the student repays the overpayment to the institution, the institution returns the funds to the state. If the student does not repay the institution, the institution may refer the overpayment to the Department.

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).

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 if there has been a change in the amount the student must return, 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.

Late disbursement prohibited cite

34 CFR 668.164(g)(2)

DC-GEN-00-24, Dec 2000

Late disbursements cite

34 CFR 668.164(g)



Second or subsequent disbursements

When a student withdraws, no portion of any second or subsequent disbursement may be disbursed to a student as a post-withdrawal disbursement. However, we have reconsidered our earlier guidance regarding the treatment of undisbursed second and subsequent disbursements of Direct or FFEL loans in the Return of Title IV Aid calculations.

In line with the statutory intent to permit an institution to consider all Title IV aid that was disbursed or *could have been disbursed* to a student for an entire period of enrollment, as long as the conditions for making a late disbursement (see chapter 5) are met, a second or subsequent FFEL or Direct Loan disbursement may be counted as aid that could have been disbursed for purposes of determining earned Title IV aid regardless of whether the institution was 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 from a second or subsequent FFEL or Direct Loan disbursement that the institution was prohibited from making to the student on or before the date of the student's withdrawal.**

If an institution received a valid output document prior to or as of the student's withdrawal date and a Direct or FFEL had been certified as of or prior to that date, and an initial disbursement of the loan has not been made, a student may receive all or a portion of the initial disbursement as a post-withdrawal disbursement consistent with the provisions for late disbursements in 34 CFR 668.164(a)(2) .

Effects of the 30-day delayed disbursement requirement

A first-year, first-time borrower who withdraws before the 30th day of his or her program of study is prohibited from receiving any FFEL or Direct Loan funds as a postwithdrawal disbursement. However, provided the conditions for making a late disbursement are met, the FFEL or Direct Loan may be included as *Aid that could have been disbursed* in the calculation of the treatment of Title IV program assistance.

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.)

Examples of second or subsequent FFEL/DL disbursements

Example 1

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 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 supersede 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.**

Example 2

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 (225 hours) 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 second, third, and fourth scheduled disbursements of the loan are included in the calculation as *Aid that could have been disbursed*. However, the institution may not make a post-withdrawal disbursement from the second (or subsequent) 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.

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 late-arriving assistance, while it can be disbursed in the current term, is disbursed for attendance in the previous term. Therefore, it is not included in the Return calculation for the period in which the student withdrew.

Please note that for a student who 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% 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% of the payment period or period of enrollment, the percentage earned is 100%.

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 of funds process.

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

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 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.

Attendance requirements of outside entities

Only a school that is required to take attendance by an outside entity 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.

An institution would be considered to be one that is *required to take attendance* only when an outside entity determines that it requires that the institution take attendance for some or all of its students. Absent a determination by an outside entity that the institution is required to take attendance, the institution would be considered to be one that is not required to take attendance.

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.

If an outside entity determines that an institution is required to take attendance for a limited period, including census purposes, then the institution is considered to be one that is required to take attendance only for that period of time. The exception is that, even if the outside entity considers a one-day census activity to be required attendance taking, ED would not consider the institution to be one that is required to take attendance.

Institutions that are required to take attendance for a limited period must document a student's attendance through that period. If an institution determines that a student was not in attendance at the end of that period, the student's withdrawal date would be determined according to the requirements for an institution that is

Withdrawal date at schools required to take attendance cite
34 CFR 668.22(b)



Verifying an agencies position

Unless an outside entity has determined that an institution is required to take attendance, the institution would be considered to be one that is not required to take attendance. If a school is unsure whether an outside entity requires a school to take attendance, the school should inquire and document the agency's response.



required to take attendance. That is, the student's withdrawal date would be the last date of academic attendance as determined by the institution from its attendance records.

If the institution demonstrates that the student attended past the end of the limited period, the student's withdrawal date is determined in accordance with the requirements for an institution that is not required to take attendance. For a student who has attended past the limited period of attendance taking and unofficially withdrew, the institution has the option of using the midpoint of the period or the last date of attendance at an academically-related activity.

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 to use those attendance records for only the cohort of students under the outside agency's 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, ten 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 ten 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 the 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.

Documenting a student's withdrawal date cite

34 CFR 668.22(b)(2)

34 CFR 668.22(c)(4)

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, (see the discussion under *When students fail to earn a passing grade in any of their classes*) 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.**

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. **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). 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.

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

Determining a student’s withdrawal date at a school that is not required to take attendance cite
34 CFR 668.22(c)

Official notification cite
34 CFR 668.22(c)(1)(i) and (ii)

Official notification defined
A notice of intent to withdraw that a student provides to an office designated by the institution.
34 CFR 668.22(c)(5)(i)

Notification example
For example, if on May 5, a student provided notification of his/her intent to cease attending the school beginning on May 10, the withdrawal date is May 5. However, the school may use May 10 as the student’s withdrawal date if the institution documents May 10 as the student’s last date of attendance at an academically-related activity.

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 the school's consumer information regarding withdrawal (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 for Title IV purposes.

Otherwise provides official notification

Otherwise provides official notification cite

34 CFR 668.22(c)(5)

If the student provides notification to an employee of a designated 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 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.

Official notification from the student is any official notification that is provided in writing or orally to a designated campus official acting in his or her official capacity in the withdrawal process. Acceptable official notification includes 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 is the date that the institution receives the letter**. Notification is not provided to an institution until the institution receives the notification. Note that an institution always has the option of using the date of a student's last participation in an academically-related activity as long as that participation is documented by a campus official.

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.

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.** So, if a student continues to attend class past the date the student provides notification, and the school chooses to do so, the school may document and use the student's last day of attendance at an academically-related activity as the student's withdrawal date in the Return calculation.

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. This rule applies only to schools that are not required to take attendance, and does not apply to cohorts for which the school is required to take attendance by an outside agency. For these withdrawals, commonly known as *dropouts*, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable.

Time frame 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

When a student triggers both dates cite

34 CFR 668.22(c)(2)(ii)

Attendance Records

Only an institution that is required to take attendance by an outside entity is required to use its attendance records to determine a student's withdrawal date. However, an institution that is not required to take attendance by an outside entity but does take attendance **may**, in order to use the most accurate date of last attendance, use its attendance records to determine a student's withdrawal date.

Time frame for the determination cite

34 CFR 668.22(j)(2)

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.

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

Withdrawal due to circumstances beyond the student's control cite

34 CFR 668.22(c)(1)(iv)

There are two circumstances in which a special rule applies that defines 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.

If a school administratively withdraws a student because all of the student's instructors report at a census date that the student is no longer in attendance, then the census date is the last possible date of attendance the school may use in the Return calculation for that student. **If an institution expels, suspends, or otherwise disenrolls a student before the 50% point in the period, the institution is officially withdrawing the student and the withdrawal date is the date the institution terminated the student's enrollment for the period.**

Note: The clear intent of the law is that an institution that is not required to take attendance is entitled to use the midpoint of the period as a withdrawal date for a student who unofficially withdraws. An institution may not avoid the consequences or intent of the law by administratively withdrawing a student at a later date.

All other withdrawals without student notification

All other withdrawals cite

34 CFR 668.22(c)(1)(iii)

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

A school must develop a mechanism for determining whether a student who began attendance and received or could have

received an initial disbursement of Title IV funds unofficially withdrew (ceased attendance without providing official notification or expressed intent to withdraw) during a payment period or period of enrollment, as applicable. Section 34 CFR 668.22(j)(2) requires that a school have a mechanism in place for identifying and resolving instances where a student's attendance through the end of the period cannot be confirmed. That is, institutions are expected to have procedures for determining when a student's absence is a withdrawal. The school must make that determination as soon as possible, but no later than 30 days after the end of the earlier of:

1. the payment period or period of enrollment, as applicable;
2. the academic year; or
3. the program.

