

Chapter 1

General Requirements for Withdrawals and the Return of Title IV Funds

This chapter will discuss the general requirements for the treatment of FSA funds (i.e. *Title IV* funds) when a student completely withdraws from a payment period or period of enrollment.

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 their course load from 12 credits to 9 credits, the reduction represents a change in enrollment status/intensity, 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. A pro rata schedule is used to determine the amount of *Title IV* funds the student has earned at the time of withdrawal up **through the 60% point** in each payment period or period of enrollment. After the 60% point in the payment period or period of enrollment, a student has earned 100% of the *Title IV* funds the student received and 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).

In addition, a student who meets one of several R2T4 withdrawal exemptions would also not be considered a withdrawal. If met, these withdrawal exemptions allow a student who has otherwise withdrawn or left the institution to not be considered a withdrawal for *Title IV* purposes.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 R2T4 regulations, will be discussed in detail throughout this volume.

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.

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](#).

Return of *Title IV* Funds

HEA, Section 484B

[34 CFR 668.22](#)

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 funds were awarded. When a student completely withdraws, they may no longer be eligible for the full amount of *Title IV* funds that they were originally scheduled to receive.

If a *Title IV* recipient withdraws from a school after beginning attendance, the school must perform an R2T4 calculation to determine the

amount of *Title IV* aid 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, they are eligible to receive a PWD of the earned aid that was not disbursed.

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 the student attended or the number of clock hours the student was scheduled to attend (see Step 2: Percentage of *Title IV* Aid Earned in Chapter 2). The school must include all forms of *Title IV* aid that were disbursed or that could have been disbursed in the R2T4 calculation, 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 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, this includes Direct Loans as well.

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/intensity 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 PWD.

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 their program before completing the days or hours in the period that they were scheduled to complete is not considered to have withdrawn
 - This exemption applies to all types of programs (including those 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 cumulatively 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 [34 CFR 668.2\(b\)](#) for the payment period

Please note that 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 they complete all of the academic requirements for their program and are 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 (including those with or without modules) 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, 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 and the Department considers that student as now being enrolled in a program with fewer clock hours. Consequently, the school is required to re-prorate (or adjust) the *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 7* for Pell Grants and *Volume 8* for Direct Loans.

Withdrawal Exemptions for Programs Offered in 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\(l\)\(6\)](#)). 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.

The withdrawal exemptions for successful completion of a module or a combination of modules that cumulatively contain 49% 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) and for successful completion of coursework equal to or greater than the coursework required for the institution's definition of a half-time student in the payment period, only apply to programs using 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 disregard 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 Exemption for Successful Completion of 49% or More of a Period

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 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, from the number of days in the entire 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 the student 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 this particular exemption calculation, 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, overlapping days may only be counted once and 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 entire payment period, the student would NOT meet the withdrawal exemption since the school cannot round

the calculation up to 49%.

Volume 5, Chapter 1, Example 1

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 they 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 then none of the days in that module would have been included in the numerator and the overall number of days successfully completed within the payment period would be less than 49%, the student would not have met the withdrawal exemption, and the school would have proceeded to conduct an R2T4 calculation.

Withdrawal Exemption 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\(b\)](#) 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, Chapter 2*.

Volume 5, Chapter 1, Example 2

A student is enrolled in a semester with 5 modules and the student enrolls in one three credit-hour 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 minus any allotted breaks (100 days) 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 for not beginning all classes that comprised the student's Pell Grant enrollment intensity 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 intensity 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 comprised 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 they may receive *Title IV* funds, and courses for which they may not receive *Title IV* funds, e.g., 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 "Eligibility and Enrollment Status for Retaking Coursework" in *Volume 1* for additional information).

If a student ceases attendance (drops or withdraws) in all of their *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 two in the period during which the student was scheduled to have been taking module three, they are 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 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

Any time 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/intensity 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. There is one worksheet for students who withdraw from credit-hour programs and one for students who withdraw from clock-hour programs. The [R2T4 worksheets](#) are available in Portable Document Format (PDF) in the *Appendix to Volume 5 of the FSA Handbook*.

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 FSA Partner and School Relations Center at 1-800-848-0978 or email 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. If you have questions about TFA tokens, email TFASupport@ed.gov. 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", then select "COD Training", and finally select "R2T4 in COD."

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

Consumer Information

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

- the requirements and procedures for officially withdrawing from the school.

