

# Withdrawals and the Return of Title IV Funds

## CHAPTER 1

*This chapter will discuss the general requirements for the treatment of federal student aid (i.e. Title IV) funds when a student withdraws.*

### WITHDRAWALS

This chapter explains how Title IV funds are handled when a recipient of those funds ceases to be enrolled (100% withdrawal) prior to the end of a payment period or period of enrollment. These requirements do not apply to a student who does not actually begin attendance or 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 enrollment status, not a withdrawal. Therefore, no Return of Title IV Funds (R2T4) calculation is required.

The R2T4 regulations do not dictate an institutional refund policy. Instead, a school is required to determine the earned and unearned portions of Title IV aid as of the date the student ceased attendance based on the amount of time the student spent in attendance or, in the case of a clock-hour program, was scheduled to be in attendance. 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 the student was scheduled to receive during the period.

For a student who withdraws after the 60% point-in-time, there are no unearned funds. However, a school must still determine whether the student is eligible for a post-withdrawal disbursement (PWD).

The Department published [final regulations on September 2, 2020](#) that established several new withdrawal exemption categories. If met, these withdrawal exemptions allow a student who has otherwise withdrawn or left the institution to not be considered a withdrawal for Title IV purposes. These exemptions, along with other new R2T4 regulations, will be discussed in detail throughout this volume. Please note that these new R2T4 regulations apply to any student who withdraws or otherwise ceases attendance (including graduate) on or after July 1, 2021 (unless a school chose to early implement the regulations).

The R2T4 regulations do not prohibit a school from developing its own refund policy. However, the school must comply with refund policies required by a state or other outside agencies. Although a school, state or agency refund policy will determine the charges a student will owe after withdrawing, those policies will not affect the amount of Title IV Aid the student has earned under the R2T4 calculation.

### Return of Title IV funds

HEA, Section 484B  
34 CFR 668.22

A student who is no longer enrolled and in attendance is no longer eligible for in-school status or an in-school deferment, so the school must report the student's enrollment status as withdrawn ("W") in NSLDS (National Student Loan Data System) Enrollment Reporting. See 34 CFR 685.309(b) and 34 CFR 682.610(c).

For help with understanding and assessing your compliance with the provisions of this chapter, go to the [Return of Title IV Funds page of the FSA Assessments](#).

### *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 school must perform an R2T4 calculation to determine the amount of Title IV assistance earned by the student.** If the amount disbursed to the student is greater than the amount the student earned, the 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.

Because a student begins earning Title IV funds on the first day of attendance, even if the student withdraws before a school's census date, the school must perform an R2T4 calculation using the number of days or the number of scheduled clock hours the student attended class (see Step 2: Percentage of Title IV Aid Earned in Chapter 2.) The school must include in the R2T4 calculation all forms of Title IV aid that were disbursed or that could have been disbursed, even if the student receives a full tuition refund.

Tuition refunds following a student's withdrawal have no impact on the amount of Title IV aid that the student has earned under an R2T4 calculation. If a student withdraws during a term and a school provides a full tuition refund for that term (for example, for special circumstances such as medical reasons), the school may not return more Title IV aid than the R2T4 calculation specifies unless it gets the student's permission to do so.

If a student drops classes (or is administratively dropped/withdrawn by a school) on the same day they withdraw, or if the student is later granted a retroactive withdrawal, the enrollment status and charges are not adjusted to reflect the dropped classes for R2T4 purposes.

Even if a student paid all institutional charges and ceased enrollment prior to Title IV funds being disbursed, if they could have been disbursed,

the school must determine the Title IV funds earned by the student and follow the procedures for making a post-withdrawal disbursement.

### ***When a student is considered to have withdrawn for R2T4 purposes***

A student is considered to have withdrawn from a payment period or period of enrollment if the student does not meet one of the withdrawal exemptions (see below) and:

- ◆ in the case of a program that is measured in credit hours, the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete;
- ◆ in the case of a program that is measured in clock hours, the student does not complete all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete;
- ◆ for a student in a standard or nonstandard-term program, excluding a subscription-based program, the student ceases attendance and is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence; or
- ◆ for a student in a subscription-based or a non-term program, the student is unable to resume attendance within a payment period or period of enrollment for more than 60 days after ceasing attendance, unless the student is on an approved leave of absence

Please see *Withdrawals from programs offered in modules* in Chapter 2 for more information about withdrawals from modular programs.

### ***R2T4 withdrawal exemptions***

Under the [September 2, 2020 final regulations](#), the Department established withdrawal exemption criteria which, if met, allows a student who has withdrawn or otherwise ceased attendance to NOT be considered a withdrawn student for Title IV purposes, which means that no R2T4 calculation is required for that student. Prior to conducting an R2T4 calculation for a student who has ceased attendance during a payment period or period of enrollment, a school should review the student's circumstances to see if the student qualifies for any of the R2T4 withdrawal exemptions.

The withdrawal exemption categories are as follows:

1. Withdrawal exemption for graduates/completers
  - A student who completes all the requirements for graduation from his or her program before completing the days

- or hours in the period that he or she was scheduled to complete is not considered to have withdrawn
- This exemption applies to all types of programs (with or without modules)
2. Withdrawal exemptions for programs offered in modules
    - a. A student is not considered to have withdrawn if the student successfully completes one module that includes 49 percent or more of the number of days in the payment period, excluding scheduled breaks of five or more consecutive days and all days between modules
    - b. A student is not considered to have withdrawn if the student successfully completes a combination of modules that when combined contain 49 percent or more of the number of days in the payment period, excluding scheduled breaks of five or more consecutive days and all days between modules
    - c. A student is not considered to have withdrawn if the student successfully completes coursework equal to or greater than the coursework required for the institution's definition of a half-time student under § 668.2 for the payment period

Please note that all of the withdrawal exemptions apply to both undergraduate and graduate students as long as the student and program meet the underlying exemption criteria (i.e. the program is offered in modules, the students are graduates, etc.). Finally, a student only needs to meet one of the withdrawal exemptions to be exempt from R2T4.

### **Withdrawal exemption for graduates or completers**

A student meets the withdrawal exemption for graduates or completers if the student completes all of the academic requirements for graduation and is able to graduate before completing all of the days or clock hours in the period they were scheduled to complete. This withdrawal exemption can apply to any type of program or academic calendar.

Take for instance a student enrolled in a 900 clock-hour program with two 450 clock-hour payment periods. Part way through the second payment period, the student completes all of the academic requirements (competencies, coursework, etc.) and graduates only having successfully completed 750 clock hours in the program of study. In this example, though the student has not completed all of the clock hours in the payment period, since the student has graduated from the program, the student *is NOT considered withdrawn for R2T4 purposes*.

### **Withdrawals from a clock-hour program prior to successful completion of all hours in the program**

Schools with clock-hour programs in which a student graduates without successfully completing all of the established hours in the program must re-prorate the amount of Title IV aid and only pay the student for the hours successfully completed. This includes proration of Pell Grants, Iraq-Afghanistan Service Grants, TEACH Grants, and Direct Loans.

Note that though proration of Pell Grant or Direct Loan awards normally involves consideration of the number of weeks of instruction in the program, when prorating a student's awards in this situation the institution does not consider the number of weeks of instructional time completed by the student.

Re-proration is applicable for clock hour programs in this situation because Title IV aid is based, in part, upon the overall number of clock hours in a program of study. There is an expectation that a student will successfully complete all clock hours as they progress through their program of study. When a student graduates from a clock hour program without completing all of the established/reported hours in a program, the student has effectively shortened their program length. By doing so, the Department sees that student as now being enrolled in a program with fewer clock hours. As such, we then require the school to re-prorate (or adjust) Title IV aid provided to an amount equivalent to the actual hours the student successfully completed.

For more information and examples on re-prorating Title IV funds for students that graduate early in clock hour programs, please see *Volume 3*.

### **Withdrawal exemptions for programs offered in modules**

As mentioned, the withdrawal exemptions for successful completion of 49% or more of a module or modules and for successful completion of half-time coursework only apply to programs using modules. Under the September 2, 2020 final regulations, the Department revised the definition of a program “offered in modules” for Title IV purposes to only include a program that uses a *standard term or nonstandard-term academic calendar, is not a subscription-based program, and has a course or courses in the program that do not span the entire length of the payment period or period of enrollment* (34 CFR 668.22(l)). This means that non-term credit-hour, clock-hour and subscription-based programs are never considered to be programs offered in modules for R2T4 purposes and therefore, none of the R2T4 module requirements apply to those program types, including the modular program withdrawal exemptions.

In order to meet the modular program withdrawal exemptions a student must successfully complete a minimum percentage or amount of coursework within a module or modules. Successful completion means that the student has earned a passing grade or grades as outlined within an institution's overall academic grading policy, which is not necessarily the same as an individual program's grading requirements. Therefore, if an institution's general academic grading policy has established that a “D” grade is considered a passing grade, then receipt of a “D” grade for a course would be considered successful completion of that course for the purposes of determining whether a withdrawal exemption applies. Withdrawals (Ws), incompletes (Is) and failures of any kind (earned or unearned Fs) do not count as successful completion.

Remember that the withdrawal exemption calculations are only used to determine if the student meets one of the withdrawal exemptions. If it determines that a student is not exempt, the school must put aside the figures associated with the withdrawal exemptions and instead conduct an R2T4 calculation using all the normal dates, numbers, and formulas associated with the school's regular R2T4 process and the Department's requirements.

### **Withdrawal exemptions for successful completion of 49% or more of a period**

In order to calculate whether the student has successfully completed a module or modules containing 49% or more of the number of days within a payment period, the school will need the following information:

- Overall number of days that make up an entire payment period (typically from the beginning of the first class to the last final exam)
- Number of days associated with scheduled breaks of 5 or more consecutive days that apply to all students who enroll in the term
- Number of days in between all modules offered during the payment period
  - This is based on breaks between all modules offered in the payment period, not what modules the student enrolls in
  - For a break to be 'between' modules, there must be a module before and a module after the break
  - If modules overlap, there may be no days in between modules
- Number of days the student successfully completed within a module or combination of modules

To see if the 49% exemption has been met, the school will first subtract from the number of days that make up an overall period any scheduled breaks of 5 consecutive days or more that apply to all students who enroll in the term AND all the break days that exist between all modules within the payment period. *Remember that the denominator for a given period will be the same for all students within the same program of study regardless of what modules a student enrolls in.* Unlike the R2T4 calculation itself, the number of days in the withdrawal exemption denominator will not be adjusted for individual student enrollment.