When students fail to earn a passing grade in any of their classes

If a student earns a passing grade in one or more of his or her classes, for that class, an institution is permitted to make the presumption that the student completed the course requirements, and may consider the student to have completed the period. If a student fails to earn a passing grade in at least one class in which the student was enrolled, the institution may not make the presumption. That is, for a student who fails to earn a passing grade in at least one class in which the student was enrolled, the student's grades do not provide evidence that the student did not unofficially withdraw during the period.

A school that is not required to take attendance may use either the midpoint of the period or a student's last day of attendance at or participation in any academically-related activity as documentation of the student's last date of attendance.

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 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 dropouts.

Institutionally determined last day (LDA) of attendance

For a student who unofficially withdraws from a school that is not required to take attendance, a school may **always** use either an institutionally determined LDA, the student's LDA at an academically-related activity or the midpoint of the period as the date the student withdrew.

Example of an administrative procedure in lieu of reviewing individual records

Instead of reviewing the individual attendance records of students who fail to earn a passing grade in any of their classes in order to determine whether each student ceased attendance before the 60% point-in-time, a school may adopt an administrative procedure that provides the required information.

For example, we are aware of schools that require instructors to report, for all students awarded a non-passing grade, the students' last day of attendance (LDA).

During an audit or program review, a sample of student records may be examined in order to document that the LDA reported with each student's grades matches that in instructors' attendance records.

Last date of attendance at an academically-related activity cite

34 CFR 668.22(c)(3)

Documentation

Documentation of a student's attendance at an academically-related activity must always be provided by an official of the institution. A student's self-certification of attendance at an academically-related activity is **never** sufficient documentation. However a school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

Examples of activities that are not academically related

include living in institutional housing and participating in the school's meal plan.

The school (not the student) 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.

Please note that a school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

Examples of academically-related activities are

- examinations or quizzes,
- tutorials,
- computer-assisted instruction,
- academic advising or counseling,
- academic conferences,
- completing an academic assignment, paper, or project, and
- attending a school-assigned study group.

In the absence of evidence of a last day of attendance at an academically-related activity, a school must consider a student who failed to earn a passing grade to be an unofficial withdrawal.

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

Withdrawals after rescission of official notification cite

34 CFR 668.22(c)(2)(i)

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.

Withdrawals from standard term-based programs using modules

When a student withdraws from a standard term-based program comprised of a series of modules, the school must determine whether a Return of Title IV Funds 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 a Return of Title IV Funds 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 5-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:

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

Withdrawal from program offered in modules cite

DC-GEN-00-24

Recalculation required

If a student withdraws after completing one module the student is not considered to have withdrawn. However, because the student failed to begin attendance in the number of credit hours for which the Federal Pell Grant was awarded, the institution must recalculate the student's eligibility for Pell and campus-based funds based on a revised cost of education and enrollment status (34 CFR 690.80(b)(2)(ii)).

For such a student, a change in enrollment status to less than half-time as a result of the failure to begin attendance in all subsequent modules would not affect a student's eligibility for any federal education loan funds previously received.

If a student withdraws without completing at least one module, the student is considered to have withdrawn. Because the student failed to begin attendance in the number of credit hours for which the Federal Pell Grant was awarded, before performing the required Return calculation, the institution must recalculate the student's eligibility for Pell and campus-based funds based on a revised cost of education and enrollment status. The institution then performs a Return calculation using the student's revised award.

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.

For confirmation, a school may not rely upon the student's previous registration. Rather, the confirmation from the student must be obtained **at the time of or 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.

Approved leave of absence

A leave of absence (LOA) is a temporary interruption in a student's program of study. LOA refers to the specific time period during an ongoing program when a student is not in academic attendance. It does not include nonattendance for an institutionally scheduled break in a student's program. A leave of absence must meet certain conditions to be counted as a temporary interruption in a student's education instead of being counted as a withdrawal requiring a school to perform a Return calculation. If a leave of absence does not meet the conditions in 34 CFR 668.22(d), the student is considered to have ceased attendance and to have withdrawn from the school, and the school is required to perform a Return calculation.

On November 1, 2002, the Department issued regulations that made the following changes to the LOA requirements:

- allowing multiple LOAs at the discretion of the institution;



- mandating that the institution's LOA policy require the student to submit a written request specifying the reason for the LOA; and
- for a clock hour or credit hour nonterm program, eliminating the requirement that the student, upon his/her return complete the exact same coursework he or she had begun prior to the leave.



In order for a leave of absence to qualify as an approved leave of absence:

1. there must be a reasonable expectation that the student will return from the leave of absence to continue his or her education;
2. except in a clock hour or nonterm credit hour program, a student returning from a leave of absence must resume training at the same point in the academic program and in the payment period or period of enrollment that s/he would have been in if s/he had not been on leave;
3. the institution may not assess the student any additional institutional charges, the student's need may not increase, and the student is not eligible for any additional federal student aid;
4. the school must have a formal written policy regarding leaves of absence requiring that all requests for leaves of absence be submitted in writing, and include the reason for the student's request;
5. the student must follow the school's policy in requesting the leave of absence;
6. the school must approve the student's request for a leave of absence in accordance with the school's policy;
7. the leave of absence and any additional leaves of absence must not exceed a total of 180 days in any 12-month period; and
8. if the student is a Title IV loan recipient, the school must explain 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 expiration of the student's grace period.



A student granted a leave of absence that meets the criteria in this section is not considered to have withdrawn, and no Return calculation is required. Upon the student's return from the leave, s/he continues to earn the Title IV aid previously awarded for the period.

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.

Completion of coursework upon return

In term-based credit-hour programs

Approved leaves of absence are viewed as temporary interruptions in a student's attendance. Therefore, for students enrolled in credit-hour term programs, in order for a leave of absence to be an approved leave of absence, a student returning from a leave of absence must be allowed by the school to complete the coursework that he or she began prior to the leave of absence. In addition, the institution may not impose additional charges and may not award the student additional Title IV assistance.

In clock-hour and credit-hour nonterm programs

One feature of an approved leave of absence is that the payment period in which the student was originally enrolled is considered to be temporarily suspended due to the leave of absence. Upon the student's return, the student simply resumes or continues the same payment period and coursework and is not eligible for additional Title IV program assistance until the payment period has been completed.

For term-based programs, where the payment period is the term, a student returning from a leave of absence must complete the term in order to complete the payment period and be eligible to receive a second or subsequent disbursement. Therefore, students returning to class from an LOA in a term-based program of study, must restart their coursework at the point the LOA began.

For nonterm-based programs, the revised regulations provide that the payment period is the period of time it takes a student to complete **both** half the number of credits **and** half the number of weeks of the academic year, program, or remainder of the program. For clock-hour programs, the payment period is the period of time it takes a student to complete half the number of clock hours in the program. Therefore, for clock-hour and nonterm programs it doesn't matter whether the student returns to the same course and point when the leave of absence began, or the student starts in a new course within the program (so long as there are no additional charges).

The revised regulations for clock-hour programs and nonterm credit-hour programs provide that, upon returning from a leave of absence a student need not complete the same coursework s/he began prior to the leave. For a nonterm program, once the student has earned half the required credits, and completed half the number of weeks in the period, the student has earned the Title IV

Full tuition credit

An institution may grant a full tuition credit toward the course the student chooses to re-enter as a way to comply with the requirement that the institution not assess the student any additional charges upon return from an approved leave of absence.



