

The Steps in a Return of Title IV Aid Calculation

CHAPTER 2

This chapter discusses the data elements in the order in which they occur on the worksheets. It is not a set of instructions. It is an explanation of the criteria a school must consider as it enters data in the steps of the calculation.

STEP 1: STUDENT'S TITLE IV AID INFORMATION

Title IV aid disbursed

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

Generally, a student's Title IV funds are disbursed when a school credits a student's account with the funds or pays a student or parent directly with Title IV funds received from the Department. There are a couple of exceptions to this definition. For a complete discussion of the definition of disbursed Title IV funds, see *Volume 4*.

A student's aid is included as *Aid disbursed* in the calculation if it is disbursed as of the date of the institution's determination that the student withdrew, and so long as the disbursement was not an inadvertent overpayment (see the discussion in Chapter 1 under *Date of the institution's determination that the student withdrew*).

Inadvertent overpayments are an exception. Inadvertent overpayments—disbursements inadvertently made to a student after the student ceased attendance but prior to the date of the institution's determination that the student withdrew—are included in an R2T4 calculation as *Aid that could have been disbursed* rather than *Aid disbursed*. (See the discussion under *Treatment of inadvertent overpayments* later in this chapter.)

A school may not alter the amounts of Title IV grant and loan funds that were disbursed prior to the school's determination that the student withdrew. For example, a school may not replace a withdrawn student's loan funds with grant funds that the student was otherwise eligible to receive before performing the R2T4 calculation.

Inadvertent overpayments

DCL GEN-04-03 Revised, November 2004

Conditions for late disbursement

34 CFR 668.164(j)(2)

Limitations on making a late disbursement

34 CFR 668.164(j)(4)

Title IV aid that could have been disbursed

In addition to *aid disbursed*, *aid that could have been disbursed* is also used in the calculation. There are two principles that govern the treatment of disbursements of Title IV funds in R2T4 calculations.

The *first principle* provides that, for purposes of determining earned Title IV aid, generally, so long as the conditions for late disbursements in 34 CFR 668.164(j)(2) **were met prior to the date the student became ineligible**, any undisbursed Title IV aid for the period for which the R2T4 calculation is performed is counted as *aid that could have been disbursed* (regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew or whether the school will be able to disburse the funds as a post-withdrawal disbursement).

Any undisbursed Title IV aid for the period that the school uses as the basis for the R2T4 calculation is counted as *aid that could have been disbursed* as long as the following conditions were met before the date the student became ineligible:

- ◆ For all programs, the Department processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) for the student. (An *official* EFC is one calculated by the Department and provided on a SAR or ISIR. It may or may not be a *valid* EFC, which is one based on complete and correct information.)
- ◆ For an FSEOG, the institution made the award to the student.
- ◆ For a Direct Loan, the institution originated the loan (within the school's financial aid system).
- ◆ For a TEACH Grant, the institution made the award (within the school's financial aid system).

In all Title IV loan programs, a promissory note must be signed for a loan to be included as *aid that could have been disbursed* in an R2T4 calculation. The signature may be obtained after the student withdraws but must be signed before the school performs the R2T4 calculation.

Of course, a school can only include aid (e.g., the loan funds) for the period for which the institution does the R2T4 calculation. If the calculation is performed on a payment period basis, the loan funds counted are those for the payment period; if the calculation is performed on a period of enrollment basis (e.g., academic year), the loan funds counted are those for the entire period of enrollment.

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

with other such funds the student previously received, cause him to exceed his 150% maximum eligibility period for Direct Subsidized Loans.