Please note that any modules that start prior to or end after the normal standard term dates (including intersessions attached to a regular term for Title IV purposes) will NOT change the number of days counted in the overall payment period length used in the denominator in the R2T4 withdrawal exemption calculation. However, the days the student successfully completes in any module that partially falls outside the normal standard term dates (including intersessions attached to regular terms)

will still count towards the numerator in the withdrawal exemption calculation when determining how many days the student successfully completed within a module.

In addition, for students enrolled in consortium or contractual agreements, the denominator used in withdrawal exemption calculations will be the home school's overall payment period length that the home school uses in their withdrawal exemption calculation. Of course, the number of days successfully completed in modules at the home or host school will still count in the numerator in the withdrawal exemption calculation when determining how many days the student successfully completed within a module.

Once the number of days in the payment period is obtained, the school will divide the number of days within the modules the student has successfully completed (numerator) by the number of days in the payment period or period of enrollment after any breaks are excluded (denominator). If the resulting figure is 49% or more, the student meets the withdrawal exemption and is not considered withdrawn for R2T4 purposes.

For purposes of performing the calculation to determine whether a student is considered a completer rather than a withdrawal because they successfully completed at least 49% of the payment period or period of enrollment, a day is included in the numerator if that day was included in at least one module or full-term course that the student successfully completed and is not part of a break of at least 5 consecutive days where no coursework was taking place. Similarly, a day is included in the denominator of that calculation if it is part of the normal term dates and is not part of a break of at least 5 consecutive days where no coursework was taking place.

Note that even if a student is enrolled in a full-term course, the school will still subtract set break days between all modules within a payment period or period of enrollment. Full-term courses do not impact the counting of break days between modules when determining if the 49% withdrawal exemption was met.

When calculating the 49% completion period, the school may not round the percentage up in order to reach the 49% threshold. For example, if the calculation indicated that the student had completed a module(s) comprising 48.7% of the number of days in the overall payment period, the student would NOT meet the withdrawal exemption since the school cannot round the calculation up to 49%.

## Example

A student is enrolled in a program that contains up to 5 different modules within a semester. The student enrolls in one three-credit course in module 1 (52 days), along with several full-term courses, and then withdraws after successfully completing module 1 (receiving a C grade in the class). When this occurs, the school needs to determine if the student meets the 49% withdrawal exemption.

In order to make this determination, the school must first take the overall number of days in the semester (110 days) and subtract from it any scheduled breaks of 5 or more consecutive days and any set break days between modules. In this example, the school has a 5-day scheduled school break during the semester. In addition, there are a total of 4 break days between all modules within the semester (no break days between module 1 and 2 since overlap, 2 break days between module 2 and 3, 2 break days between modules 3 and 4 and no break days between module 4 and 5 since they also overlap). 110 days minus 9 break days produces 101 overall days in the payment period.

The school then takes the number of days within module 1 that the student successfully completed (52 days) and divides it by the adjusted number of days in the overall payment period (101) to determine if the student meets the 49% withdrawal exemption. In this example, 52 divided by 101 equals 51.5%. The student in this scenario meets the 49% withdrawal exemption and is not considered a withdrawal for R2T4 purposes.

If the student had been enrolled in multiple modules in the semester, the same approach would be used except instead of just using the days within one module successfully completed, the school would add together all of the days from all of the modules successfully completed and then divide that total by the number of days in the overall payment period (adjusted for any breaks) to see if the overall percentage completed equals or exceeds 49%. Remember, for either the numerator or denominator, if a day is included in multiple overlapping modules, the day is only counted once.

If the student had failed the course in module 1 or the overall number of days successfully completed within the module were less than 49%, the student would not have met the withdrawal exemption and the school would have proceeded to conduct an R2T4 calculation.

## Withdrawal exemptions for successful completion of half-time coursework

In addition to the 49% completion withdrawal exemption, students enrolled in programs with modules are also not considered withdrawn for R2T4 purposes if the student successfully completes coursework equal to or greater than the coursework required for the institution's definition of a half-time student under 34 CFR 668.2 for the payment period. Half-time enrollment is at least half the workload of the applicable minimum requirements outlined in the definition of a full-time student associated with the appropriate program type and academic level. For more information on determining half-time enrollment, please review *Volume 1, Chapter 1*.

Successful completion of half-time coursework is not dependent on the length or number of days associated with the modules successfully completed. As long as the student has successfully completed half-time coursework, regardless of the module(s) length, the student would meet the half-time completion withdrawal exemption. Of course, this assumes that when developing modules and coursework, schools are adhering to all applicable regulations including our requirements associated with the definition of a credit-hour as outlined in *Volume 2*.

### Example

A student is enrolled in a semester with 5 modules and the student enrolls in one three-credit course in each module and then withdraws after successfully completing modules 1 and 2, the school needs to determine if the student meets any of the withdrawal exemptions.

In this case, the student did not meet the 49% withdrawal exemption since the number of days completed in modules 1 and 2 (40 days) divided by the overall number of days in the payment period (100 days minus any allotted breaks) only equaled 40%. However, in reviewing the student's enrollment status in modules 1 and 2, the school realized that the student successfully completed half-time coursework totaling 6 credit hours between the two modules (received a D and B respectively). Since a student only has to meet one of the withdrawal exemptions to not be considered withdrawn, the school in this situation is not required to conduct an R2T4 calculation since the student meets the half-time completion withdrawal exemption.

Remember that successful completion means earning passing grades so if the student received an F and B (and only earned 3 credit-hours), the student would not have successfully completed half-time coursework and therefore, would not have met any of the withdrawal exemptions.

**Reminder**

If the student does not meet any of the withdrawal exemptions but completes all the coursework they were scheduled to attend (even if only one module), then the student is not considered a withdrawal and no R2T4 is required since the student was only scheduled to attend those modules/days.

**Title IV disbursements and R2T4 withdrawal exemptions**

When a student meets the conditions for a withdrawal exemption, the student is treated as having completed the payment period and, for purposes of the Title IV programs, is considered enrolled through the end of the period even if the student later stops attending future coursework or modules in that period. In that situation, if the student had not received all of their Pell Grant or Direct Loan disbursements for the payment period, it is possible for the student to receive additional disbursements during the payment period depending on specific Title IV program requirements and the Department's cash management requirements.

For Pell Grant purposes, the institution must determine whether the student is subject to a mandatory Pell recalculation because the student did not begin all classes that comprised the student's Pell Grant enrollment status for the period. Additionally, the institution must disburse any remaining Pell Grant funds for which the student is eligible before the end of the payment period. If the institution fails to disburse all of the Pell Grant funds for which the student is eligible until after the payment period is over, a subsequent disbursement of Pell Grant funds for the period is treated as a retroactive or late disbursement that is subject to all requirements for such disbursements, including the requirement under 34 CFR 690.76(b) that the student's Pell Grant enrollment status must be determined according to work already completed.

For Direct Loan purposes, when a student ceases attendance during a payment period after meeting the conditions for a withdrawal exemption, the institution must disburse Direct Loan funds for which a student is eligible during the payment period only if the student is enrolled at least half time at the time of disbursement. If the student ceased attendance prior to attending coursework that comprised at least half-time enrollment, it is impossible for that student to enroll half-time during the period unless the student resumes attendance later in the period. Therefore, in this situation the institution cannot make the Direct Loan disbursement unless it confirms that the student commenced attendance in coursework that comprises at least half-time attendance during the payment period. If the institution fails to make the disbursement of Direct Loan funds until after the payment period is over, the disbursement is treated as a retroactive or late disbursement that is subject to all requirements for such disbursements.

For more information about cash management regulations, including retroactive and/or late disbursements, please see *Volume 4*.

### ***If a student remains enrolled only in non-Title IV-eligible courses***

A student's schedule sometimes includes courses the student is taking for credit and for which he or she may receive Title IV funds, and courses for which the student may not receive Title IV funds—courses the student is auditing, completing coursework previously graded as "Incomplete, or repeating for a second or subsequent time after passing the course (See *Satisfactory Academic Progress* in Volume 1, and *Retaking Coursework in Term-based Programs* in Volume 3 for additional information).

If a student ceases attendance (drops or withdraws) in all his or her Title IV-eligible courses in a payment period or period of enrollment, the student must be considered a withdrawal for Title IV purposes.

The principle is the same for programs offered in modules within terms. For example, a student is scheduled to attend one course in each of five modules during a semester. The student receives an incomplete in course number two in the second module and, because the student may not progress to course number three until course number two is completed, the student completes the remaining portion of course number two in the third module. While the student is completing the incomplete portion of module number two in the period during which the student was to have been taking the third module, he or she is not considered to be enrolled in the course for Title IV purposes, so attendance of just that course does not count as attendance for purposes of the R2T4 requirements. Therefore, in accordance with the requirements for the treatment of students in a program offered in modules, the institution would need to obtain written confirmation of future attendance in a Title IV eligible course later in the semester at the time that would have otherwise been a withdrawal in accordance with 34 CFR 668.22(a)(2)(ii), or put the student on an approved leave of absence, for the student not to be considered a withdrawal for Title IV purposes. In the absence of written confirmation of future attendance or being placed on an approved leave of absence, an R2T4 calculation would be required. However, if the student subsequently returns to a Title IV-eligible course later in the semester, the student's R2T4 calculation would be undone in accordance with 34 CFR 668.22(a)(2)(iii).

### ***When a student who fails to begin attendance in all the courses they were scheduled to attend withdraws***

Anytime a student begins attendance in at least one course but does not begin attendance in all the courses the student was scheduled to attend regardless of whether the student is a withdrawal, the school must determine if it is necessary to recalculate the student's eligibility for Pell Grant, TEACH Grant, and Campus-Based funds based on a revised enrollment status and cost of education. If the student is a withdrawal, this recalculation must be done before performing an R2T4 calculation, and the school must use the recalculated amounts of aid in the R2T4 calculation.