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funds s/he was previously paid. For a clock-hour program, once the student has completed half the number of clock hours, the student has earned the Title IV funds s/he was previously paid. At that point, if otherwise eligible, the student may receive a second or subsequent disbursement of Title IV program funds.

Leaves of absence vs. the grade of incomplete

At term-based schools, students who are unable to complete the requirements of an individual course are often assigned the grade of Incomplete (I). Students are usually expected to complete the required work within a reasonable time in order to receive credit and a passing grade.

If a student is assigned an incomplete status for one or several courses but continues to attend other courses, the student is not considered to have withdrawn. A student who is awarded the grade of incomplete in all of his or her classes is not considered a student on approved leave of absence unless the leave of absence meets the criteria in this section.

Because of the criteria that must be met in order for a leave of absence to be an approved leave of absence, only under exceptional circumstances and in a very limited number of cases, will a leave of absence at a credit-hour term-based institution meet the Department's criteria for an approved leave of absence.

A term-based credit hour institution that wishes to explore the possibility of granting a leave of absence that meets the criteria specified in 34 CFR 668.22(d), should call its Case Management Team for additional information.

A student may return early

A school may permit, **but not require**, a student to return to class before the expiration of the student's LOA in order to review material previously covered. In order to increase the likelihood that after the leave of absence s/he will be successful academically, a student on an LOA may resume his or her academic program at a point earlier than the point at which s/he temporarily interrupted training. However, until the student has resumed the academic program at the point s/he began the leave of absence, the student is considered to still be on the approved leave of absence, and **the days the student spends in class before the course reaches the point at which the student began his or her leave of absence must be counted in the 180 days maximum for an approved leave of absence.**

The requirement that an institution not impose additional charges when an approved leave of absence ends and the student resumes his or her program of study applies when a student returns to repeat prior coursework. Moreover, even if the student enters at the beginning of the module or course from which s/he



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took the leave of absence, a student is not eligible for any additional Title IV program assistance for this preparatory phase. Finally, a student repeating coursework must reach the point at which s/he interrupted training within the 180 days of the start of the student's LOA.

Since a student is still considered to be on leave of absence while repeating prior coursework, if the student fails to resume attendance at the point in the academic program where s/he interrupted training at the beginning of the leave of absence, the student must be treated as a withdrawal. In that case, the date of the student's withdrawal that must be used in the Return calculation is the date the student began the leave of absence. It is not the date the student ceased participation in the repeated courses (for students at an institution not required to take attendance).

Note: The Last Date of Attendance (LDA) is used for a student that does not return from a LOA at an institution that is required to take attendance.

No additional charges



A leave of absence is a temporary break in the student's attendance during which, for purposes of determining whether a Return calculation is required, the student is considered to be enrolled. Since students who are continuously enrolled are not assessed additional charges, **any** additional charges to a student, even minimal reentry charges, indicate that the institution does not truly consider the student to be on an approved leave of absence.

No additional Title IV assistance

Since an institution may not assess any additional charges, the institution may not award any additional Title IV aid until the student has completed the coursework in which the student was enrolled when the leave was granted.

Written formal policy required



Among the policies and procedures a school must maintain is one that specifies the procedures a student must follow in applying for a leave of absence, and the criteria the institution will apply in determining whether to approve the application. An institution's LOA policy must specify that all requests for a leaves of absence must be submitted in writing, must be signed, and must be dated.

As mentioned previously, the regulations provide that an institution must determine, before it grants a leave of absence, that there is a reasonable expectation that the student will return from the leave. In order for the institution to make such a determination, and in order for it to ensure that the student meets

the criteria in the institution's LOA policy, the institution must know the student's reason for requesting the leave. Therefore, the November 1, 2002 final regulations require that an institution's LOA policy specify that the student's application must include the reason for the student's leave request.

An institution's policy must require a student to apply in advance for a 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. In this example, the beginning date of the approved LOA would be determined by the institution to be the date of the accident.



A school must publicize its leave of absence policy. The school may do this by including that policy in the consumer information the school makes available to students (see chapter 7).

LOA not to exceed 180 days in any 12-month period

The revised regulations allow institutions, at their discretion and for any reason, to grant a student multiple leaves of absence as long as the total number of days for all leaves does not exceed 180 days within a 12-month period. This 12-month period begins on the first day of the student's initial leave of absence.



When a student fails to return from a leave of absence

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.

Explanation of consequences of withdrawal to loan recipients

A student who is granted an approved leave of absence is considered to remain in in-school status for Title IV loan repayment purposes. If the 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. In addition, if a student on an approved leave of absence fails to return, the school must report to the loan holder the student's change in enrollment status as of the withdrawal date. One possible consequence of not



Deferment or Forbearance

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).



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, prior to granting a 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.

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 know when the student will cease attendance.

Transfer and reentry into a credit-hour nonterm-based program or a program that measures progress in clock hours

Consistent with leave of absence

This change is similar to a leave of absence, and the 180-day measure is consistent with the maximum 180 days allowed for an approved leave of absence in the Return of Title IV Aid regulations. The difference, of course, is that with an unauthorized leave of absence the institution would not know that the student would be returning and would have treated the student as a withdrawal. Based upon that withdrawal, the institution would have completed the Return of Title IV Aid calculation, which may have required both the institution and the student to return funds to the Title IV programs.

If the student returns within 180 days to his or her original program, while an official leave was not granted, and the provisions of the Return of Title IV Aid regulations were applied, upon the student's return, the student can be treated as though he or she had been on an approved leave of absence.

On November 1, 2002, the Department published regulations that substantially revised the treatment of Title IV funds when a student reenters or transfers into a credit-hour nonterm-based program, or any program that measures progress in clock hours. In this section, we address those changes.

Reentry within 180 days

For credit-hour-nonterm-based programs or programs that measure progress in clock hours, a student who withdraws and then reenters the same program at the same school within 180 days is considered to be in the same payment period he or she was in at the time of the withdrawal. The student retains his or her original eligibility for that payment period, and is treated as though he or she did not cease attendance.

A student who reenters a credit-hour-nonterm-based program or a program that measures progress in clock hours within 180 days of his or her withdrawal is immediately eligible to receive all Title IV funds that were returned when the student ceased attendance. Thus, upon the student's return, the school must restore the types and amount of aid that the student was eligible for before the student ceased attendance, and schedule the appropriate disbursements. Actions to be taken by the school would include:

- re-disbursing aid that had been disbursed and then returned under the Return of Title IV aid provisions;

- disbursing aid the student was otherwise eligible for that had not yet been disbursed at the time the student withdrew; and
- canceling any overpayments assessed the student as a result of the prior withdrawal.

Once the student completes the payment period for which he or she has been paid, s/he becomes eligible for subsequent Title IV student aid payments.

A student who reenters within 180 days is treated as if s/he did not cease attendance for purposes of determining the student's aid awards for the period. If the student does not return within 180 days, the institution would be responsible for applying the Return of Title IV aid requirements using the date the LOA began as the last day of attendance in the calculation. Moreover, the institution would have to make all required returns, and notify the holders of any education loans of the revised LDA by the deadlines in the regulations.

Note: For a student who completed more than 60% of his/her training before ceasing attendance, the school would not have returned any Title IV aid. (However, it would have completed a Return calculation to determine if the student were due a post-withdrawal disbursement.) If that student were to reenter training within 180 days, because the student had received 100% of his or her aid for the period, the student would not be eligible to receive additional Title IV aid until s/he completed the hours (and weeks for a credit-hour without terms program) in that payment period.

What to do when a student whose overpayment has been referred to ED Collections reenters within 180 days

If a student whose overpayment has previously been referred to ED Collections returns to school within 180 days, the school must notify ED Collections by sending ED Collections a fax identifying the student overpayment, and stating that it should be made void. This will allow the Department to properly update its records in both the ED Collections system and NSLDS.