Under the [October 31, 2023 final federal register notice](#), effective July 1, 2024, in order to demonstrate administrative capability, an institution must provide adequate financial aid counseling with clear and accurate information to students who apply for *Title IV*, HEA program assistance as outlined under 34 CFR 668.16(h). To meet this requirement, the institution must, among other requirements, ensure counseling and financial aid communications include the institution's refund policy and the requirements for the treatment of *Title IV*, HEA program funds when a student withdraws under 34 CFR 668.22.

Consumer Information

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

[Federal Register, Volume 88, Number 209, October 31, 2023, Final Rules, page 74698](#)

For more information, see:

- [Appendix E of the Federal Student Aid Handbook—Institutional Reporting and Disclosure Requirements, and](#)
- [FSA Assessments Consumer Information section - Consumer Information Disclosures at a Glance document](#)

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 they will retain and how much they 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 they withdraw, 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. When determining whether the R2T4 requirements in [CFR 34 668.22](#) apply, a school must first determine whether a student was eligible to receive any *Title IV* 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 eligibility for *Title IV* 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* aid that the student has received or could have received was FWS funds.

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.

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

[34 CFR 668.21](#)
[34 CFR 674.16\(f\)](#)
[34 CFR 676.16\(d\)](#)
[34 CFR 685.303\(b\)\(4\)](#)

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 date 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 (PWD) of the student's Pell Grant. The school must include its verification deadlines in the consumer materials it provides to students.

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

- A school must offer any PWD of loan funds within 30 days of the date the school determined the student withdrew. A school must always return any unearned *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 PWDs of Direct Loan funds.
- A school must disburse any *Title IV* grant funds a student is due as part of a PWD within 45 days of the date the school determined the student withdrew and disburse any loan funds a student (or parent) 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 complete the verification process and perform a **new** R2T4 calculation including the *Title IV* aid that could have been disbursed to the student.
- 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 for Verification After Receiving a Disbursement

A student who received a disbursement based on a valid ISIR/FASFA Submission Summary 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.

The following principles apply when a student is selected for verification after withdrawing:

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 re-enroll 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.
- If the school chooses not to complete verification, it does not have to fully return need-based *Title IV* funds that were disbursed before the student withdrew, but it cannot make any PWDs 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 R2T4 calculation requires.

If the school completes verification, it must recalculate the student's *Title IV* aid eligibility based on the verified Student Aid Index (SAI) and take the following actions as applicable.

1. If the recalculation results in a reduction of *Title IV* 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/SAI.
 - If verification results in eligibility for additional Pell Grant funds, the school should include that additional amount as aid that could have been disbursed. 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 *Title IV* aid eligibility, the school should only include the reduced amounts as *Title IV* aid disbursed or that could have been disbursed in the revised R2T4 calculation.
3. Return or make a PWD 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 PWD, 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.

If the student is still in attendance when selected, the school must verify their 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 they are not eligible; see the overpayments chapter in *Volume 4*. The student may keep any Direct Loan funds received and FWS wages earned.

When Verification Is Completed Before the R2T4 Deadlines

A school must offer any PWD of loan funds within 30 days from the date that the school determined that the student withdrew, and return any unearned funds and make a PWD 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 must perform the R2T4 calculation including all *Title IV* aid for which the student has established eligibility for as a result of the completed 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, all *Title IV* aid for which the student has established eligibility for as a result of the completed verification and for which the conditions of a late disbursement have been met prior to the student's loss of eligibility due to withdrawal as aid that could have been disbursed. If, as a result of verification, the student's eligibility for

Federal Pell 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* of the *FSA Handbook*.

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 previously noted R2T4 deadlines, the institution includes only the *Title IV* aid that was not subject to the verification process in the R2T4 calculation. 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 were 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 subject to 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.

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 a specific period of time 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 an approved LOA for *Title IV* purposes:

- The school must have a formal written LOA policy that requires all LOA requests to be submitted in writing; and the student must include the reason for their LOA 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 re-enter 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, non-term credit-hour, or subscription-based program, a student returning from an LOA must resume training at the same point in the academic program that they began the LOA.
- If the student has a *Title IV* loan, the school must explain to them, prior to granting the LOA, the effects that their 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 would report the LOA start date as the withdrawal date, whereas an attendance-taking school would report the last date of attendance (LDA) as the student's withdrawal date.

Do not confuse an approved LOA for *Title IV* purposes 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 their on-time completion of an academic period. Typically, these academic LOAs do not meet the requirements of an approved LOA for *Title IV* purposes.

Approved Leave of Absence

[34 CFR 668.22\(d\)](#)

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 request. 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, a school must determine that there is a reasonable expectation that the student will return from the LOA before it approves the request. 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 was 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, 2023, the next 12-month period would not begin until the student requests a new LOA that begins on or after July 12, 2023. If the student did not request a subsequent LOA until October 15, 2023, then the next 12-month LOA period would start on October 15, 2023 and extend until October 14, 2024.