If a student who has withdrawn did not begin attendance in enough courses to establish a half-time enrollment status, the school may not make a first disbursement of a Direct Loan to the student after the withdrawal. However, the funds are included as aid that could have been disbursed in the R2T4 calculation. For more information, see "Title IV aid that could have been disbursed" later in this chapter and "Withdrawals from programs offered in modules" in Chapter 2.

### *Worksheets and the R2T4 Web product*

The Department has developed worksheets and software to assist schools in implementing the R2T4 regulations (you can find blank worksheets in the appendix at the end of this volume). 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 also in Portable Document Format (PDF) on the Department's Partner Connect website in the [Knowledge Center](#).

The Department's R2T4 Web product is available on the Common Origination and Disbursement System ([COD website](#)). In order to gain access to the R2T4 process in COD, users must meet three requirements to log in and use the R2T4 application; they must:

1. be enrolled for the COD Online Service by a school's (or third party servicer's) primary destination point administrator via the Student Aid Internet Gateway ([SAIG Enrollment website](#)).
2. have an FSA User ID and password, and
3. have a valid/registered two-factor authentication (TFA) token.

For questions about COD System user roles, call the COD School Relations Center at 1-800-848-0978 or email [CODSupport@ed.gov](mailto:CODSupport@ed.gov). If you need help with making enrollment changes via the SAIG Enrollment website, call CPS/SAIG Technical Support at 1-800-330-5947 or email [CPSSAIG@ed.gov](mailto:CPSSAIG@ed.gov). If you have questions about TFA tokens, email [TFASupport@ed.gov](mailto:TFASupport@ed.gov). See the [February 28](#) and [March 1](#), 2019, electronic announcements for more information. Also, there is a training video about using the calculator: log in to FSA's [E-Training website](#), and from the drop-down menu, select "Systems Training" > "R2T4 in COD."

Using the Department's worksheets and Web product is optional.

## Consumer information

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

A school should provide sufficient information for a student or prospective student to determine the procedures for withdrawing and the financial consequences of doing so. In addition, a student should be able to estimate how much Title IV aid the student will retain and how much the student may have to return upon withdrawing. Because the R2T4 provisions do not affect institutional refund policies, a school must provide a student with information on both the school's refund policy and the R2T4 requirements and should explain the interaction between the two. The information should include a discussion of how a school might adjust a student's charges to take into account any return of funds the school might be required to make. Finally, a student or prospective student should be informed that if he or she withdraws, institutional charges that were previously paid by Title IV funds might become a debt that the student would be responsible for paying.

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

A school may change the basis for its R2T4 calculations for new students as they begin classes. However, for continuing students, since the return policy must be included in the published materials the school provides to students under the consumer information requirement, the school would have to change its catalog, its written policies and procedures, and its enrollment agreements (if any), and allow sufficient time for those continuing students who would be governed by the new policy to receive and review the materials.

## GENERAL TITLE IV PRINCIPLES WITH SPECIAL APPLICABILITY IN THE RETURN OF TITLE IV AID

### 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. (Of course, in determining whether the R2T4 requirements in CFR 34 668.22 apply, a school must have first determined whether a student was eligible to receive any Title IV

## Consumer information

HEA Sec. 485(a)(1)(F), 34 CFR 668.43

For more information, see:

- *Appendix F—Institutional Reporting and Disclosure Requirements, and*
- [FSA Assessments Consumer Information section - Consumer Information Disclosures at a Glance document](#)

funds.) 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 entitled the student to a late disbursement. These conditions are listed in the "Conditions and Limitations on Late Disbursements" chart in Volume 4. The R2T4 requirements apply only to the receipt of or qualification for aid that can be included in the calculation. For example, the requirements of 34 CFR 668.22 do not apply to Federal Work-Study (FWS) funds. Therefore, the R2T4 requirements do not apply to a student if the only Title IV program assistance that the student has received or could have received was FWS funds.

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### Returning funds for students who do not register or fail to begin attendance

34 CFR 668.21  
 § 674.16(f)(1)&(2)  
 § 676.16(d)(1)&(2)  
 § CFR 685.303(b)(4)

**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 the regulations for returning funds for students who do not register or fail to begin attendance.**

### Verification

The Department establishes deadlines for the submission of required verification documents that apply to all Title IV programs. For the Campus-Based and Direct Loan programs, a school may establish an institutional verification deadline that is earlier than the date established by the Department. For the Pell Grant program, however, a school may not establish an earlier deadline than the one in the Department's annual notice. Therefore, if a Pell-eligible student submits the documents required for verification no later than 120 days after the student's last day of attendance or by the deadline established each year by the Department (typically mid-September), whichever is earlier, a school must make any applicable post-withdrawal disbursement of the student's Pell Grant. The school must include its verification deadlines in the consumer materials it provides to students.

When a school is completing an R2T4 calculation for a student subject to verification the following rules apply:

- ◆ A school must offer any post-withdrawal disbursement of loan funds within 30 days of the date the school determined the student withdrew. A school must always return any un-earned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew. When the school cannot meet the 30-day deadline because verification is not complete, it will need to do a new R2T4 calculation once verification is complete and offer any funds as soon as possible. The school must provide the student or parent the minimum 14-day (or longer if it chooses) response period for post-withdrawal disbursements of Direct Loan funds.

- ◆ A school must disburse any Title IV grant funds a student is due as part of a post-withdrawal disbursement within 45 days of the date the school determined the student withdrew and disburse any loan funds a student accepts within 180 days of the date the school determined the student withdrew.
- ◆ Unless a student subject to verification has provided all required verification documents in time for the school to meet the R2T4 deadlines, the school includes as *Aid disbursed* or *Aid that could have been disbursed* in the R2T4 calculation only those Title IV funds **not** subject to verification.
- ◆ If a student who failed to provide all required verification documents in time for the school to meet the R2T4 deadline later provides those documents prior to the applicable verification deadline, the school must perform a **new** R2T4 calculation based on all of the aid the student qualified for based on the completed verification documents and make the appropriate adjustments.
- ◆ The R2T4 calculations impose no additional liability for interim disbursements made to students selected for verification. However, the R2T4 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.**

### When a student is selected after receiving a disbursement

A student who received a disbursement based on a valid ISIR/SAR not selected for verification might be selected for verification on a subsequent transaction. If the student is no longer in attendance when selected, will not reenroll for the award year, and no further disbursements will occur, the school is not required to perform verification. If it chooses to complete verification, the principles discussed later in this chapter under "When a Student is Selected for Verification After Withdrawing" apply.

If the student is still in attendance when selected, the school must verify his or her application before making further disbursements. In addition, if verification does not justify all the aid already disbursed, the student must return any Title IV Grant aid for which he or she is not eligible; see the overpayments chapter in Volume 4. The student may keep any Direct Loan funds received and FWS wages earned.

## When a student is selected for verification after withdrawing

If a student is selected for verification after withdrawing, the following rules apply:

- As long as the student does not intend to reenroll for the award year and no further disbursements will be made, the school is not required to complete verification, though it may choose to do so. With some limitations, the school may base its R2T4 calculation on the conditions that existed when the student withdrew.
- If the school chooses not to complete verification, it does not have to return funds disbursed before the student withdrew, but it cannot make any post-withdrawal disbursements to the student (unless verification is completed).
- If the school does not complete verification prior to the R2T4 deadline, it must perform the calculation based on the Title IV aid not subject to verification that was disbursed and could have been disbursed when the student withdrew and must return whatever the results indicate.

If the school completes verification, it must recalculate the student's aid eligibility based on the verified EFC and take the following actions as applicable.

1. If the recalculation results in a reduction of aid eligibility, the student is responsible for resolving any overpayment of Title IV grant funds. The school should follow the rules in *Volume 4* that apply to overpayments that are a student's responsibility.
2. The school must do a new R2T4 calculation including in Step 1 all Title IV aid for which the student is eligible based on the verified ISIR/EFC.
  - If verification results in eligibility for additional Pell Grant funds, the school should include as aid that could have been disbursed that added amount. Note that if the school did not originate any more Direct Loan funds or award any more FSEOG funds before the student ceased attendance, the school may not include such funds as aid that could have been disbursed.
  - If verification results in a reduction of a student's eligibility for Title IV funds, the school should include as aid disbursed or aid that could have been disbursed only the reduced amounts in the revised R2T4 calculation.
3. Return or make a post-withdrawal disbursement of Title IV funds as required by the new R2T4 calculation.
  - If a school is required to return more funds than it did under the previous R2T4 calculation, the school should return the additional amounts and make the appropriate adjustments to what it reported to NSLDS, entered in COD, and/or referred to the Default Resolution Group.
  - If a school is required to make a post-withdrawal disbursement, it should do so under the rules described in Chapter 2 in the discussion under *Part 1—Post-withdrawal disbursements*.

Note: If the student fails to complete verification in the time allowed by the school, the results of the previous R2T4 calculation stand.

### When verification is completed before the R2T4 deadlines

A school must offer any post-withdrawal disbursement of loan funds within 30 days of the date of the school's determination that the student withdrew, and return any unearned funds and make a post-withdrawal disbursement of grant funds within 45 days of that date. If a student provides all documents required for verification after withdrawing but before the verification submission deadline, and in time for the institution to meet the 30-day R2T4 deadline, the institution performs the R2T4 calculation including all Title IV aid for which the student has established eligibility as a result of verification and for which the conditions of a late disbursement had been met prior to the student's loss of eligibility due to withdrawal. (See *Volume 4* and 34 CFR 668.164(j)(2).)

### When verification is completed after the R2T4 deadlines

If, before the verification deadline but after the institution has completed the R2T4 calculation, a student provides all the documentation required for verification, the institution must perform a **new** R2T4 calculation including, as *aid that could have been disbursed* all Title IV aid for which the student has established eligibility based upon verification and for which the conditions of a late disbursement have been met prior to the student's loss of eligibility due to withdrawal. If, as a result of verification, the student's eligibility for Federal Pell Grant, Iraq and Afghanistan Service Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and TEACH Grant funds has been reduced, only the reduced amount is included in the new R2T4 calculation.

For additional information on verification, please consult *The Application and Verification Guide*.