This fax number is for **school use only** and only for this purpose

(319) 339-6950

Note: This process cannot be performed via e-mail.

In the fax, the school must include the:

- award year of the overpayment;
- student's social security number;
- student's last name, first name, and middle initial;
- student's date of birth;
- type of overpayment — Federal Pell Grant or FSEOG;

Costs upon reentry

The cost of attendance would be the costs associated with the original period before the student withdrew. Once the student has withdrawn and then returned to the same program within a 180-day period, the regulation states that the student remains in the same payment period. The cost of attendance for such a student returning to the same program within 180 days must reflect the original educational costs associated with the payment period from which the student withdrew.

Deferment status for loan funds

If a student reenrolls in school on at least a half-time basis before his or her initial grace period expires, the student regains his or her in-school status and is entitled to have his or her grace period made whole again. The student will have a full initial grace period when he or she ceases half-time enrollment.

When a student reenters within 180 days

The return regulations require an institution to return unearned funds for which it is responsible as soon as possible, but no later than 30 days after the date of the institution's determination that the student withdrew. If a student returns to the institution before the Title IV funds are returned, the institution is not required to return the funds.

An institution may not delay its Return of Title IV funds

An institution is expected to begin the Return of funds process immediately upon its determination that a student has withdrawn. The institution may not delay returning Title IV funds because it believes a student might return.



- the disbursement date the institution used to create the overpayment record to NSLDS;
- a letter that includes the following:

This student has returned to school. The regulations contained at 34 CFR 668.4(e) require that the overpayment contained herein should be voided.

Reentry within 180 days, example

Consider a student who began attendance in a clock hour program that was 1500 hours in length with a defined academic year of 900 hours. For the first 450 hour payment period the student was awarded and disbursed \$1500 in Pell Grant funds, \$500 in FSEOG funds, and \$500 in federal education loan funds, for a total of \$2500 in Title IV aid.

Assume that this student withdrew from school after completing 225 hours of the 325 hours he was scheduled to complete by that point in the payment period (50%), and the school uses payment periods to calculate the Return of Title IV Aid. Under the Return regulations, the school used actual hours attended (225) to determine that the student earned 50% of his or her Title IV aid (Because the student had not completed at least 70% of the scheduled hours, the school may not use the 325 scheduled hours.). The school returned \$500 to the loan program.

The school applied the 50% grant protection, and the student incurred a Title IV grant overpayment of \$375. The student repaid the school \$100, and made satisfactory arrangements with the school to repay the balance.

If the student returns to the same program at the same school within 180 days of the withdrawal, the student would be considered to be in the same payment period, and the student's eligibility for Title IV aid should be the same as if the student had not left. Thus, the school should request that the lender re-disburse the \$500 the school had returned, cancel the \$275 grant overpayment, and re-disburse the \$100 that had been repaid by the student. In addition, the institution would schedule additional Title IV disbursements for the day on which the student is expected to complete the remainder of the payment period.

If the student withdraws again before completing the payment period, the institution would apply the provisions of the Return regulations using the total number of hours the student completed in the numerator, the full 450 hours in the payment period in the denominator, and then applying that fraction to the total Title IV aid disbursed for the period.

When a student reenters in a new award year

A student who was originally enrolled in a payment period that began, and was scheduled to end in one award year could return after the end of that award year (June 30). However, the intent of the new regulations is that such a student is to be considered, upon his or her return, to be in the same period. Therefore, any Title IV program funds that will be disbursed to the student should be paid from the original award year regardless of whether the resumption of the payment period is in a new award year.

Consider a student who received Pell Grant funds and ceased attendance in one award year who then reenters training within 180 days, but in a new award year. If the school returned funds after a Return calculation, the student might be due Pell funds from an award year that is over. In order to request these funds, the school will have to go to the Pell Grant web site at

www.pellgrantsonline.ed.gov

select **“Post Deadline,”** and request administrative relief.

Generally, a school may request administrative relief for a student who reenters training during the award year following the award year in which the funds were originally awarded.

Reentry after 180 days, reentry into a new program, or transfer to a new program or institution

If a student who previously attended and then withdrew from a credit-hour nonterm program or a clock-hour program without completing the period:

- reenters the same program at the same institution more than 180 days after withdrawal, receiving credit for hours previously earned; or
- transfers into another credit-hour nonterm or clock-hour program at any time (either at the same institution or at a new institution) and the institution accepts all or some of the hours earned in the prior program; then

the student starts a new payment period when s/he reenters or transfers.

In calculating awards for a student who reenters after 180 days, reenters in a new program, or transfers to a new institution, the institution treats the hours remaining in the program as if they are the student's entire program. The number of payment periods and length of each payment period are determined by applying the rules in the appropriate part of the definition of a payment period to the hours remaining in the program upon transfer or reentry (see *Definition of a payment period* in chapter 2).



New

Pending changes

ED is still considering the electronic process through which schools will request administrative relief during the 2003-2004 award year. Schools may enter their requests through the COD system, or they may continue to have the option of making their request through **pellgrantsonline**. **A school that wishes to request administrative relief will be able to find current instructions on the IFAP Web site.**



New



New

Eligibility of transfer students for additional Title IV funds

Pell Grant scheduled award

When paying Pell funds to a student who has received Pell disbursements for the current award year at another institution, the receiving institution, if necessary, must adjust the student's grant to ensure that the Pell funds received by the student for the award year do not exceed the student's scheduled award. (For more information, see [Calculating a Pell award when a student who owes an overpayment returns](#), in chapter 6, and Volume 3, Pell Grant Program)

Guarantee agency cooperation

Since the period of attendance for which School 1 previously certified the transfer student's loan might have included the dates for which School 2 is attempting to certify a loan, some guarantee agencies might require clarification from one or both schools before they will certify a new loan.



A transfer student's eligibility for additional Title IV funds may be subject to a variety of limitations associated with the aid the student received during the student's most recent period of attendance. For example, in the Pell Grant Program, a student may never receive more than his or her scheduled annual award. In the Federal Family Education Loan Program, application of the annual loan limits impose the following additional limitations on a borrower's eligibility for FFEL funds when the borrower transfers:

1. Until 30 weeks have elapsed since the start of the borrower's academic year at School One, the borrower is eligible to receive a loan at School Two for an amount no greater than the balance (if any) remaining on the loan at School One.
2. If 30 weeks have elapsed since the start of the borrower's academic year at School One, but there is an overlap of the two schools' academic years, once again, the borrower is eligible to receive a loan at School Two for an amount no greater than the balance (if any) remaining on the loan at School One. The borrower is not eligible for a new loan until the academic year at the receiving school (School Two) is over.

If 30 weeks have elapsed since the start of the borrower's academic year at School One, and there is no overlap of the two schools' academic years, the borrower is immediately eligible to receive a new loan. Note that School Two can certify the borrower for a loan period that corresponds to its academic year, or the entire balance of the program (so long as that balance does not exceed one calendar year)

Transfer student

Example 1

Consider an academic program that consists of 1,500 clock hours, with a defined academic year of 900 hours and 30 weeks of instructional time. For students who enter at the beginning of the program, there would be four payment periods as follows:

1. the first 450 hours of the first academic year;
2. the next 450 hours of the first academic year;
3. the first 300 hours of the 600 hours remaining in the program, and
4. the final 300 hours of the 600 hours remaining in the program.

If the school accepts a transfer student and grants the student 300 hours of credit toward the completion of its 1,500 hour program, the school would subtract the 300 hours from the 1,500 hours in the student's program, and determine that the student needs to complete 1,200 hours at the new institution in order to complete the program.