The *second principle* provides that a student can never receive as a post-withdrawal disbursement any funds from a disbursement that the institution was prohibited from making on or before the date the student withdrew. Therefore, although the following potential disbursements can be counted as *aid that could have been disbursed* (if intended for the period for which the R2T4 calculation is being performed), an institution is prohibited from disbursing:

- ◆ for nonstandard term credit-hour programs where the terms are not substantially equal in length, credit-hour nonterm programs, and clock-hour programs, a second disbursement of Direct Loan funds where the student has not successfully completed half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period (34 CFR 685.303(d)(3)(ii)(B));
- ◆ a second or subsequent disbursement of Direct Loan funds unless the student has successfully completed the loan period (34 CFR 668.164(j)(4)(ii));
- ◆ a disbursement of Direct Loan funds for which the borrower has not signed a promissory note;
- ◆ for clock-hour or credit-hour nonterm programs, a second or subsequent disbursement of a Federal Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant, when the student has not completed the earlier payment period for which the student has already been paid (34 CFR 690.75(a)(5) and 34 CFR 686.31(a)(5));
- ◆ a disbursement of a Direct Loan to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (34 CFR 668.164(j)(4)(iii)) (except when this delay does not apply because of low default rates);
- ◆ a disbursement of a Federal Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant to a student for whom the institution did not have a valid SAR/ISIR by the deadline established by the Department as published annually in the public deadline notice (34 CFR 668.164(j)(4)(iv)); and
- ◆ **a first disbursement** of a Direct Loan (i.e., the first disbursement of a Direct Loan in a loan period) to a student enrolled in a modular program who has withdrawn before beginning attendance in enough courses to establish a half-time enrollment status.

Some schools can use the 50% point as the withdrawal date for

a student who unofficially withdraws in determining earned Title IV aid. However, to determine whether the funds can be disbursed as a post-withdrawal disbursement, the school must make a separate determination of the date the student lost eligibility.

Examples

Consider a student enrolled at a school that is not required to take attendance by an outside entity. On September 1 the student begins attendance in 12 credits. On September 15 the student drops classes worth seven credits, and the enrollment status changes to less than half time. On December 1 the school receives \$2,000 in Direct Loan funds for the student. In reviewing its records, the school determines that the student stopped attending all classes and is an unofficial withdrawal. Though the school can use the 50% point as the withdrawal date, it *must make a separate determination of the student's eligibility for a post-withdrawal disbursement*. In this case, because the student lost eligibility for Direct Loan funds on September 15 (the day the student ceased to be enrolled at least half time), the student may not receive a post-withdrawal disbursement of Direct Loan funds.

Consider a credit-hour program where each semester comprises three modules of five weeks each. If a student enrolls in one three-credit course in the first module and one three-credit course in the second module, the student will not begin attendance in six credit hours, the school's minimum half-time enrollment status, until the student begins the course in the second module. The school does not have to, nor should it, delay the disbursement of Direct Loans until the student begins the course in the second module. However, if the student withdraws during the first module and the school has not made the first loan disbursement prior to the student's withdrawal, the school may not now make that first Direct Loan disbursement. However, the amount of the disbursement would be included in the R2T4 calculation as aid that could have been disbursed.

Exception to including funds as aid that could have been disbursed when a student has a disqualifying comment code

If a student's SAR/ISIR contains a Comment Code that requires resolution (e.g., 132–Default) in order for the funds to be included as *Aid that could have been disbursed*, the underlying issue must be resolved before the institution performs the R2T4 calculation and in time for the institution to meet any applicable R2T4 deadline.

Treatment of inadvertent overpayments

An inadvertent overpayment occurs when an institution disburses funds to a student who is no longer in attendance (for example, when an institution makes a scheduled disbursement on Monday to a student who dropped out on the previous Friday). Inadvertent overpayments are included in R2T4 calculations as *Aid that could have been disbursed* rather than *Aid that was disbursed*.

Discussion of inadvertent overpayments

Federal Register, Volume 64, Number 151, August 6, 1999, Proposed Rules, page 43026
Federal Register, Volume 64, Number 210, November 1, 1999, Rules and Regulations, page 59018
DCL GEN-04-03 Revised, November 2004

A school is allowed to hold an inadvertent overpayment while determining if the student is owed a post-withdrawal disbursement. However, this is not intended to affect the amount of aid a student would receive under an R2T4 calculation. Rather, it is permitted to avoid a school having to return funds only to have to later request and disburse them if a student is eligible for a post-withdrawal disbursement.