### When verification is not completed

If a student who has withdrawn does not provide the required documents in time for the school to complete the verification process and meet the R2T4 deadlines noted previously, the institution includes in the R2T4 calculation only the Title IV aid that was not subject to the verification process. For a student who failed to provide all required verification documents, the only Title IV aid that may be included in an R2T4 calculation are Direct PLUS Loan funds, Direct Unsubsidized Loan funds, and TEACH Grant funds (verification is not required for receipt of these funds) for which the conditions of a late disbursement (as discussed under *Title IV Aid that could have been disbursed*, in Chapter 2) were met prior to the student's loss of eligibility due to withdrawal.

A student who fails to provide the required documentation in time for a school to complete verification and meet the R2T4 deadlines is responsible for returning any Title IV grant funds subject to verification

that was already disbursed prior to being selected for verification. See the discussion under *Deadlines And Failure To Submit Documentation* in Chapter 4 of the *Application and Verification Guide* (AVG) for more information.

If a school made an interim disbursement to a student who fails to provide all the documents required for verification in time for the school to meet applicable R2T4 deadlines, the student has failed to establish eligibility for the Title IV funds affected by verification. With interim disbursements, the institution is responsible for returning Title IV funds and it may not include any of those funds as aid that was or could have been disbursed in the R2T4 calculation.

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### Approved leave of absence

34 CFR 668.22(d)

### Approved leave of absence

A leave of absence (LOA) for R2T4 purposes is a temporary interruption in a student's program of study. LOA refers to the specific time period during a program when a student is not in attendance. An LOA is not required if a student is not in attendance only for an institutionally scheduled break. However, a scheduled break may occur during an LOA.

An LOA 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 an R2T4 calculation. If an LOA does not meet the conditions for an approved LOA (see below), the student is considered to have ceased attendance and to have withdrawn from the school, and the school is required to perform an R2T4 calculation.

For an LOA to qualify as approved:

- ◆ 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.
- ◆ The student must request, and the school must approve, the LOA in accord with the school's policy.
- ◆ There must be a reasonable expectation that the student will return from the LOA. This condition is specified to make clear that a school may not grant a student an LOA merely to delay the return of unearned Title IV funds.
- ◆ The school may not assess the student any additional institutional charges, the student's need may not increase, and, therefore, the student is not eligible for any additional Title IV aid. The school may grant a full tuition credit toward the course the student chooses to reenter as a way to comply with this requirement that the student not be assessed any additional charges upon return from the leave.
- ◆ The LOA, together with any additional leaves of absence, must not exceed a total of 180 days in a 12-month period.

- ◆ Except in a clock-hour, nonterm credit-hour, or subscription-based program, a student returning from an LOA must resume training at the same point in the academic program that he or she began the LOA.
- ◆ If the student has a Title IV loan, the school must explain to him, prior to granting the LOA, the effects that his failure to return from an LOA may have on the loan repayment terms, including the expiration of the grace period.

A student granted an LOA that meets the criteria in this section is not considered to have withdrawn, and no R2T4 calculation is required. Upon returning from the leave, the student continues to earn the Title IV aid previously awarded for the period.

When a school grants a student an LOA, it must report a status of “A” (approved leave of absence) in NSLDS Enrollment Reporting. If the student fails to return within 180 days, the school must report the student as withdrawn. A non-attendance-taking school needs to use the LOA begin date as the withdrawal date, whereas an attendance-taking school needs to use the last day of attendance (LDA).

Do not confuse an R2T4-approved LOA with your school’s academic LOA. Many schools have academic policies that allow them to temporarily extend the length of a student’s academic term when circumstances prevent his or her on-time completion of an academic period. Typically, these academic LOAs do not meet the requirements of an R2T4-approved LOA.

### Written formal policy required

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

As mentioned previously, the regulations provide that a school must determine, before it grants an LOA, that there is a reasonable expectation that the student will return from the leave. For the school to make such a determination and ensure that the student meets the criteria in the school’s LOA policy, the school must know the student’s reason for requesting the leave. **Therefore, a school’s LOA policy must specify that the reason for a student’s leave request be included on a student’s application for an LOA.**

A school’s policy must require a student to apply in advance for an LOA 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 LOA in advance. A school may grant an LOA to

a student who did not provide the request prior to the LOA 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 school to be the date the student was unable to attend school because of the accident.

A school must publicize its LOA policy. The school may do this by including that policy in the consumer information the school makes available to students (see *Volume 2*).

### **Maximum time frame for an LOA**

As already noted, the LOA must not exceed a total of 180 days in a 12-month period. Schools may grant a student multiple leaves of absence as long as the total number of days for all leaves of absence does not exceed 180 days within a 12-month period. *The 12-month period begins on the first day of the student's initial LOA.*

If the student requests an additional LOA after the initial 12-month period has ended, the next 12-month period would begin on the first day of the first LOA that begins following the end of the initial 12-month period.

For example, if the prior 12-month LOA period ends on July 11, 2021, the next 12-month period would not begin until the student requests a new LOA that begins after July 11. If the student did not request a subsequent LOA until October 15, 2021, then the next 12-month LOA period would start on October 15, 2021 and extend until October 14, 2022.

Also, when determining the length of a student's LOA, the school must ensure that it accounts for all periods of nonattendance, including weekends and scheduled breaks. So, a school might have to reduce the length of the LOA if the 180th day is scheduled to fall on a day the school would be closed.

### **Disbursement rules for students on an LOA**

You may NOT disburse Direct Loan funds to a student on an LOA, but you may disburse Pell Grant, Iraq and Afghanistan Service Grant, and FSEOG funds.

You must pay any funds that are part of a Title IV credit balance—which are funds that have already been disbursed—to a student on an LOA.

### **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. For term-based programs, excluding subscription-based programs, a student returning from an LOA must complete the term to be eligible to receive a second or subsequent disbursement.

For an LOA to be an official LOA, a school must allow students enrolled in credit-hour term-based programs, excluding subscription-based programs, who are returning from a LOA to complete the coursework the student started prior to the LOA. The school may not impose additional charges and may not award the student additional Title IV assistance.

### **Completion of coursework upon return in clock-hour, credit-hour nonterm, and subscription-based programs**

For nonterm-based programs, the 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 instruction in 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 and half the weeks of instructional time in the academic year, program, or remainder of the program. In standard or nonstandard term subscription-based programs, a student is charged for each term on a subscription basis for a single enrollment status but is not required to complete coursework within the established term dates.

Therefore, for clock-hour, nonterm, and subscription-based programs, it doesn't matter whether the student returns to the same course and point when the LOA began or the student starts in a new course within the program (so long as there are no additional charges). The student simply has to complete the number of clock hours or credit hours and the weeks of instruction in the payment period or, for subscription-based programs, the cumulative number of credit hours required to be completed if beyond the second subscription period.

### **A student may return early from a leave of absence**

A school may permit a student to return to class before the expiration of the student's LOA to review material previously covered. However, until the student has resumed the academic program at the point he or she began the LOA, the student is considered to still be on the approved LOA.

If a student returns early, the days the student spends in class before the course reaches the point at which the student began his or her LOA must be counted in the 180-day maximum time frame for an approved leave of absence. That is, a student repeating coursework while

on an LOA must reach the point at which he or she interrupted training within the 180 days of the start of the student's LOA.

The requirement that an institution not impose additional charges when an approved LOA 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 he or she took the leave of absence, a student is not eligible for any additional Title IV program assistance for this preparatory phase.

Since a student is still considered to be on an LOA while repeating prior coursework, if the student fails to resume attendance at the point in the academic program where he or she interrupted training at the beginning of the LOA, the student must be treated as a withdrawal.

In that case, at an institution that is not required to take attendance, the date of the student's withdrawal that must be used in the R2T4 calculation is the date the student began the LOA. At an institution that is required to take attendance, the last date of attendance (LDA) is used as the withdrawal date for a student that does not return from an LOA.

### **Leaves of absence versus 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 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 an approved LOA unless the LOA meets the criteria in this section.

Because of the criteria that must be met for an LOA to be an approved LOA, term-based schools can grant LOAs that meet the Department's criteria for an approved LOA in a very limited number of cases. A term-based, credit-hour institution that wishes to explore the possibility of granting an LOA that meets the criteria specified in 34 CFR 668.22(d) should call its regional School Participation Division for guidance.

### **No additional charges for students on an LOA**

An LOA is a temporary break in the student's attendance during which, for purposes of determining whether an R2T4 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 LOA.

## No additional Title IV assistance while a student is on LOA

Since an institution may not assess any additional charges to a student returning from a LOA, 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.

## Explanation of the consequences of withdrawal to loan recipients granted an LOA

A student who is granted an approved LOA remains in an **in-school status** for Title IV loan repayment purposes. If a student on an approved LOA 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 a student not returning from an LOA is that the student's grace period for a Title IV loan might be exhausted. So, prior to granting an approved leave of absence, a school must inform a student who has a Title IV loan of the possible consequences withdrawing may have on the student's loan repayment terms, including grace period exhaustion. The school may also mention that when a student's grace period is exhausted and the student is unable to begin repayment of a loan, the student may be able to apply for a deferment or forbearance of payment.

## 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 LOA (or a student takes an unapproved LOA), the student's withdrawal date is the date the student began the LOA. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

## Unapproved leaves of absence

A school may grant a student an LOA that does not meet the conditions to be an approved LOA for Title IV purposes (for example, for academic reasons). However, ***an LOA that does not meet all of the conditions for an approved LOA is considered a withdrawal for Title IV purposes.*** The student's withdrawal date at an institution not required to take attendance is the date the student began the unapproved LOA. At an institution required to take attendance, the student's withdrawal date is the student's last day of attendance.

**An unapproved LOA 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 LOA that does not meet the criteria prescribed for an approved LOA, the school would know immediately that the student had ceased attendance for Title IV purposes and must use the specified withdrawal date in the R2T4 calculation.

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**Institutional charges**

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

§ 668.22(g)(2)

DCL GEN-00-24

**INSTITUTIONAL CHARGES**

Institutional charges are used to determine the portion of unearned Title IV aid that the school is responsible for returning. Schools must ensure that all appropriate fees, as well as applicable charges for books, supplies, materials, and equipment, are included in Step 5 of the R2T4 calculation (see *Example of institutional charges versus non-institutional charges* later in this chapter). Institutional charges do not affect the amount of Title IV aid earned by a student who withdraws.