Then, consistent with the regulations in 34 CFR 668.4(b), the school determines the payment periods in the 1,200 hours that constitute the student's program. Since the number of remaining hours in the program is greater than an academic year, the payment periods for the rest of the program are:

1. the first 450 hours after the student transfers, and comprising the first half of an academic year;
2. the next 450 hours in the academic year following the student's transfer; and
3. the 300 hours remaining in the program (since this balance is one-half of an academic year or less).

The institution would then award and disburse Title IV aid based upon the length of the payment period(s) consistent with the awarding rules under each of the Title IV programs and the Cash Management rules contained in Subpart K of Part 668 of the regulations.

Example 2

On August 1, 2003, David Allen enrolled at Penny's Hair Academy (PHA). After completing 400 of the 900 clock hours in his program, David had to relocate, and he withdrew from school.

On February 1, 2004, having settled into his new home, David enrolled at Marion's Esthetics Institute (MEI) as a transfer student. David was awarded 400 clock hours of transfer credit in MEI's 1000 clock hour program (the program definition of an academic year is 900 clock hours).

When the financial aid officer (FAO) at MEI examined David's 2003-2004 ISIR, he found the following entry:

%Sch.Used: 50.0 As Of: 01/28/2004 Pell Verification EFC: 0

The FAO subtracted the 50% used previously from 100% and found that the percentage of David's scheduled award that remained unused was 50%. Therefore, David was eligible to receive 50% of his scheduled Pell award of \$4,200 during the balance of the award year. In addition, the FAO used the 600 hours remaining in David's program to establish the appropriate payment periods (per 34 CFR 668.4(b)) of 300 clock hours each.

The aid officer performed the required multiplication and determined that David could receive as much as \$2,100 ($.50 \times \$4,200 = \$2,100$) if he remained enrolled at MEI for the balance of the year.

During the first payment period, David received \$1,400

$\$4200 \times 300(\text{hours in the period}) \div 900 (\text{hours in the academic year}) = \$1,400$

in Pell funds. However, in the second payment period, David could only receive funds until his total Pell at EIA reached \$2,100 (his total for the year reached \$4,200). Therefore, for the second payment period at MEI, David could only receive \$700 ($\$2,100 - \$1,400 = \700).

On February 5, 2004, David came to the FAO at MEI and inquired about *a loan like the one I had at PHA*. The FAO examined David's ISIR and his record in NSLDS and determined that David had received \$1,313 in loan funds (from his first-year loan of \$2,625) while attending PHA.

The FAO tells David that because there is an overlap of the two school's academic years, David is only eligible to receive a loan for the balance of his eligibility as a first-year student — \$1,312.

The FAO tells David that the one-half of his loan will be disbursed within a few days, and the balance when David has completed one half of the hours in the remainder of his program.

Death of a student

No post-withdrawal disbursement of Title IV funds may be made to the account or estate of a student who has died.

If an institution is informed that a student has died during a period, it must perform a Return of Title IV Aid calculation. If the Return calculation indicates that an institution is required to return Title IV funds, the institution must return the Title IV funds for which it is responsible.

Neither the student nor his/her estate is required to return any Title IV funds. Therefore, an institution should neither report a grant overpayment for a deceased student to NSLDS, nor refer a grant overpayment for a deceased student to ED Collections. If an institution had previously reported a grant overpayment for a student who is deceased to ED Collections, it should inform ED Collections that it has received notification that the student is deceased.

The regulations governing the FFEL, Direct, and Federal Perkins loan programs provide for a discharge of a borrower's obligation to repay an FFEL, Federal Direct, or Federal Perkins loan if the borrower dies (including a PLUS loan borrower's obligation to repay an FFEL or Direct PLUS loan if the student on whose behalf the parent borrowed dies). If an outstanding Title IV loan balance remains after any return of funds by the institution, the institution may wish to instruct the person administering the estate to contact the lender for information on the loan discharge procedures.

If an institution that is not required to take attendance is informed that a student has died, it must determine the withdrawal date for the student under 34 CFR 668.22(c)(1)(iv). This section provides that, if the institution determines that a student did not begin its withdrawal process or otherwise provide official notification of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the withdrawal date is the date that the institution determines is related to that circumstance.

The withdrawal date can be no later than the date of the student's death. For an institution that is required to take attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the institution's attendance records. In all cases, the institution should **maintain the documentation it received that the student has died** and determine an appropriate withdrawal date.

Documentation

In order to waive any return of Title IV funds required from a student who has died, an institution must obtain and maintain documentation of a student's death. In addition, it would be helpful to the student's estate if the FAO would provide a copy of that documentation to ED Collections.

If a Title IV credit balance created from **funds dispersed before the death of the student** exists after the completion of the Return calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance as follows:

1. paying authorized charges at the institution (including previously paid charges that are now unpaid due to the Return of Title IV funds by the institution);
2. retiring any Title IV grant overpayments owed by the student for previous withdrawals from the present school (the institution may deposit the funds in its federal funds account and make the appropriate entry in GAPS);

If the institution has previously referred the grant overpayment to DCS, the institution should provide DCS with documentation that the student has died so that DCS can delete the overpayment from its records.

3. handling the credit balance as provided under the cash management regulations (see chapter 5); or
4. paying the credit balance to the student's estate.

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, a student who withdrew after the break

Contact with the student's estate

A school should contact the student's estate to inform it that the estate can take action to have the student's Title IV loan debt (if any) cancelled.

In order to reduce costs to the federal government and make additional Title IV funds available to needy students, we encourage schools, to request the estate's permission to use any remaining Title IV credit balance to reduce the student's Title IV loan debt, from the current and any previous academic period.

Percentage of payment period or period of enrollment completed cite

34 CFR (f)

Credit-hour programs cite

34 CFR 668.22(f)(1)(i)

Scheduled breaks cite

34 CFR 668.22(f)(2)(i)

Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (4 days) and the five weekdays 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.

would not be given credit for earning an additional week of funds during the scheduled break, but would instead earn funds only for the day or two of training the student completed after 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.

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.

Example of Withdrawal Date When a Student Withdraws on a Scheduled Break of Five or More Days

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.

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.

Clock-hour programs cite

34 CFR. 668.22(f)(ii)

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 more than 60% of the payment period or period of enrollment. **If the student withdrew after actually completing more than 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 in calculating the *Percentage of Title IV Aid Earned*.

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, the school may use the scheduled hours in calculating the *Percentage of Title IV Aid Earned*. 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 the result of the ratio of completed to scheduled hours 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.** Calculation 1 determines the percentage of the period completed using completed hours. Therefore, the result of that calculation is always used as the percentage of the period completed.

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.

Using portions of a clock hour

If an institution tracks the completion of clock hours in portions of an hour, it might be able to use portions of an hour to determine the percentage of Title IV aid earned when a student withdraws.

An institution that tracks the completion of clock hours in portions of an hour (for example, in 15-minute intervals) may use those portions of an hour to determine the percentage of Title IV aid earned when a student withdraws **if the institution counts attended portions of an hour toward completion of the program for all students in the program**. If an institution counts only whole hours with no credit for partially completed hours toward completion of the program, only whole hours may be used in the Return 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 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.

Example of Using Scheduled Hours to Determine the *Amount of Title IV Aid Earned by the Student*

Consider a student who withdraws after completing 230 hours in a 450 clock-hour payment period.

The student was scheduled to have completed 280 hours of the program at the time s/he withdrew. The student has completed 82% of the scheduled hours (230/280) in the time s/he was enrolled. Since the scheduled hours completed (82%) exceeded the attendance threshold of 70%, the school would use the 280 scheduled hours, rather than the 230 hours that were actually completed, in calculating the *Percentage of Title IV Aid Earned*. (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% ($230 \div 335 = 68.7\%$) and only the 230 completed hours would be used in the calculation.)