An inadvertent overpayment does not create a separate basis for permitting funds to be paid to a student's account. So, if an inadvertent overpayment does not meet the criteria for a late disbursement, the second principle under *Title IV aid that could have been disbursed* discussed previously applies, and neither the institution nor the student may retain any portion of the overpayment. However, the funds are included as *Aid that could have been disbursed* which can reduce the amount of Title IV aid required to be returned under an R2T4 calculation or may result in a student being able to retain more grant funds.

To be consistent with the aforementioned second principle, an institution must treat inadvertent overpayments as *Aid that could have been disbursed* rather than *Aid that was disbursed*. If the inadvertent overpayment could not have been made as a late disbursement under the regulations, the institution must return the entire amount of the overpayment. If the overpayment could have been made as a late disbursement, the institution must return only the unearned portion of the inadvertent overpayment. Please note that an institution is not required to obtain the student's permission (post-withdrawal disbursement confirmation) to retain the amount of inadvertently overpaid Direct Loan funds that the R2T4 calculation indicates that the student has earned and that could have been disbursed as a post-withdrawal disbursement.

An institution is not required to return the inadvertent overpayment immediately but *must return it within 45 days of the date of the institution's determination* that the student withdrew (the time frame for an institution's return of Title IV funds under 34 CFR 668.22(j)(1)). An institution must return an inadvertent overpayment in accordance with the applicable regulations for returning overpayments. Please see *Volume 4, Chapter 3* for more information on overpayment procedures.

For example, if a late disbursement would have been prohibited because the student had withdrawn and the disbursement would have been a late second or subsequent disbursement of a Direct Loan, the inadvertent overpayment must be returned because the student had not successfully completed the period of enrollment for which the loan was intended (34 CFR 668.164(j)(4)(ii)).

Institutions are expected to have the administrative capability to prevent inadvertent overpayments on a routine basis. Specifically, an

institution is expected to have in place a mechanism for making the necessary eligibility determinations prior to the disbursement of any Title IV funds. For example, a school should have a process in place by which withdrawals are reported immediately to those individuals at the institution who are responsible for making Title IV disbursements. During a program review, the Department would question a pattern or practice of making inadvertent overpayments.

Examples of second or subsequent Direct Loan disbursements and an example of a second payment period Pell Grant disbursement

Example 1

Consider a student who, prior to successfully completing half the clock hours and weeks in a loan period, withdrew after completing 400 clock hours in a 900 clock-hour program. The loan period is the 900 clock-hour academic year which includes two payment periods of 450 hours each. ***The R2T4 calculation is done on a period of enrollment basis.*** Half of the Direct Loan and half of a Federal Pell Grant were disbursed at the beginning of the first payment period, and the student was scheduled to receive the other half in the second payment period. Because the student had not successfully completed half of the clock hours and weeks, the student was not eligible to receive the second disbursement of the Direct Loan or Federal Pell Grant. Therefore, the second disbursements could not have been made before the student withdrew.

Under current guidance when calculating an R2T4 on a *period of enrollment basis*, the second disbursements of both the Pell Grant and the Direct Loan are included as ***Aid that could have been disbursed*** in Step 1 of the R2T4 calculation which increases the amount of Title IV aid used in the calculation (and ultimately earned by the student).

Please note, however, the institution may not make a post-withdrawal disbursement from the second scheduled disbursements of Pell Grant or Direct Loan funds because of the prohibition on making these disbursements.

Examples of second or subsequent Direct Loan disbursements and an example of a second payment period Pell Grant disbursement (continued)

Example 2

Consider a student who completed 500 clock hours in a 900 clock-hour program and successfully completed half the clock hours and weeks in the loan period at an institution that uses the *period of enrollment as the basis for its R2T4 calculations*. The loan period is the 900 clock-hour academic year which includes two payment periods of 450 hours each. Half of the Direct Loan was disbursed at the beginning of the first payment period, and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and weeks in the loan period and was otherwise eligible to receive the second disbursement of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the Department had processed a SAR/ISIR and the institution originated the loan before the student lost eligibility, the second disbursement of the loan is included as *Aid that could have been disbursed* in Step 1 of the R2T4 calculation.