***Use of institutional charges in determining a school's responsibility for returning funds***

The institutional charges used in the calculation usually are the charges that were initially assessed the student for the entire payment period or period of enrollment as applicable. 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 unrelated to the withdrawal). If, at the time of the withdrawal or afterward, the school changes the amount of institutional charges it is assessing a student or decides to eliminate all institutional charges, those changes *do not* affect the charges nor aid earned in the calculation. (Please see Step 3—*Amount of Title IV aid earned by the student*, in Chapter 2 for a further discussion of aid earned and institutional charges.)

The R2T4 regulations presume that Title IV program funds are used to pay institutional charges ahead of all other sources of aid. **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 only for tuition.

### Three principles associated with institutional charges

Published in a January 7, 1999, policy bulletin, these principles are applicable to determining institutional charges.

**Principle 1: Most amounts charged by the school are institutional charges.** The most important principle to keep in mind is that all tuition, fees, room and board, and other educationally related charges a school assesses a student are institutional charges, unless demonstrated otherwise. If you want to exclude specific charges or costs from a calculation, you must document that the charges are not institutional charges.

**Principle 2: An institutional charge does not need to be assessed to all students.** A charge assessed to all students enrolled in a course or program is an institutional charge whether or not it is assessed to all students at the school. Moreover, a charge does not have to be specified in a student's enrollment agreement to be considered an institutional charge.

**Principle 3: Charges on a student's account are not always institutional charges; institutional charges do not always appear on a student's account.** With the student's authorization, a school may credit a student's account with Title IV funds to pay for noninstitutional charges. If a student withdraws from the school with debits for noninstitutional charges on his or her account, the school would exclude those charges from the R2T4 calculation.

Conversely, there may be institutional charges that do not appear on a student's account. If a school disburses Title IV funds to a student to buy required books, equipment, supplies, or materials and the student does not have a real and reasonable opportunity to purchase them from another source, those costs must be classified as institutional charges.

### Example of institutional charges versus non-institutional charges

Aerospace Tech requires its students to purchase a titanium-plated tool set for the UFO Maintenance Program. Aerospace'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 Aerospace or a vendor affiliated with Aerospace. As it happens, the required tools are available for purchase from Aerospace and other unaffiliated sources, including a retailer across the street. Aerospace allows, but does not require, students to charge program equipment in the school bookstore to their student accounts but also ensures that all Title IV funds are made available within all cash management deadlines. Aerospace ensures that books and supplies are made available within 7 days for students who qualify; releases credit balances within 14 days, etc.

Although the cost of the tools is not listed as a charge in the student's enrollment agreement, Aerospace requires that the tools be purchased by everyone in the program of study. Therefore, as a general rule, the tool charges would be considered institutional charges. However, under the exceptions rule, the tool charges do not have to be considered institutional charges if Aerospace can demonstrate that (1) the tools were available for purchase elsewhere, (2) Aerospace did not restrict the availability of financial aid funds to purchase the materials and (3) Aerospace did not maintain practices (e.g. mandatory book vouchers only good at the school's bookstore) that discourage or prevent the student from purchasing the materials from another vendor.

In this case, since the school can demonstrate that the tools are available at the store across the street, Title IV funds are made available within all required time frames and there are no school policies requiring students to purchase equipment through the school bookstore, the cost of the tools can be classified as non-institutional charges.

### *Institutional versus noninstitutional charges*

Institutional charges generally are defined as the charges for tuition and fees, room and board, and other educational expenses that are paid to the school directly. If a fee (like an enrollment, registration or technology fee) is required for all students in a program, is part of an enrollment agreement or an addendum to it, or is a fee for which a school routinely debits a students' ledger, then the fee is considered an institutional charge. A charge does not have to appear on a student's account to be considered an institutional charge.

The following educational expenses must be considered institutional charges:

- ◆ All charges for tuition, fees, and room and board (if contracted with the school). Note that application fees are excluded from institutional charges because they are not an educational cost. Also, if a school enters into a contract with a third party to provide housing, the school must include the cost of housing as an institutional charge in an R2T4 calculation.
- ◆ Expenses for required course materials (books, kits, tools, supplies, etc.) if the student does not have a real and reasonable opportunity to purchase the required course materials from any other unaffiliated source but the school.

**Exceptions:** Excludable costs are those a school may exclude from the total amount of institutional costs, such as the documented cost of unreturnable equipment and of returnable equipment if not returned in good condition within 20 days of withdrawal. Note that the documented cost of equipment is the amount the school actually paid for it, not what the school charged the students to purchase it.

Noninstitutional charges (not included in an R2T4 calculation) include the following:

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

If a charge may not be included in a student's cost of attendance (for example, an overtime charge), it may not be covered with Title IV aid and, therefore, is not counted as an institutional or noninstitutional

charge for return of Title IV funds purposes. See *Volume 3* for information on cost of attendance. Similarly, a school should not include in Step 5, Part L, of the R2T4 calculation tuition charges for non-Title IV eligible courses.

### ***Returning equipment***

If a school can substantiate that its return policies are reasonable, consistent, and fair to all students, and students are notified in writing of those policies when they enroll, the school may exclude the total amount of documented costs for nonreturnable equipment and returnable equipment if not returned in good condition within 20 days of withdrawal. For most schools, this would entail excluding the documented costs for books and supplies charged a student for a particular payment period. However, if a school charges books and supplies for a period greater than the payment period in which the student withdraws, the school can exclude the entire amount of documented costs associated with the books and supplies, not just documented costs associated with the prorated amount of charges for books and supplies for that payment period.

**A policy that classifies all used books or equipment as nonreturnable is not reasonable or fair.** An acceptable policy must specify the circumstances that would prevent the school from selling the books or equipment to other students.

### ***Demonstrating a real and reasonable opportunity to purchase books, supplies, and equipment***

A school may treat charges for books, supplies, equipment, and materials as noninstitutional charges if the school can substantiate that its students have the option of obtaining the required course materials from an alternative source. **The school must be able to document** that:

- ◆ the required course materials were available for purchase at a relatively convenient location and/or online provider unaffiliated in any way with the school;
- ◆ the school does not restrict the availability of financial aid funds (meet all cash management disbursement time frames to ensure student can exercise the option to purchase the required course materials from alternative sources in a timely manner);
- ◆ does not maintain practices (e.g. mandatory book vouchers only good at the school's bookstore) that discourage or prevent the student from purchasing the materials from another vendor

Note that a signed statement by a student that he or she had the option to purchase the materials from an alternative source is not sufficient documentation. Also, if a book voucher, required to be used by a student, cannot be used to purchase course materials from an unaffiliated source, the student does not have a real and reasonable opportunity to purchase his course materials elsewhere. In that case, the school must include the

cost of books and materials purchased with the voucher as institutional charges in Step 5, Part L of the R2T4 calculation. See the [March 5, 2019 electronic announcement](#) for more information.

### *Effects of waivers on institutional charges*

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered estimated financial assistance, and the full amount of the tuition and fees must be included in Step 5, Part L of the R2T4 calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the R2T4 calculation (see DCL GEN-00-24, January 2000, for a further discussion of waivers and the R2T4 calculation).

For example, a school charges state residents \$900 per semester. Out-of-state students are charged an additional \$2,000 for a total of \$2,900. However, the school waives out-of-state charges for athletes. The waiver is considered a payment toward those charges (estimated financial assistance), and the full \$2,900 would need to be included in any R2T4 calculation.

### *When to prorate charges*

When a school chooses to calculate the treatment of Title IV, program assistance on a payment period basis for a nonterm credit-hour or clock-hour program but the institution charges for a period longer than the payment period, the regulations (34 CFR 668.164(c)(5)) provide a specific formula for prorating charges.

For programs with substantially equal payment periods where the institution charges up-front for the whole program, total institutional charges, including applicable books, supplies or equipment charges, must be divided by the number of payment periods in the program. For other programs, the institution must divide the number of credit or clock hours in the payment period by the number of hours in the program and multiply the result by the total institutional charges for the program.

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period are the greater of:

- ◆ the prorated amount of institutional charges as determined under 34 CFR 668.164(c)(5); or
- ◆ the amount of Title IV assistance the institution retained as of the student's withdrawal date, which may exceed the prorated amount as a result of the student or parent's authorization for the institution to retain those funds (i.e. authorization to hold a Title IV credit balance).

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#### **Prorating charges**

34 CFR 668.22(g)(3)

§668.164(c)(1)(i) & §668.164(c)(5)

Therefore, if a school charges by the program or period of enrollment but performs its R2T4 calculation on a payment period basis, before entering data in Step 5, Part L of the R2T4 calculation, the school must determine whether to enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, the school

1. prorates all institutional charges (as described earlier),
2. determines the amount actually retained,
3. compares the two results and enters in Step 5, Part L the greater of the two amounts.

For example, an institution charges upfront \$10,000 (inclusive of tuition, fees, books and supplies) for a nonterm-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of federal student aid funds on a payment period basis and does NOT obtain a student authorization to hold any Title IV credit balance funds. A student withdraws in the first payment period. Title IV disbursements for the student's first payment period consist of a Pell Grant and Direct Loans (subsidized and unsubsidized) totaling \$5,629. The school debited the student's ledger account for the entire cost of the program, —\$10,000. However, under the cash management rules for determining the prorated amount of institutional charges, the institution may only retain Title IV aid funds toward the prorated amount or the payment period, with the remainder treated as a Title IV credit balance. The prorated amount of institutional charges for each payment period is \$5,000 ( $\$10,000 / 2 = \$5,000$ ). Therefore, \$5,000 in Title IV aid was applied to charges, and \$629 was provided to the student in the form of a Title IV credit balance. Therefore, the institutional charges the school must use in the Return calculation for the payment period are \$5,000.

See Volume 4 for more information about the cash management regulations for prorating institutional charges.

### ***Treatment of Title IV credit balances when a student withdraws***

This treatment applies only to the handling of Title IV credit balances when a student withdraws. For a discussion of credit balances in other circumstances, please see *Volume 4*.

In most cases, the cash management regulations require a school to refund a Title IV credit balance to a student within 14 days. However, when a student withdraws with an outstanding Title IV credit balance, a school is first required to perform an R2T4 calculation to determine, among other things, whether adjustments to the credit balance will occur.