Since the school determined that the student may be paid for 280 scheduled hours of the 450 clock-hour-payment period, the percentage used in Box C of Step 3, would be 62.2% ($280/450$), even though the student actually completed only 51.1% of the total hours ($230/450$). Remember, even though the percentage used in Step 3 is more than 60% (62.2%) the student would not earn 100% of the Title IV funds because the student did not actually complete 60% of the period.

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

Amount of Title IV aid earned by the student cite

34 CFR 668.22(e)(1)

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

Determining charges cites

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

If a student withdraws and as a result of applying an institutional refund policy the school reverses, reduces, or cancels a student's charges, the Return of Title IV Aid requirements still apply. The statute mandates that an otherwise eligible student who begins attendance at a school and is disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal earns a portion of those Title IV funds. If after a student withdraws, an institution adjusts or eliminates a student's institutional charges, or changes a student's enrollment status, the changes made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22. Moreover, the charges used in the Return calculation are always the charges on the student's account prior to withdrawal.

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

Title IV aid to be disbursed or returned cite

34 CFR 668.22(a)(3)

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

Post-withdrawal disbursements cite

34 CFR 668.22(a)(4)

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 by someone other than ED. A school must track post-withdrawal disbursements.

Return calculation required

For a student who withdraws after the 60% point-in-time, even though a return is not required, a school must still **complete a Return calculation** in order to determine whether the student is eligible for a post-withdrawal disbursement.

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) prior to the student's loss of

eligibility. 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 120 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 120 days of the date of the institution's determination that the student withdrew, rather than within 120 days of the date that the student becomes ineligible.**

The regulations published on

November 1, 2002, increased the period during which schools can make a late or post-withdrawal disbursement from 90 to 120 days.

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 (34 CFR 668.164); 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 a post-withdrawal disbursement to pay down other 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. If the post-withdrawal disbursement represents 100% of the loan proceeds, the school might want to suggest that the student cancel the loan.

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

Cash management requirements for student and parent authorizations cite

34 CFR 668.165(b)

for charges other than current charges for tuition, fees, room and board (if the student contracts with the school) (see chapter 5 and chart on *Institutional and Financial Assistance Information for Students* at the end of chapter 7 for more information).

Outstanding charges example

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.

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 owe for the current term after his or her withdrawal, any other current charges, plus any permitted minor prior year charges.

A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally-related expenses, that the school obtained prior to the student's withdrawal date 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 authorization from the student (or parent for a PLUS loan) prior to the student's withdrawal and does not obtain that authorization 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 Title IV 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 time frame, 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 time frame, 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.

Post-withdrawal disbursement prohibited

A school may not make a post-withdrawal disbursement of a Title IV education loan without a student's permission.

A school may use one notification to:

- inform the student or parent that loan funds were credited to the student's account;
- request permission to credit the student's account for other current charges for educationally-related activities, if prior authorization was not obtained; and
- 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 time frame 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 per the recipient's instructions on an authorization received after the 14-day deadline, the school does not need to notify the student.

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, none 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.

Example, contd.

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 (a *discretionary* educationally-related expense).
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 March 10, 120 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 loan funds will be disbursed.

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.

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.

Disburse grant before loan 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.

Title IV aid to be returned cite

34 CFR 668.22(a)(2)

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

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

34 CFR 668.22(g)

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.

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 Title IV 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.

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

Institutional charges cite

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

34 CFR 668.22(g)(2)

DC-GEN-00-24

Effect of other assistance cite

Federal Register/Vol. 64, No. 210,

11/1/99, page 59032

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).

Prorated charges example

Institutional charges are \$8,000 for a nonterm-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, because of the \$1,000 in fees charged at the beginning of the period, 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.

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.**

Effects of waivers on institutional charges

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 calculation would be based on the full original charge for the tuition and fees for the period used in the calculation.

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.

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.

However, if the institution's policy is that the student is not assessed the additional \$2,000, 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 calculation would use institutional charges of \$900.

January 7, 1999 policy bulletin

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

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.

Fees as noninstitutional charges

Application and registration fees are excluded from institutional charges because they are not an educational cost. (Federal Register, Vol. 59, No. 82, April 29, 1994, page 22356)

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 an 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 the 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 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.

Book vouchers and institutional charges in the return of Title IV funds calculations

In order for the cost of books and other educational materials to be considered a noninstitutional cost (excluded from Step 5, Part G), the school must demonstrate that its students have a real and reasonable opportunity to purchase the books and materials elsewhere (see the discussion under *Demonstrating a real and reasonable opportunity*).

If a book voucher issued by a school cannot be used to purchase course materials from a **convenient unaffiliated source**, the student does not have a real and reasonable opportunity to purchase his or her course materials elsewhere. In that case the school must include the cost of books and materials purchased with the voucher in the Return of funds calculation in Step 5, Part G.

Example of Determining Institutional Charges

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 the 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

Application and registration fees

Application and registration fees are excluded from institutional charges because they are not an educational cost.

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:

1. Unsubsidized Federal Stafford loans
2. Subsidized Federal Stafford loans
3. Unsubsidized Direct Stafford loans (other than PLUS loans)
4. Subsidized Direct Stafford loans
5. Perkins loans
6. Federal PLUS loans
7. Direct PLUS loans
8. Federal Pell Grants for which a return of funds is required
9. Federal Supplemental Educational Opportunity Grants (FSEOG) for which a Return of funds is required
10. Other assistance under this Title for which a Return of funds is required (e.g., LEAP)

Time frame 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.

Order of return of Title IV funds cite

34 CFR 668.22(i)

Time frame for return of Title IV funds cite

34 CFR 668.22(j)(1)

Initial amount due from student cite

34 CFR 668.22(h)(2)

Step 8: Return of funds by the student

Return of funds by the student cite

34 CFR 668.22(h)(3)(i) and (ii)

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

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

GRANT OVERPAYMENTS

Grant overpayments cite

34 CFR 668.22(h)(4)

The applicable regulations require that students repay only 50% 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 45th 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 beyond 45 days.
 - a. The student may repay the overpayment in full to the school.
 - b. The student may sign a repayment agreement with the school.
 - c. The student may sign a repayment agreement with the Department.

If the student takes no positive action during the 45-day period, the school should report the overpayment to NSLDS immediately after the 45-day period has elapsed. (Because making this change in the NSLDS system is a simple process, we expect an institution will complete making the change within a few days of the end of the 45-day period.)

4. If the student fails to take one of the positive actions during the 45-day period, the student's overpayment immediately 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.

When a student receives additional funds during the 45-day period of extended eligibility

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 (a) the date the school sends the student notice of the overpayment, or (b) the date the school was required to notify the student of the overpayment.

A student who receives Title IV funds within that period of extended eligibility and then fails to return the overpayment or make repayment arrangements becomes ineligible for additional Title IV program funds on the day following the 45-day period. However, any Title IV program funds received by the student during the 45-day period were received while the student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who loses his or her eligibility for Title IV funds at the expiration of the 45-day period will remain ineligible for additional Title IV funds until the student enters into a repayment agreement with the Department.

If at any time a student who previously negotiated a repayment arrangement fails to comply with the terms of his or her agreement to repay, immediately that student becomes ineligible for additional Title IV funds. Any Title IV program funds received by the student between the time the student negotiated the repayment arrangement and the time the student violated the agreement were received while the

45-Day period example

On October 30th during the fall semester a student withdraws and owes a grant overpayment. On November 29th the institution notifies the student of the overpayment. The student has 45 days (until January 13) to repay the overpayment in full or to make arrangements with the institution or the Department to repay.