In addition, if the student is currently on an LOA which continues past the end of the initial 12-month LOA period, as long as the total number of days in the LOA(s) during the initial 12-month period are 180 days or less, the new LOA period automatically starts when the initial LOA period ends. For instance, if a student's current LOA period ran from April 12, 2024 to April 11, 2025 and the student was on an LOA that continued beyond April 11, 2025 as long as the total number of LOA days during the initial LOA period were 180 days or less, a new 12-month LOA period would automatically restart on April 12, 2025 (April 12, 2025 through April 11, 2026).

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, TEACH 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 Non-Term, and Subscription-Based Programs

For non-term-based programs, the payment period is the period of time it takes a student to complete half the number of credits **and** half the number of weeks of instructional time in the academic year, program, or remaining portion 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 number of weeks of instructional time in the academic year, program, or remaining portion 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, non-term, and subscription-based programs, it doesn't matter whether the student returns to the same course and point of the program 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 approved LOA to review material previously covered. However, until the student has resumed the academic program at the point they began the LOA, the student is still considered to be on the approved LOA.

If a student returns early, the days the student spends in class before they reach the point at which they began their LOA must be counted in the 180-day maximum time frame for an approved LOA. That is, a student repeating coursework while on an LOA must reach the point at which they interrupted their training within 180 days from 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 their 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 they took the leave of absence, a student is not eligible for any additional *Title IV* aid 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 they interrupted their 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 day of attendance (LDA) as determined by institutional attendance records 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 timeframe 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 their 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 re-entry 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 LOA 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 Direct Loan might be exhausted. So, prior to granting an approved LOA, a school must inform a student who has a Direct Loan of the possible consequences withdrawing may have on their Direct 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 will always be the student's last date of attendance (LDA).

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 date 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.

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.

Institutional Charges

[34 CFR 668.22\(g\)\(1\)\(ii\)](#)

[34 CFR 668.22\(g\)\(2\)](#)

[DCL GEN-00-24](#)

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, including any adjustments to the charges prior to the point of withdrawal (for example, because the student dropped some of their courses and qualified for a full refund of tuition charged for those courses). 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

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, food and housing, 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 their 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.

Volume 5, Chapter 1, Example 3

Institutional charges versus non-institutional charges

A school requires its students to purchase a kit including equipment and supplies that the student does not have a real and reasonable opportunity to purchase from another source for one of its programs. The school's enrollment agreement does not contain a charge for the kit, and it does not say that the student is required to purchase the kit from the school, or any of its affiliates. It just so happens, the required kit is available for purchase from the school and other unaffiliated sources, including a retailer across the street. The school allows, but does not require, students to charge the kit in its bookstore to their student accounts but also ensures that all *Title IV* funds are made available within all cash management deadlines. The school 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 kit is not listed as a charge in the student's enrollment agreement, the school requires that the tools be purchased by everyone in the program of study. Therefore, as a general rule, the kit charges would be considered institutional charges. However, under the exceptions rule, the kit charges do not have to be considered institutional charges if the school can demonstrate that (1) the kit was available for purchase elsewhere, (2) the school did not restrict the availability of financial aid funds to purchase the materials and (3) the school 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 kit is 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 kit can be classified as non-institutional charges.

Institutional Versus Noninstitutional Charges

Institutional charges generally are defined as the charges for tuition and fees, food and housing, 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 food and housing (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;
- 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.), and
- refundable housing deposits obtained as a security measure against possible housing damage since these are amounts the institution ultimately may not retain as most, if not all of the deposit, will be returned to the student when they vacate the housing or leave the institution.

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 tuition charges for non-*Title IV* eligible courses in Step 5, Part L, of the R2T4 calculation.

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 they 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 their 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 other financial assistance (OFA), 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 (other 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 perform its R2T4 calculations on a payment period basis for a non-term 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).

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 \$15,000 upfront (inclusive of tuition, fees, books and supplies) for a non-term-based program that spans two payment periods of 450 clock hours each. The school chooses to perform its R2T4 calculations 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 (DL) totaling \$8,668 (Pell: \$3,968, DL-subsidized: \$1,732, and DL-unsubsidized: \$2,968). The school debited the student's ledger account for the entire cost of the program, — \$15,000. 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 of the payment period, with the remainder treated as a *Title IV* credit balance. The prorated amount of institutional charges for each payment period is \$7,500 ($\$15,000 / 2 = \$7,500$). Therefore, \$7,500 in *Title IV* aid was applied to charges, and \$1,168 ($\$8,668 - \$7,500 = \$1,168$) 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 \$7,500.