For this reason, the existing 14-day payment requirement is placed on hold to determine the final amount of any Title IV credit balance. A school does not need to obtain a student's or parent's authorization to

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### **Treatment of credit balance when a student withdraws**

DCL GEN 04-03, Revised, November 2004

hold a Title IV credit balance that existed prior to the return calculation and goes beyond the original 14-day deadline while it determines the final amount of the credit balance.

In order to allow an institution time to appropriately apply any credit balance after it has been recalculated, a new 14-day deadline is triggered when a school performs an R2T4 calculation. The new 14-day deadline begins on the date the school performs the return calculation, not the date the school performs any calculations required by its institutional refund policy.

Of course, in order to determine the correct Title IV credit balance, the school must take into account both the results of the R2T4 calculation and any applicable refund policy.

When a student withdraws during a period with an existing Title IV credit balance, the Title IV credit balance is handled as follows:

1. Do not release any portion of a Title IV credit balance to the student, and do not return any portion to the Title IV programs prior to performing the R2T4 calculation. The institution must hold these funds even if, consistent with the 14-day credit balance payment requirement of 34 CFR 668.164(h), it would otherwise be required to release them.
2. Perform the R2T4 calculation and include as disbursed aid any existing Title IV credit balance funds for the period.
3. Apply any applicable refund policy (state, accrediting agency, institutional, etc.) to determine if doing so creates a new or larger Title IV credit balance.
4. Allocate any Title IV credit balance as follows:
  - a) Any Title IV credit balance must be allocated first to repay any grant overpayment owed by the student as a result of the current withdrawal. The institution must return such funds to the Title IV grant account within 14 days of the date that the institution performs the R2T4 calculation.

Although *not* included in an R2T4 calculation, any Title IV credit balance from a **prior period** that remains on a student's account when the student withdraws is included as Title IV funds when you determine the **final** amount of any Title IV credit balance when a student withdraws. Remember, the school must use the final Title IV credit balance first to satisfy any current student grant overpayment.

- b) Within 14 days of the date that the institution performs the R2T4 calculation, an institution must pay any remaining Title IV credit balance funds in one or more of the following ways:

- In accordance with the cash management regulations to pay authorized charges at the institution (including previously paid charges that now are unpaid due to a return of Title IV funds by the institution);  
A school may not use a Title IV credit balance to return funds for which it is responsible as a result of an R2T4 calculation (Step 5, Part O);
- With the student's **written authorization**, to reduce the student's Title IV loan debt (not limited to loan debt for the period of withdrawal);
- To the student (or parent for a Direct PLUS Loan); or
- If the institution cannot locate the student (or parent) to whom a Title IV credit balance must be paid, it must return the credit balance to the Title IV programs. The Department does not specify the order of return to the Title IV programs for a credit balance. We encourage institutions to make determinations that are in the best interest of the individual student.

NOTE: The practice of reducing a student's Title IV loan debt with written authorization from the student is only acceptable as long as the student is made aware of the full Title IV credit balance amount and the student clearly indicates in writing the specific amount of the Title IV credit balance they would like returned.

You must apply your school refund policy before allocating a Title IV credit balance. However, you are not required to actually complete the refund process (for example, by making a refund to a student) before completing the steps for allocating the Title IV credit balance.

In order to accommodate differences in institutional accounting and administrative processes, you are not required to actually apply the Title IV credit balance to the student's grant overpayment before applying the Title IV credit balance to other debts, as long as the grant overpayment is satisfied by the 14-day deadline. You may use school funds instead of the actual Title IV credit balance to satisfy any student grant overpayment.

For information on how to handle a credit balance check that a student does not cash, please see *Time Frame For Returning An Unclaimed Title IV Credit Balance* in Volume 4, Chapter 2.

### Example of a school performing an R2T4 calculation for a student whose account has a Title IV credit balance

Legolas, a first-time student at Northern Mirkwood Community College (NMCC), began classes on September 1. His account was credited with a Pell Grant of \$2,000.00 and debited with institutional charges of \$500.00, creating a Title IV credit balance of \$1,500.00. Because NMCC has several mini-semesters in which Legolas had expressed an interest, the school obtained the student's permission to hold the Title IV credit balance while Legolas considered his options.

On September 30, when he has completed 25% of the semester, Legolas informs the school that he has decided to withdraw in order to pursue his dream of winning a gold medal as an Olympic archer. NMCC places a hold on Legolas's account while it performs the required R2T4 calculation and applies its institutional refund policy.

The school performs the required R2T4 calculation on October 20 and determines that the **amount of unearned funds due from the school** is \$375.00, and that the initial amount of unearned funds due from the student is \$1,125.00. Since the \$1,125.00 is composed entirely of grant funds, after applying the 50% grant protection (see *Step 9* later in this chapter), the **amount for the student to return** is a grant overpayment of \$125.00.

Before Legolas withdrew, the Title IV funds on his account totaled \$2,000.00, and \$500.00 of that \$2,000.00 was used to cover existing charges. There were no charges due the school, and the Title IV credit balance was \$1,500.00. After the school returned the \$375.00 it was required to return, the new total of Title IV funds on the student's account was \$1,625.00 ( $\$2,000.00 - \$375.00$ ).

Then, the school applies its institutional refund policy. Under NMCC's refund policy, a first-time student who withdraws before the 50% point in the semester is entitled to an 80% refund of institutional charges. Since Legolas withdrew at the 25% point of the semester, he is entitled to a refund of 80% of the amount he was charged, or \$400.00 ( $\$500.00 \times .80$ ). So, the new institutional charges on the student's account are \$100.00, and the new (final) Title IV credit balance is \$1,525.00 ( $\$1,625.00 - \$100.00$ ). Note that this new credit balance is larger than the credit balance that existed before the student withdrew.

Consistent with rules for handling credit balances when a student withdraws with a Title IV credit balance, NMCC has 14 days from October 20 (the date they performed the R2T4 calculation) to return the student's grant overpayment from existing Title IV credit balance funds. After the school returns the \$125.00 grant overpayment, the remaining Title IV credit balance on the student's account is \$1,400.00 ( $\$1,525.00 - \$125.00$ ). The school must pay those funds to the student within 14 days of October 20.

*Note: With a never before achieved perfect score, Legolas won a gold medal in the Olympic archery competition.*

## PRINCIPLES WITH UNIQUE APPLICATIONS IN THE RETURN OF TITLE IV AID

### *Date of determination at institutions not required to take attendance*

The date of the institution's determination that the student withdrew varies depending on the type of withdrawal (official or unofficial). 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 or the date of the student's notification, whichever is later. If a student did not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student ceased attendance. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on *withdrawal dates* in chapter 2.

For a student who withdraws, without providing notification, from a school that is not required to take attendance, 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.

### *Date of determination at institutions required to take attendance*

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records. The 14 days includes holidays, breaks, and weekends.

Unusual circumstances include cases where a student attends on the last day prior to a break or a suspension in instruction (such as during a disaster) and the break lasts for longer than 14 days. In this situation, the 14-day period would begin at the point when the student was expected to return from the break or when instruction resumes.

If the date a student provides withdrawal notification to the school is prior to the date the school would regularly determine to be the student's withdrawal date, the date of determination is the date of the student's notification. The school is NOT required to administratively withdraw a student who has been absent for 14 days (or less if applicable). However, after 14 days, it is expected to have determined whether the student

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### **Date of determination that a student has withdrawn**

34 CFR 668.22(l)(3)

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### **Date of determination at an institution required to take attendance**

34 CFR 668.22(b)(1)

DCL GEN-04-03, Revised November 2004

DCL GEN-04-12, November 2004

DCL GEN-11-14, July 2011

intends to return to classes or withdraw. If the student is eventually determined to be a withdrawal, the end of the 14-day period begins the time frame for completing an R2T4 calculation.

For example, a school determines on September 15 that a student has not attended since September 1. The school contacts the student, who says he's been ill but plans on coming back during the next week (and this falls within the time period for excused absences and absences allowed by state, accrediting agency, and other applicable policies). For the moment the school may delay taking any action. However, if the student does not return, the school must complete a return calculation using September 1 as his last day of attendance and September 15 as the date the school determined that he withdrew. The school must return any unearned funds by October 30.

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**Excused absences and administrative withdrawal**

34 CFR 668.4(e)

If a school has a policy that states the maximum number of excused absences that can occur after which a student will be administratively withdrawn, it may delay contacting the student until that date. However, if the student eventually is determined to be withdrawn, the date of determination of the student's withdrawal remains 14 days after the student's last day of attendance. If the number of days in the school's policy is less than 14 days, then the date of the school's determination that the student withdrew is the date the school's policy indicates that the student will be administratively withdrawn.

This requirement does not affect a student's withdrawal date. At a school that is required to take attendance, a student's withdrawal date is always the last date of attendance as determined by the school from its attendance records.

### *Importance of date of determination*

As noted, 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 a Direct Loan post-withdrawal disbursement, the school must disburse the funds within 180 days of the date of determination.
- ◆ Title IV grant post-withdrawal disbursements must be made within 45 days if required to be provided directly to the student and within 180 days if paying for allowable charges on the student's account.

- ◆ 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 45 days after the date of determination.

### **When a student enrolled in a series of modules fails to return as scheduled**

When a student is not treated as a withdrawal from a program offered in modules (standard and nonstandard term programs, excluding subscription-based programs) at a school that is *required to take attendance* because the student has confirmed attendance in a module that begins no later than *45 calendar days after the end of the module the student ceased attending* in the payment period or period of enrollment, no action is required by the school unless the student does not return as scheduled. Though not considered to be a program that offers modules, this same basic concept also applies for subscription-based programs and nonterm programs, except that the timeframe to resume attendance is extended to *60 calendar days after the student ceased attendance*.

If the student does not return as scheduled, the student is treated as a withdrawal, and the date of the school's determination that the student withdrew should be no later than 14 days after the date that the student was scheduled to resume attendance. For more information on withdrawals from programs offered in modules, see *Withdrawals from programs offered in modules* in Chapter 2.

## 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 on the basis of a period of enrollment. For students who withdraw from semester, trimester, or quarter programs, a school must perform the R2T4 calculation on a payment period basis (this includes subscription-based programs using standard terms). For students who withdraw from a nonstandard term-based or nonterm-based educational program, the school has the choice of performing the R2T4 calculation 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 nonstandard term-based educational programs. For students who transfer to or reenter a nonterm-based or 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 for everyone within the group that transfers or reenters.