The spring semester begins on January 7, before the 45-day period ends, and the student receives Title IV aid for the spring semester on January 10. The student then fails to repay the overpayment in full or sign a repayment agreement by the end of the 45-day period - January 13. The student is not required to return the Title IV funds received on January 10. However, the student becomes ineligible for additional Title IV funds on January 14 and remains ineligible until he or she enters into a repayment agreement with the Department.

student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who violates the terms of a repayment agreement will remain ineligible for additional Title IV funds until the student has repaid the overpayment in full.

If, in either of the two aforementioned cases the student withdraws a second time, any unearned funds from the disbursements that were made while the student was still eligible would have to be returned in accordance with the Return of Title IV Aid requirements.

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 that a student withdrew and owes a repayment and the school sends notification to the student on September 1 (within the 30 days allowed), then the first day of the 45-day period is September 2. The 45th day and last day of the student's eligibility for Title IV funds is October 16.

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 that a student who withdrew on July 8 owes a repayment, the 30th day following August 20 and the first day of the 45-day period is September 19th. The 45th day, last day of the student's eligibility for Title IV funds, is November 3. 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.

Note: The Return of Title IV Funds software will identify an ending date for the 45-day period that is one day earlier than the date a financial aid administrator would arrive at if the aid administrator performed the calculations by hand.

Student overpayments less than \$25

If a student owes a Title IV grant overpayment as a result of a withdrawal, the student does not have to repay the grant overpayment if the *original 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 FSA's Student Management Collections (ED Collections) an *Amount for Student to Return* (Step 8, line 5 or 6, in the Return to Title IV 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 on the NSLDS Web site.

<https://www.nslsdfap.ed.gov>

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.**

Note: ED Collections will not accept referrals for less than \$25.00.

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 50 cents.

Payments on a student's behalf

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.

Student overpayments less than \$25 cite

DC-GEN-00-24 December, 2000

When a school makes a payment and student refuses to repay the school

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.

Recording student payments and reductions in the Pell Grant Program

As the Department makes the transition to the Common Origination and Disbursement process (COD), the ways in which schools enter student payments in the Pell system and refer overpayments to ED Collections will change.

Payments on Pell Grant overpayments and reductions in Pell Grants that occurred through the 2001-2002 award years will be recorded differently than those that occur in subsequent years. In addition, for the 2002-2003 and 2003-2004 award year, schools that are full participants in COD will record reductions and payments in a different way than phase-in participants. **Schools reporting changes should pay close attention to the details that follow.**

If through its Return calculation a school determines that a student has received an overpayment of Pell Grant funds, the school should reduce the student's award as follows:

- For the award years through 2001-2002, **all schools** should reduce the student's award by entering a negative disbursement in the Pell system.
- For the 2002-2003 and 2003-2004 **award years**, **phase-in schools** will continue to reduce a student's award by entering a **negative disbursement** in the Pell system. **Full-participant schools** will reduce a student's award by entering a **replacement value** in the Pell system.

After completing the Return calculation, schools should report through the Pell system 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.

If a school receives a payment for a current-year overpayment that has not been referred to ED Collections, the school should **NOT** send the payment to ED Collections. If a school that has made repayment arrangements with a student receives a payment **on a current year overpayment**, the school should deposit the funds in its Pell account and make the appropriate entry in the Pell system.

If a student makes a payment on any **previous year's** Pell overpayment, a school makes the aforementioned Pell system entry using the software for the appropriate award year. The school then returns the funds to the Department using the same procedures the school follows when making other GAPS refunds/returns.

The GAPS lockbox address is:

**U.S. Department of Education
P.O. Box 952023
St. Louis, Missouri 63195-20230**

If through its Return calculation a school determines that a student has received an overpayment of FSEOG funds, the school should adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (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

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 or indicate his or her intent to negotiate repayment arrangements with ED Collections. 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).

NSLDS cites

DC-GEN-98-14 July 1998

<https://www.nslsdfap.ed.gov>

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**. 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 a school wait 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 10 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 and postal address for ED Collections. A student can contact ED Collections by calling **800-621-3115** or by writing ED Collections at the following address:

**U.S. Department of Education
Federal Student Aid Programs
P.O. Box 4222
Iowa City, Iowa 52244**

Reporting and referring overpayments

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 to the

**Student Loan Processing Center-Overpayments
P.O. Box 4157
Greenville, TX 75403**

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 46th 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 (Indicator field) of an overpayment for which it has entered a repayment agreement as "Satisfactory Arrangement Made." 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 "Satisfactory Arrangement Made" 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 (Indicator field) to "Overpayment." 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 "School" to "Transfer." 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 (Indicator field) from "School" to "Overpayment." 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, enter "Transfer" as the initial source and "Overpayment" as the status (Indicator field).

REMINDER

All referrals to ED Collections must be made on institutional letterhead.

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 “ED Region” will replace “School” as the appropriate contact for information about the overpayment.

Important: During the 2003-2004 award year, on its Overpayment Referral, schools must continue to provide their School’s Pell Identification Number. During the 2003-2004 award year, schools should **not** enter their Common School Identifier.

Summary

- ◆ If during the 45-day period a student repays his or her debt in full to the institution, the institution should neither report the overpayment in NSLDS nor refer the student to ED Collections.
- ◆ If during the 45-day period a student signs a repayment agreement with the institution, the institution should immediately (within a few days) make the appropriate entries in NSLDS.
- ◆ If during the 45-day period a student indicates that he or she will not or cannot repay the overpayment and wishes to negotiate a repayment agreement with the Department, the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to ED Collections.
- ◆ If the institution will not be offering institutional repayment arrangements to students and during the 45-day period a student indicates that he or she cannot repay the debt in full, the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to ED Collections.
- ◆ If a student fails to take any positive action during the 45-day period, upon the expiration of that period the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to ED Collections.
- ◆ If a student signs a repayment agreement with an institution and at any time then fails to fulfill the terms of that agreement, the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to ED Collections.

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.

Anytime an institution receives a payment (including the application of a Title IV credit balance) that will repay the overpayment in full, it must also update its original submission to NSLDS by changing the entry on the *Overpayment Update Screen* for the Data Element "Indicator" to "Repaid."

If a school receives a payment for an overpayment **previously referred to ED Collections** and if

- the overpayment was made in the **current award year** and
- the payment will **retire the student's debt in full**,

the institution must:

- a. deposit the payment in its appropriate federal funds account;
- b. for a Federal Pell Grant overpayment, make the appropriate entry in the Pell system (for a phase-in participant — a negative disbursement, for a full participant — the replacement value); and
- c. send a letter or fax to ED Collections identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the ED Collections system and NSLDS.

This fax number is for **school use only** and **only for this purpose**

(319) 339-6950

Note: This process cannot be performed via e-mail.

In the fax or letter, a school must include the:

- award year of the overpayment;
- student's social security number;
- student's last name, first name, and middle initial;
- student's date of birth;
- type of overpayment — Federal Pell Grant or FSEOG; and
- the disbursement date the institution used to create the overpayment record to NSLDS.

Calculating a Pell award when a student who owes an overpayment returns to a standard term-based educational program in the same award year

Consider a student who is eligible for Federal Pell Grant funds and who transfers from one school (school A) to another school (school B) within the same award year. Before paying any Pell funds to the student, school B must determine the percentage of eligibility remaining to the student. After transferring, a student's remaining Pell Grant eligibility during an award year is equal to the percentage of the student's *Scheduled Award* that remains unused times the student's scheduled award at the new school.

School B may pay the student a Pell Grant only for that portion of an academic year in which the student is enrolled and in attendance at school B. The grant must be adjusted, as necessary, to ensure that the funds received by the student for the award year do not exceed the student's scheduled award for that award year.