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

Prorating Charges

[34 CFR 668.22\(g\)\(3\)](#)

[668.164\(c\)\(1\)\(i\)](#) & [668.164\(c\)\(5\)](#)

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 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 any existing *Title IV* credit balance funds as disbursed aid 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:
 - 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.

- 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 is owed, 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*.

Treatment of Credit Balance When a Student Withdraws

Volume 5, Chapter 1, Example 4: school performing an R2T4 calculation for a student whose account has a Title IV credit balance

A first-time student at community college, began classes on September 1. Their account was credited with a Pell Grant of \$2,000 and debited with institutional charges of \$500, creating a *Title IV* credit balance of \$1,500. Because the school has several mini-semester in which the student had expressed an interest, the school obtained the student's permission to hold the *Title IV* credit balance while the student considered their options.

On September 30, when the student completed 25% of the semester, they inform the school that they have decided to withdraw. The school places a hold on the student'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, and that the initial amount of unearned funds due from the student is \$1,125. Since the \$1,125 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.

Before the student withdrew, the *Title IV* aid applied to their student account totaled \$2,000, and \$500 of that \$2,000 was used to cover existing charges. There were no charges due the school, and the *Title IV* credit balance was \$1,500. After the school returned the \$375 it was required to return, the new total of *Title IV* funds on the student's account was \$1,625 (\$2,000 – \$375).

Under the school'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 the student withdrew at the 25% point of the semester, they are entitled to a refund of 80% of the amount they were charged, or \$400 ($\$500 \times .80$). So, the new institutional charges on the student's account are \$100, and the new (final) *Title IV* credit balance is \$1,525 ($\$1,625 - \100). 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, the school 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 grant overpayment, the remaining *Title IV* credit balance on the student's account is \$1,400 ($\$1,525 - \125). The school must pay those funds to the student within 14 days of October 20.

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 their 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 their 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 That a Student Has Withdrawn

[34 CFR 668.22\(l\)\(3\)](#)

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 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 they've 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 their last date of attendance and September 15 as the date the school determined that the student withdrew. The school must return any unearned funds by October 30.

If a school has a policy that states the maximum number of excused absences a student may have before being administratively withdrawn, it may delay contacting the student until that date. However, if the student is eventually withdrawn, the school's date of determination of the student's withdrawal is still 14 days after the student's last date 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.

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

Excused Absences and Administrative Withdrawal

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 to track required timeframes in the following circumstances:

- A school must offer any amount of a PWD 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 PWD, the school must disburse the funds within 180 days of the date of determination.
- *Title IV* grant PWDs 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 non-term 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 R2T4 worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or a period of enrollment. A school must perform its R2T4 calculations on a payment period basis for students who withdraw from a standard term semester, trimester, or quarter credit hour program (this includes subscription-based programs using standard terms). The school has the choice of performing the R2T4 calculation on either a payment period or period of enrollment basis for students who withdraw from a nonstandard term-based or non-term-based educational program. 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 re-enter a school that offers non-term-based or nonstandard term-based educational programs. For students who transfer to or reenter a non-term-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 re-entry students do not have to be the same. A school may choose to use payment period for transfer students and period of enrollment for re-entry 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.

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.

Period of Enrollment

[34 CFR 668.22\(l\)\(2\)](#)

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 performing its R2T4 calculations on a payment period basis, the *Title IV* aid used in the calculation is the aid that is disbursed or that could have been disbursed to the student 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 must be returned by the school (see "Step 4 of the R2T4 Calculation," in Chapter 2). In some cases, this may discourage a school from 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 non-term 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* aid retained for institutional charges as of the student's withdrawal date.

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 PWDs 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, 0.4486 would be rounded to 0.449, or 44.9%.

The one exception to the rounding rule occurs in determining the percentage of *Title IV* aid 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* aid. 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 their *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* aid for the term.

Funds to Include in an R2T4 Calculation

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

- 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.

*The Iraq and Afghanistan Service Grant will no longer exist as a separate program in the 2024-25 award year. However, due to 2023-24 crossover periods and 2023-24 payment periods that may extend well into 2024-25, the Iraq and Afghanistan Service Grant will continue to be listed in the order of return of funds.

The Department will remove references to the Iraq and Afghanistan Service Grant in the 2025-26 *FSA Handbook, Volume 5*.