However, the late disbursement regulations prohibit an institution from making a second or subsequent disbursement of a Direct Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The R2T4 requirements, including the post-withdrawal disbursement requirements, do not supersede this provision. **Therefore, although in this case a second or subsequent Direct Loan disbursement is counted as *Aid that could have been disbursed* for purposes of determining earned Title IV aid, the funds may not be disbursed as part of a post-withdrawal disbursement.**

Example 3

Consider a student who withdraws after completing 350 clock hours in a 900 clock-hour program at an institution that uses the *period of enrollment as the basis for its R2T4 calculations*. The loan period is the 900 clock-hour academic year which includes two payment periods of 450 hours each. The institution chooses to disburse the loan in four disbursements (installments of 225 hours each). The first disbursement of the Direct Loan (225 hours) has been disbursed. The student is scheduled to receive the second disbursement of the loan in the second half of the first 450-hour payment period. The student withdraws during the first payment period after receiving only the first disbursement of the loan. The second, third, and fourth scheduled disbursements of the loan are included in the calculation as *Aid that could have been disbursed* because the school has chosen to perform the R2T4 calculation on the *period of enrollment basis* for all students in this program. However, the institution may not make a post-withdrawal disbursement from the second (or subsequent) scheduled disbursement of the loan because of the prohibition on making late second or subsequent disbursements of Direct Loans when a student has not successfully completed the period for which the loan was intended.

Late arriving aid for a prior completed payment period

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

If Title IV aid earned during a previously completed payment period is received in a subsequent period during which the student withdrew, that aid is NOT considered *Aid disbursed* or *Aid that could have been disbursed* in the period during which the student withdrew. This late-arriving assistance, while it can be disbursed in the current term, is disbursed for attendance in the previous term. Therefore, it is not included in the R2T4 calculation for the period in which the student withdrew.

For a student who has withdrawn, a school cannot disburse aid received for a previous semester unless the student qualifies for a late disbursement.

STEP 2: PERCENTAGE OF TITLE IV AID EARNED

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

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

Part 1—Withdrawal date

The definition of a *withdrawal date*, as outlined here, is required for Title IV program purposes only—including the withdrawal date that a school must report to the National Student Loan Database System (NSLDS). A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

Withdrawal date at schools required to take attendance

34 CFR 668.22(b)

For R2T4 purposes, **the withdrawal date is used for determining the amount of aid a student has earned.** Do not confuse it with the date of the institution's determination that the student withdrew, discussed in Chapter 1, which can be the same date or a different date and is used for other purposes in the R2T4 process.

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

The goal of the R2T4 provisions is to identify the date that most accurately reflects the point when a student ceases academic attendance, not the date that will maximize Title IV aid to the institution or to the student. Generally, the most precise determination of a student's withdrawal date is one that is made from institutional attendance records.

If a school is **required** to take attendance, a student's withdrawal date is **always** the last date of academic attendance as determined by the school from its attendance records. This date is used for all students who cease attendance, including those who do not return from an approved LOA, those who take an unapproved LOA, and those who officially withdraw. For information on what qualifies as academic attendance, see *Academic attendance and attendance at an academically related activity* later in this chapter.

Schools required to take attendance

A school is required to take attendance if:

- the school is required to take attendance by an outside entity (such as the school's accrediting agency or a state agency) that has a requirement that the school take attendance,
- the school itself has a requirement that its instructors take attendance, or
- ◆ the school or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including but not limited to requiring that students in a program demonstrate attendance in the classes of that program or a portion of that program.