The award for each payment period is calculated using the (full) Scheduled Award. The student receives a full award until the student has received 100% of the student's remaining eligibility. This avoids a school having to ration the remaining amount by splitting it evenly across the remaining terms.

To calculate a transfer student's remaining eligibility, school B must first determine what percentage of the scheduled award the student used at school A. On the student's current ISIR, in a section headed ***200X – 200X Pell Payment Data***, school B will find an entry for ***% Sch. Used***. School B subtracts the percentage listed under ***% Sch. Used*** from 100%. The remainder is the unused percentage of the student's scheduled award — the percentage the student may receive at school B. (One uses percentages rather than dollars because a transfer student may have different scheduled awards at the two schools, and using percentages rather than dollars adjusts for this possible difference.) School B then multiplies the percent of eligibility remaining times the scheduled award at the new school. The result is the maximum amount of Federal Pell Grant funds the student may receive at school B during the balance of the award year.

Scheduled award

the amount of Federal Pell Grant funds a student with a specific EFC and COA would receive in an award year if he or she attends full-time for the entire academic year.

Annual award

the amount of Federal Pell Grant funds a student with a specific EFC and COA would receive in an award year based on the Disbursement Schedule appropriate to his or her enrollment status.

Note: Following the appropriate procedures relative to the figure reported in *% Sch. Used* will ensure that a transfer student does not receive more than 100% of the student's scheduled award. Therefore, school B may ignore the actual grant and overpayment amounts from school A in school B's calculations.

Example of calculating a Pell award when a student who owes an overpayment reenters a standard term-based education program in the same award year

On August 21, 2002, Trillian Prefect enrolled at Milliways Community College (MCC). After just two weeks, Trillian decided that she preferred studying purely technical subjects. She withdrew from MCC, and on September 5, 2002, began studying robotics at Vagon Technical Training Center (VTTC).

When the financial aid officer at VTTC examined Trillian's 2001-2002 ISIR, he found the following entry:

%Sch.Used: 10.0 As Of: 09/01/2002 Pell Verification EFC: 0

The aid officer subtracted the 10% used previously from 100% and found that the percentage of Trillian's scheduled award that remained unused was 90%. Therefore, Trillian was eligible to receive 90% of her scheduled award during the balance of the award year. The costs at VTTC are much higher than those at MCC. Trillian's scheduled award at VTTC was \$3,750.00.

The aid officer performed the required multiplication and determined that Trillian could receive as much as \$3,375.00 ($.90 \times \$3,750 = \$3,375$) if she remained enrolled at VTTC for the balance of the year.

During the first semester, Trillian received \$1,875 ($\$3,375 \div 2 = \$1,875$) in Pell funds. However, in the second semester, Trillian could only receive funds until her total reached \$3,375. Therefore, for that semester, she could only receive \$1,500 ($\$3,375 - \$1,875 = \$1,500$).

When a student loses eligibility at a former school while receiving aid at a second school

If a student who owes a Title IV overpayment due to a withdrawal from one school receives additional Title IV aid at another school (based upon the student's having entered into an agreement with either ED Collections or the first school) and then fails to meet the requirements of the agreement, ED Collections or the school, as appropriate, will update NSLDS to show that the student is no longer eligible due to his or her violation of the agreement. The NSLDS post-screening process will then cause a new ISIR record to be created and sent to all schools listed in the CPS record.

As noted above under *When a student receives additional funds during the 45-day period of extended eligibility*, the student loses eligibility as soon as he or she fails to meet the terms of the repayment agreement. The second school is not liable for any aid it disbursed after the student became ineligible but prior to being notified of the ineligibility via the NSLDS post-screening process.

As provided for in previous guidance (GEN-96-13, Q&A 13 and 15), once the school receives a record from NSLDS showing that a student is not eligible, it may no longer disburse Title IV aid to the student and must assist the Department in requiring the student to repay any funds he or she was not eligible to receive.

If a student who is receiving Title IV aid at an institution with which he or she has entered into a repayment agreement for a previous overpayment resulting from a withdrawal violates the terms of that agreement, the institution must immediately cease disbursing Title IV aid to the student. The school must immediately update the NSLDS record and refer the overpayment to ED Collections.

SAMPLE SUMMARY OF THE REQUIREMENTS OF 34 CFR 668.22

Treatment of Federal Student Aid When a Student Withdraws

The law specifies how your school must determine the amount of Federal Student Aid (FSA) assistance that you earn if you withdraw from school. The FSA programs that are covered by this law are: Federal Pell Grants, Stafford Loans, PLUS Loans, Federal Supplemental Educational Opportunity Grants (FSEOGs), Federal Perkins Loans and in some cases, certain state grant aid.

When you withdraw during your payment period or period of enrollment (your school can define these for you and tell you which one applies) the amount of FSA program assistance that you have earned up to that point is determined by a specific formula. If you received (or your school or parent received on your behalf) less assistance than the amount that you earned, you may be able to receive those additional funds. If you received more assistance than you earned, the excess funds must be returned by the school and/or you.

The amount of assistance that you have earned is determined on a pro-rata basis. For example, if you completed 30% of your payment period or period of enrollment, you earn 30% of the assistance you were originally scheduled to receive. Once you have completed more than 60% of the payment period or period of enrollment, you earn all the assistance that you were scheduled to receive.

If you did not receive all of the funds that you earned, you may be due a post-withdrawal disbursement. If the post-withdrawal disbursement includes loan funds, you may choose to decline the loan funds so that you don't incur additional debt. Your school may automatically use all or a portion of your post-withdrawal disbursement (including loan funds, if you accept them) for tuition, fees, and room and board charges. For all other school charges, the school needs your permission to use the post-withdrawal disbursement. If you do not give your permission (which some schools ask for when you enroll), you will be offered the funds. However, it may be in your best interest to allow the school to keep the funds to reduce your debt at the school.

There are some FSA funds that you were scheduled to receive that you cannot *earn* once you withdraw because of other eligibility requirements. For example, if you are a first-time, first-year undergraduate student and you have not completed the first 30 days of your program before you withdraw, you will not earn any FFEL or Direct loan funds that you would have received had you remained enrolled past the 30th day.

If you receive (or your school or parent receive on your behalf) excess FSA program funds that must be returned, your school must return a portion of the excess equal to the lesser of

1. your institutional charges multiplied by the unearned percentage of your funds, or
2. the entire amount of excess funds.

The school must return this amount even if it didn't keep this amount of your FSA program funds.

If your school is not required to return all of the excess funds, you must return the remaining amount. Any loan funds that you must return, you (or your parent for a PLUS Loan) repay in accordance with the terms of the promissory note. That is, you make scheduled payments to the holder of the loan over a period of time.

Any amount of unearned grant funds that you must return is called an *overpayment*. The amount of a grant overpayment that you must repay is half of the unearned amount. You must make arrangements with your school or the Department of Education to return the unearned grant funds.

The requirements for FSA program funds when you withdraw are separate from any refund policy that your school may have. Therefore, you may still owe funds to the school to cover unpaid institutional charges. Your school may also charge you for any FSA program funds that the school was required to return. If you don't already know what your school's refund policy is, you can ask your school for a copy. Your school can also provide you with the requirements and procedures for officially withdrawing from school.

If you have questions about your FSA program funds, you can call the Federal Student Aid Information Center at 1-800-4-FEDAID (1-800-433-3243). The Center accepts calls from 8 a.m. to midnight (EST), seven days a week. TTY users may call 1-800-730-8913. Information is also available on the U.S. Department of Education's "Financial Aid for Students Home Page" at www.ed.gov/studentaid.