Funds to Include in an R2T4 Calculation

[34 CFR 668.22\(a\)\(3\)](#)

FSEOG Program Funds

The **nonfederal share** of FSEOG Program funds are excluded when a school meets its FSEOG matching share requirement 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 Pell Grant funds as aid that could have been disbursed that if disbursed would, in combination with other Pell Grant funds previously received by the student, cause the student to exceed their 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 their 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 FAFSA Submission

Summary/ISIR with an official SAI 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 difference between the 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 that was disbursed or that could have been disbursed at the point 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 PWD 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 a Student Withdraws from Certain Programs and Transfers to a New School or Re-enters the Same School in a Similar Program

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

Re-entry Within 180 Days

The regulations state that when a student withdraws from a non-term credit-hour or clock hour program during a payment period, and then re-enters the same program within 180 days, the student is treated as if they did not cease attendance and when they return the student remains in that same payment period and is eligible to receive any *Title IV* aid they were eligible to receive prior to withdrawal (including funds that were returned by the institution or student). The calculation must use the original institutional charges associated with the original period before the withdrawal, and the student's cost of attendance must also 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. In addition, when a student who withdrew re-enters the same clock-hour program or non-term credit hour program within 180

days, the maximum amount the student can receive from their 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](#).

Finally, when a student withdraws after receiving the first Direct Loan disbursement but before the second disbursement, and then re-enters 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 they 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.

See *Volume 8* for examples of originating loans for transfer students with overlapping academic years and for guidance on proration of the annual loan limit.

As noted earlier, the 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.

Re-entry Within 180 Days

[34 CFR 668.4\(f\)](#)

Volume 5, chapter 1, Example 5: Re-entry within 180 days

Consider a student who began attendance in a clock-hour program that was 1,500 clock hours in length with a defined academic year of 900 clock 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 they were scheduled to complete by that point in the payment period (50% of the period), and the school uses payment periods when performing the R2T4 calculation. Under the Return regulations, the school used scheduled hours (225) to determine that the student earned 50% of their *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 is the same as if they had never left. The school redisburses the \$500 they had previously returned, 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 subsequent 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.

A student who re-enters a non-term credit-hour or clock-hour program within 180 days of their 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:

- redisbursing aid that had been disbursed and then returned under the R2T4 provisions;
- disbursing any *Title IV* 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 re-entry.

Once the student completes the payment period for which they have been paid, they become 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 re-enter school within 180 days, because the student had received 100% of their aid for the period, the student would not be eligible to receive additional *Title IV* aid until they have completed the weeks of instructional time and clock or credit hours (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 withdraws without confirming an intent to return to a module later in the payment period or period of enrollment, re-enters the same program prior to the end of the payment period or period of enrollment, the student is treated as if they 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 re-enters 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: 240-931-3320

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;
- the original amount referred
- 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.

Re-entry After 180 days, Return to the Same School in a New Program, or Transfer to a New School

If a student withdraws from a non-term credit-hour or clock-hour program prior to completing the period and

- re-enters the same program at the same school more than 180 days after withdrawal; or
- transfers into another non-term credit-hour 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 they re-enter or transfers.

In calculating awards for a student who re-enters 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 re-entry.

A school may consider a student who transfers into a new program at the same school 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 they first transfer 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 or clock hours 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 they started in, in their 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.

Re-entry After 180 Days

[34 CFR 668.4\(g\)](#)

Eligibility of Transfer Students for Additional *Title IV* Funds

Generally, at a clock-hour or non-term credit-hour school, a student can be paid again for clock hours or credit hours that they have already completed at that school only if they have completed a program and reenrolls to take that program again or to take another program. In addition, when a student re-enters a clock-hour or credit-hour non-term-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 their 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 during a period in which they received a Direct Loan returns to school within the 180 day timeframe, their *Title IV* aid must be redisbursed, and the 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 12, 2024 electronic announcement](#) for 2022-2023).

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) to the same payment period. The intent of the regulations is that such a student is to be considered, upon their return within 180 days, to be in the same payment period. Therefore, any *Title IV* aid 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 re-enters 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 Reopen/Extended Processing" on the left side. Users then:

- Select the correct award year and program for the request.

- Choose “Re-entry within 180 Days” from the drop down menu as the reason code.
- Provide an explanation for the request.
- Select "Submit"

The Department will contact schools with the results of their extended processing request once it has been reviewed.

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 they have received *Title IV* aid. If, before a student completes the credits for which they have received *Title IV* aid, the student fails to enroll in the next course (appropriate in sequence) 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 *Title IV* aid was awarded does not have to be considered a withdrawal or placed on LOA if they take 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/PWD) 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 PWD 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 PWD within 30 days of the date of the institution’s determination that the student withdrew, the school has violated that deadline.