The return regulations describe when a school is considered to be required to take attendance for Title IV purposes; they do *NOT* require schools to take attendance. A requirement that a student self-certify attendance directly to an outside entity does not make a school one that is required to take attendance. For example, a Veterans' Administration requirement that benefit recipients self-report attendance would not result in a school being considered one that is required to take attendance unless the school is required to verify the student's self-certification.

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

Schools required to take attendance

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When a school has a requirement for taking attendance

If a school requires its faculty to take attendance, whether at the program, department, or institutional level, then those attendance records must be used by the school in determining a student’s withdrawal date.

A school is *NOT* considered to be required to take attendance if it:

- does not require faculty to take attendance but a faculty member chooses to take attendance voluntarily, or
- has a requirement that faculty provide a last date of attendance for students who receive all “F” grades to determine whether a student with failing grades has unofficially withdrawn.

In addition, the monitoring of whether online students log in to classes does not by itself result in a school being one that is required to take attendance for Title IV purposes. If, however, the monitoring of student activity is tracking academic engagement, then the school would be one that is required to take attendance for Title IV purposes.

Schools that do not require the taking of attendance and are not required to take attendance by an outside entity are not prohibited from using individual faculty members’ attendance records in determining a student’s date of withdrawal. The Department encourages schools to use the best information available in making this determination.

A school is responsible for ensuring that it is in compliance with the requirements for schools that are required to take attendance even if some faculty do not comply with the attendance-taking policy. For students enrolled in classes taught by faculty who fail to take attendance, their withdrawal date will be the last date of academic attendance as recorded by the faculty that did take attendance. **If, at a school required to take attendance, no records of a student’s academic attendance exist, the student is considered not to have begun classes for Title IV program purposes and never to have established eligibility for Title IV funds.** Title IV funds received by a student who failed to establish eligibility must be handled by the school in accordance with the procedures described in Chapter 1 under *When a student who fails to begin attendance in all*

the courses he or she was scheduled to attend withdraws (34 CFR 668.21).

Requirements that can only be met by taking attendance

The Department is looking at the substance of the information that is available rather than the way that information is described or portrayed by the school or outside entity. If the school is required to collect or record information about whether a student was in attendance during a payment period, or during a limited period of time during a payment period, that information must be used to determine when the student ceased attendance during that period.

For Title IV purposes, clock hour programs are considered to be programs where schools are required to take attendance. Schools that are required to measure the clock hours a student completes in a program satisfy both the requirement of determining that a student is present and that the student is participating in core academic activity. (*See preamble page 66898 of the [October 29, 2010 Federal Register](#).*)

Attendance taking requirements for some students

If a school is required to take attendance by an outside entity (for example, a state Workforce Development Agency) for only some students, then the school is required to use attendance records to determine those students' withdrawal dates (the last date of academic attendance). The school would not be required to take attendance for any of its other students or to use attendance records to determine the withdrawal dates of any of its other students unless the school is one required to take attendance for those students by its own rules or another outside entity.

When a school takes attendance for one day or a limited period

If a school is required to take attendance or requires that attendance be taken on only one specified day to meet a census reporting requirement or to demonstrate that the student commenced attendance, the school is not one required to take attendance. For a program that is offered in modules, a school may require that attendance be taken on a single specified day in each module (i.e., have one census date per module) without the school being considered one that is required to take attendance.

If a school is required to take attendance or requires that attendance be taken for a limited period, the school must use its attendance records for that limited period to determine a withdrawal date for any students who withdraw during the limited attendance taking period. Students who withdraw after the limited period of attendance taking will be treated as students for whom the school was not required to take attendance.

If a school is taking attendance to determine whether each student

attended at least once during a period of time (for example, the first two weeks of a term) but does not continue to monitor attendance for a student after the one day of confirmed attendance, it is not a school that is required to take attendance for Title IV program purposes. However, if a school takes attendance throughout a period to determine when students are and are not present, then it is taking attendance for a limited period and is a school that is required to take attendance for Title IV program purposes for that period.