**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 *Volume 3*). Schools that use payment periods as the basis for their R2T4 calculations should note that making multiple disbursements within a payment period does *not* create new or additional payment periods.

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### **Period of enrollment**

34 CFR 668.22(l)(2)

### *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). A school that chooses to use a period of enrollment in an R2T4 calculation will use a period consistent with the loan period it uses for students in the applicable program.

For information on determining the length of a payment period or period of enrollment for a student who withdraws from a program offered in modules, see *Withdrawals from programs offered in modules* in Chapter 2.

## Applicability

The use of a payment period or period of enrollment is important for many aspects of the R2T4 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 generally 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 of the R2T4 calculation, in Chapter 2). In some cases, this mitigates against a school using the period of enrollment as the basis for the R2T4 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 the period of enrollment basis for R2T4 calculations.

If, for a nonterm or nonstandard term program, a school chooses to calculate the return of funds on a payment period basis but the institutional 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 as determined under 34 CFR 668.164(c)(5), or
- ♦ the amount of Title IV assistance retained for institutional charges as of the student's date of withdrawal.

## Rounding

Enter 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 or any post-withdrawal disbursements may be rounded to the nearest dollar, except that disbursements may not be rounded up if such rounding would cause the amount disbursed to exceed the student's annual or aggregate award limits, including Pell Grant lifetime eligibility.

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

The **one exception** to the rounding 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%), and the student would not have earned 100% of his or her Title IV aid. To recognize that students completing more than 60% of the period (by any amount) earn 100% of their Title IV aid, **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.

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### Funds to include in an R2T4 calculation

34 CFR 668.22(a)(3)

#### *Funds to include in an R2T4 calculation*

The calculation of earned Title IV funds includes the following Title IV grant and loan funds if they were disbursed or could have been disbursed to a student for the period of time for which the calculation is being performed (payment period or period of enrollment).

- ◆ Pell Grant
- ◆ Iraq and Afghanistan Service Grant
- ◆ TEACH Grant
- ◆ FSEOG
- ◆ Direct Loan

FSEOG Program funds are excluded under certain circumstances (as described in the next section). Federal Work-Study (FWS) funds are *not* included in the calculation.

#### **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 R2T4 calculation. Otherwise, the nonfederal share of FSEOG awards is excluded from the calculation. For more information on types of FSEOG matching funds, see *Volume 6*.

### **Limits on Title IV funds that may be included as aid that could have been disbursed**

A school may not include as aid that could have been disbursed Pell Grant funds that if disbursed would, in combination with other Pell Grant funds previously received by the student, cause the student to exceed his or her Pell Grant maximum lifetime eligibility. Likewise, a school may not include as aid that could have been disbursed Direct Subsidized Loan funds that would, in combination with other Direct Subsidized Loan funds previously received by the student, cause the student to exceed his or her Direct Loan aggregate limits.

### **Funds to include when a student enrolled in a crossover period withdraws before the higher Pell Grant is disbursed**

Consider, for example, a student enrolled in a crossover period, where a school receives a new SAR/ISIR with an official EFC from a new award year reflecting eligibility for more Pell Grant funds before the student lost eligibility. If the school's Pell crossover payment period policy allows the school to award the larger Pell Grant amount from the new award year, the school must include the additional funds on the Return of Title IV aid worksheets as aid that could have been disbursed.

The school must do the following:

1. Enter the Pell Grant funds that were disbursed while the student was in school in Step 1, line 1, column A, as aid that was disbursed.
2. Enter the increase (the difference between student's higher Pell Grant eligibility and the Pell Grant that was disbursed) in Step 1, line 1, column C, as aid that could have been disbursed, together with any Pell Grant funds from the original award that were not disbursed.
3. Enter any other Title IV aid as it stood when the student withdrew, and perform the return calculation as directed.

### ***If a resolved overaward becomes an overpayment***

If a school has resolved an overpayment by reducing scheduled future disbursements for a second or subsequent payment period and the student ceases attendance before the end of the current payment period, that portion of the student's award that was an overpayment must be repaid outside of the requirements of 34 CFR 668.22.

If the school is responsible for repaying the overpayment, the school must repay the overpayment before completing any required R2T4 calculation.

If the student is responsible for repaying the overpayment, and the student withdrew during the payment period or period of enrollment, as applicable, the school should not take any action until it has completed the required R2T4 calculation. When performing the R2T4 calculation, the school should not include the amount of the overpayment for which the student is responsible as *Aid disbursed* or *Aid that could have been disbursed*. Then, when the school has completed the R2T4 calculation, it should document the amount of the overpayment and, as applicable, reduce any post-withdrawal disbursement or increase any amount the student must return by the amount of the overpayment owed by the student.

If the student is responsible for repaying the overpayment, the school should try to collect the overpayment from the student and, if it is unable to do so, refer the student to the Department's Default Resolution Group.

For more information, please see Volume 4, Chapter 3 - *Overawards and Overpayments*.

### **WHEN STUDENTS WITHDRAW FROM CERTAIN PROGRAMS AND TRANSFER TO A NEW SCHOOL OR RE-ENTER THE SAME SCHOOL IN A SIMILAR PROGRAM**

When students withdraw from clock-hour programs or non-term credit-hour programs, and then reenter the same school in a similar program or transfer to a new school, the following guidance applies.

#### ***Reentry within 180 days***

A student who reenters within 180 days is treated as if he or she did not cease attendance for purposes of determining his or her aid award for the period. This arrangement is similar to an LOA, and the time frame is consistent with the maximum 180 days allowed for an approved LOA in the return regulations.

The institutional charges used in the calculation are for the charges associated with the original period before the student withdrew. Once the student has withdrawn and then returned to the same program within a

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#### **Reentry within 180 days**

34 CFR 668.4(f)

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.

If a student who received a Direct Loan that has a grace period withdraws and then reenrolls in school on at least a half-time basis before the grace period expires, the student regains in-school status and will receive a full grace period when they graduate or cease half-time enrollment.

As noted before, the return regulations require a school to return unearned funds for which it is responsible as soon as possible but no later than 45 days after the date of the school's determination that the student withdrew. If a student returns to the institution before the Title IV funds are returned, the school is not required to return the funds. Nonetheless, a school is expected to begin the return of funds process immediately upon its determination that a student has withdrawn—it may not delay returning Title IV funds because it believes a student might return.

### Example of reentry within 180 days

Consider a student who began attendance in a clock-hour program that was 1,500 hours in length with a defined academic year of 900 hours. For the first 450-hour payment period, the student was awarded and disbursed \$1,500 in Pell Grant funds, \$500 in FSEOG funds, and \$500 in Direct Loan funds (net amount), for a total of \$2,500 in Title IV aid.

Assume that this student withdrew from school after completing 200 of the 225 hours he or she was scheduled to complete by that point in the payment period (50% of the period), and the school uses payment periods to calculate the Return of Title IV Aid. Under the Return regulations, the school used scheduled hours (225) to determine that the student earned 50% of his or her Title IV aid. The school returned \$500 to the loan program. The \$750 the student was initially scheduled to return (Step 9, Part S of the R2T4 calculation) was eliminated by the application of grant protection in Step 9, Part U.

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. **The school redisperses the \$500 the school had returned, and extends the loan period and academic year as necessary to reflect the new date that the student is expected to complete the first academic year of the program and sets new dates for any second disbursement or additional disbursements.** The school would schedule additional Title IV disbursements for the day after the student is expected to complete the remainder of the payment period from which the student had withdrawn.

If the student withdraws again before completing the payment period, the school would apply the provisions of the Return regulations using the total number of hours the student **was scheduled to complete** in the numerator, the full 450 hours in the payment period in the denominator, and then apply that fraction to the total Title IV Aid disbursed for the period.

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 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:

- ◆ redispersing aid that had been disbursed and then returned under the R2T4 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 if those funds were disbursed upon reentry.

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

Note: For a student who completed more than 60% of the period for which the student was paid before ceasing attendance, the school would not have returned any Title IV aid. If that student were to reenter school 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 he or she has completed the weeks of instructional time and hours or credits (as applicable) for which the student was previously paid. However, if during the student's initial enrollment the student has borrowed less than the annual maximum Direct Loan, upon returning within 180 days, the student could borrow the balance of that annual maximum Direct Loan.

**If a student enrolled in a term-based, credit-hour program offered in modules** who withdrew without confirming an intent to return to a module later in the payment period or period of enrollment reenters the same program prior to the end of the payment period or period of enrollment, the student is treated as if he or she did not cease attendance. Please see the discussion under "Withdrawals from programs offered in modules" in Chapter 2.

### What to do when a student whose overpayment has been referred to the Default Resolution Group reenters within 180 days

If a student whose overpayment has previously been referred to the Department's Default Resolution Group returns to school within 180 days, the school must send the Default Resolution Group 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 Default Resolution Group system and NSLDS.

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

**Fax Number: 703-393-6490**

Note: This process cannot be performed via email.

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, TEACH Grant, Iraq and Afghanistan Service Grant, or FSEOG;
- ◆ the disbursement date the institution used to create the overpayment record in NSLDS;
- ◆ a letter that includes the following text:

***This student has returned to school. The regulations (34 CFR 668.4(f)) require that the overpayment referenced herein be voided.***

### Reentry after 180 days, return to the same school in a new program, or transfer to a new school

If a student withdraws from a credit-hour, nonterm program or a clock-hour program without completing the period and

- ◆ reenters the same program at the same school more than 180 days after withdrawal; or
- ◆ transfers into another credit-hour nonterm or clock-hour program at any time (either at the same school or at a new school);

then the student starts a new payment period when he or she reenters or transfers.

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#### Reentry after 180 days

34 CFR 668.4(g)

In calculating awards for a student who reenters the same program after 180 days, returns and enters a new program, or transfers to a new school *and* previous hours earned are accepted into the program, the school 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.

**A school may consider a student who returns and enters a new program as remaining in the same payment period if five conditions are met:**

1. The student is continuously enrolled at the school.
2. The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
3. The payment periods are substantially equal in length in weeks of instructional time and credit hours or clock hours, as applicable.
4. There are little or no changes to the institutional charges to the student for the period.
5. The credits from the payment period the student is transferring out of are accepted toward the new program.

This provision addresses situations where a student's entry into a new program at the same school results in very little change to the student's academic circumstance (e.g., a change that is really nothing more than a change in majors). The Department believes that when this occurs, it is appropriate to spare the school the burden of withdrawing a student, performing an R2T4 calculation, and returning Title IV grant or loan funds, only to award them again for the new payment period(s).

If a school treats the student as one who is not withdrawing from the school, no R2T4 calculation is performed, and the student continues in the same payment period he or she started in with his or her original program.

If a student for whom this approach is taken later withdraws from the school, the start and end dates used in Step 2 of the R2T4 calculation will be the start of the payment period/period of enrollment in the first program and the end of the payment period/period of enrollment in the second program. The charges used in Step 5 will be the total charged the student for the two programs associated with the payment period or period of enrollment, as appropriate.

**Loan principles applicable to reentry in and transfer to clock-hour programs, nonterm credit-hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (in which no term is less than 9 weeks in length)**

1. A Borrower–Based Academic Year, specifically BBAY3 (See Volume 3 for more information about BBAY3), must be used to monitor annual loan limits of students in clock-hour programs, nonterm credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal.
2. When a student who withdrew re-enters the same clock-hour program or nonterm credit hour program within 180 days, the maximum amount the student can receive from his or her original loan equals the borrower’s annual loan limit, less the amount previously borrowed for the academic year, plus any amount returned per 34 CFR 668.22.
3. For a student who transfers to a new school into a clock-hour program, nonterm credit hour program, or nonstandard term credit-hour program with terms that are not substantially equal, when an overlap exists between academic years of the two schools, the new school may originate a loan for an abbreviated loan period that covers the remaining portion of the prior school’s academic year. (Note: the new school can find the prior school’s academic year in COD.) The abbreviated loan period at the new school ends on the calendar end date of the prior school’s academic year without regard to the weeks of instructional time and credit or clock hours completed by the student during the abbreviated loan period.

The amount of the loan for the abbreviated loan period may not exceed the remaining balance of the student’s annual loan limit at the grade level applicable at the new school. The borrower is not eligible for a new annual loan limit until the original academic year has ended. However, if the student is transferring into a program that is less than a full academic year in length, or into a remaining portion of a program that is less than a full academic year in length, the total loan amount the student receives for the abbreviated loan period and for any subsequent loan period may not exceed the prorated loan limit for the program or remaining portion of the program. If there is no overlap between the academic years of the two schools, the borrower is immediately eligible for a new annual loan limit. If the portion of the program that remains is less than an academic year, the loan is subject to proration if an undergraduate program.

4. When originating a new loan for a student, the cost of attendance used for the new loan may include only those costs associated with the period for which the new loan is being originated.
5. When a student withdraws after receiving the first disbursement but before the second disbursement, and then reenters the same program within 180 days, the school must extend the original loan period end date and academic year and reschedule the second disbursement.

In this case, the student is held to the same disbursement requirements that applied initially (e.g., a student enrolled in a one-year clock-hour program must successfully complete one-half the clock hours and one-half the weeks of instructional time in the program before he or she can receive the second disbursement). The borrower is not eligible for a new loan until the original loan period and original academic year have ended. If some portion of the program remains after the completion of the new loan period, the school can originate a new loan for that portion of the program. If the portion of the program that remains is less than an academic year, the loan limit would be subject to proration for undergraduate programs.

See Volume 3 for examples of originating loans for transfer students with overlapping academic years and for guidance on proration of the annual loan limit.

### Eligibility of transfer students for additional Title IV funds

Generally, at a clock-hour or nonterm credit-hour school, a student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and reenrolls to take that program again or to take another program. In addition, when a student reenters a clock-hour or credit-hour nonterm-based program *after* 180 days, the student may be paid for repeated hours. (The limitation on students being paid for the first repeat of a passed course applies only to students enrolled in term-based programs.)

For example, a student who withdraws after completing 302 clock hours of the first 450-hour payment period (in a 900 clock-hour program) has 148 hours remaining in the first payment period. The student reenrolls after 180 days in the same program and receives credit for 100 hours. The program length for purposes of determining the new payment periods is 800 clock hours (900 hours - 100 hours = 800 hours remaining in student's program), so the new payment periods are 400 hours and 400 hours (the 302 hours completed and the 148 hours that remained do not apply). Any reduction in the payment would be based on whether the student's scheduled award or annual loan limits are exceeded. (If the student in this example received no credit for previously completed hours, the student's program length for purposes of determining the payment periods would be 900 clock hours.)

However, 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 150% of his or her Pell Grant scheduled award for an award year. In the Federal Direct Loan Program, the application of the annual loan limits imposes additional limitations on a borrower's eligibility for funds when the borrower transfers.

### DIRECTIONS FOR ADJUSTING DIRECT LOANS

If a student who ceased attendance for a period in which he or she received a Direct Loan returns to school within the time that regulations require that his or her Title IV aid be redisbursed, a school must submit a change record to the COD system that:

- ◆ adjusts the amount of the loan to the amount appropriate to the enrollment status at which the student has reenrolled;
- ◆ adjusts the academic year and loan period (award period) to the student's new anticipated completion date; and
- ◆ changes the disbursement dates to reflect when disbursements actually occur.

Direct Loan processing for an award year generally remains open in COD for 13 months from the end of the award year. A school should be able to submit data via batch or web processing through that time unless it has already confirmed closeout for the impacted award year. If the year is closed before the 13-month period is over, the school should contact COD School Relations for help with re-opening the award year.

Once the 13-month period is over and COD has closed the year, a school may request extended processing through the COD School Relations Center.

This can be done through the [COD website](#). Authorized school users must log on to the website, select the “School” menu and then select “Post Deadline Proc > Authorize Post Deadline Processing” on the left side. Users then:

1. Select the correct award year and program for the request.
2. Choose “Re-Entry Within 180 Days” from the drop-down menu as the reason.
3. Provide an explanation for the request.
4. Select “Authorize.”

Schools will be notified if/when the request has been approved.

Toward the end of each award year, the Department publishes an announcement with information on the closeout deadline and instructions on how schools can request extended processing for Direct Loans after the closeout deadline (e.g. [February 5, 2021 electronic announcement](#) for 2019-2020).

Note: If the returning student is eligible to receive Title IV loan funds and the student's bill is already paid, in the information a school provides to the students when the school informs them that they are due a late disbursement, the school should include information about the advantages of keeping loan debt to a minimum.

## DIRECTIONS FOR ADJUSTING PELL GRANTS

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 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.

For the Campus-Based Programs, if funds are not available from the year in which the awards were originally made, the school may award funds from the current year. Note that doing this does not increase the annual maximum awards that may be made to an individual student.

Consider a student who received Pell Grant funds and withdrew from school in one award year and who reenters the same program within 180 days in a new award year. If the school returned funds after an R2T4 calculation, the student might now be due additional Pell Grant funds from an award year that is closed. (The date will typically be towards the end of September after the official end of an award year. Deadline submission dates are published annually in a Federal Register Notice.)

To report the additional disbursement information and request these funds, the school must request an extension to the established data submission deadline. This can be done through the [COD website](#).

Authorized school users must log on to the website, select the “School” menu and then select “Request Post Deadline/Extended Processing” on the left side. Users then:

- ◆ Select the correct award year and program for the request.
- ◆ Choose “Reentry within 180 days” from the drop down menu as the reason code.
- ◆ Provide an explanation for the request.
- ◆ Select Submit/Authorize

Schools will be notified if/when the request has been approved.

Schools can also send an email to [FSA.Administrative.Relief@ed.gov](mailto:FSA.Administrative.Relief@ed.gov) and request administrative relief. The request must include the

- reason (reentry within 180 days),
- school’s Pell Grant ID number,
- name of the person to contact,
- the contact’s phone number, and
- the contact’s email address.

## **BREAKS IN ATTENDANCE FOR STUDENTS ENROLLED IN PROGRAMS MEASURED IN CREDIT HOURS WITHOUT ACADEMIC TERMS**

To receive Title IV aid, a student must be enrolled in an eligible program. That program has required courses, some of which must be taken in sequence. If no specific academic plan exists for a particular student, we consider the program requirements to be the student’s academic plan.

A student who completes a course is expected to begin attending the next available course in the program until the student completes the credits for which he or she has received Title IV aid. **If, before a student completes the credits for which he or she has received Title IV aid, the student fails to enroll in the next (appropriate in sequence) course in the program, the student must be put on an approved LOA or considered withdrawn.**

A student enrolled in a program measured in credit hours without academic terms who has completed the credit hours and the weeks in the payment period for which aid was awarded does not have to be considered a withdrawal or placed on LOA if he or she takes a break before enrolling in additional courses.

## CHANGING OR CORRECTING AN R2T4 CALCULATION

Changes that aren't corrections are allowed only if the change can be made in time for the institution to meet any applicable R2T4 deadline.

**A change is not a correction if a calculation (R2T4/post-withdrawal disbursement) was correct at the time it was processed.**

For example, a school that used the midpoint as the withdrawal date may want to go back and revise an already processed R2T4 calculation to use a last date of attendance at an academically related activity past the midpoint. Such a change is not a correction because the use of the midpoint was not a mistake—unlike using the wrong amount of a Pell Grant disbursement. Similarly, the signing of a promissory note after a calculation is processed is not a correction because failing to sign a promissory note is not a mistake.

**An institution is never required to do a recalculation of a change that is not a correction.**

## APPLICABLE DEADLINES

Two main deadlines impact most R2T4 calculations—the 45-day time frame for the Return of Title IV Funds (also see the discussion under *Time frame for the return of Title IV funds* in Chapter 2), and the 30-day required notification of the need for authorization to make a post-withdrawal disbursement of Direct Loan funds (see the discussion under *Post-withdrawal disbursement of Title IV Loan funds* in Chapter 2).

Any action taken after a deadline, even a correction, is a violation of that deadline requirement. So, when an institution corrects an R2T4 calculation and, as a result, returns funds after the 45-day deadline, it is a late return. Likewise, if a school makes a correction and fails to notify a student or parent that they are eligible for a post-withdrawal disbursement within 30 days of the date of the institution's determination that the student withdrew, the school has violated that deadline.