Unless a school demonstrates that a withdrawn student who is not in attendance at the end of the limited period of required attendance taking attended after the limited period, the student's withdrawal date would be determined according to the requirements for a school that is required to take attendance. That is, the student's withdrawal date would be the last date of academic attendance, as determined by the school from its attendance records.

For example, consider a student who officially withdraws after the end of a limited two-week period of required attendance taking. The student is *not attending* classes on the last day of the two-week period, and begins the school's official withdrawal process two weeks later. The school must demonstrate that the student was in attendance after the two-week attendance-taking period to use the date the student began the official withdrawal process as the withdrawal date (as permitted for schools not required to take attendance). If it cannot, the student's withdrawal date is the last date of academic attendance during the period of attendance taking, as determined by the school from its attendance records. And finally, keep in mind, that though a school always has the option to document a student's last date of attendance at an academically related activity, a school is not required to take attendance past the end of the limited period of attendance taking.

If a school demonstrates that a student attended past the end of the limited period, the student's withdrawal date is determined in accordance with the requirements for a school that is not required to take attendance.

When attendance taking is required only for some classes

A school is required to take attendance if attendance taking is required in *ALL* classes in the program for a period of time. For example, if a school requires that attendance be taken in all core classes but not elective classes, when the core classes in the program are taken in isolation, for the period of time that students are taking only core classes, the program is one for which the school is required to take attendance.

If core and elective classes are taken at the same time and attendance taking is not required for the elective classes, then for the period of time that core and non-core classes are taken together, the school is not one that is required to take attendance for that program.

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

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

Official notification

A student may provide official notification of intent to withdraw by following the school's withdrawal process. In this case, the withdrawal date is the date the student *begins* the withdrawal process. The student may also withdraw by providing notification to designated officials. If the student withdraws through official notification, the withdrawal date is the date notification was provided.

These withdrawal dates apply even if a student begins the school's withdrawal process or otherwise notifies the school of an intent to withdraw and projects a future last date of attendance. However, a **school that is not required to take attendance may always use a last date of attendance at an academically related activity as a student's withdrawal date** (this is discussed in detail later). Therefore, a school could use a later last documented date of attendance at an academically related activity if this date more accurately reflects the student's withdrawal date than the date the student begins the school's withdrawal process or provides withdrawal notification.

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

School's withdrawal process

The *beginning* of the school's withdrawal process must be defined. The individual definition is left up to the school. Schools are required to make available to students a statement specifying the requirements for officially withdrawing from the school. They are expected to identify the beginning of the withdrawal process as part of their consumer information (*see Volume 2*). Schools should be able to demonstrate consistent application of their withdrawal process, including the determination of the beginning of that process.

The officially defined withdrawal process might include a number of required steps. Though the school might not recognize the student's withdrawal (for purposes of determining an institutional refund) until all the required steps have been completed, for the purpose of calculating the return of Title IV funds, the date the student began the withdrawal

Official notification

34 CFR 668.22(c)(1)(i) and (ii)

Official notification defined

A notice of intent to withdraw that a student provides to an office designated by the institution.

34 CFR 668.22(c)(5)(i)

process is the withdrawal date for Title IV purposes.

Otherwise provides official notification

34 CFR 668.22(c)(5)

Otherwise provides official notification

Official notification to the school occurs when a student notifies an office designated by the school of his or her intent to withdraw. In its written description of its withdrawal procedures, a school must designate at least one office for this purpose. For example, a school could designate a dean's, registrar's, and/or financial aid office. If a student provides notification to an employee of that office while that person is acting in his or her official capacity, the student has provided official notification.

Official notification from the student is any notification provided in *writing or orally* to a designated campus official acting in his or her official capacity in the withdrawal process. If the student notifies an employee of a designated office while that person is not acting in his or her official capacity (for example, the student runs into a financial aid officer at the grocery store), that notification is not considered an official notification of withdrawal. However, the Department would expect the employee to inform the student of the appropriate means for providing official notification of withdrawal.

Acceptable official notification includes notification by a student via telephone, through a designated website or orally in person. The responsibility for documenting oral notifications is the school's. However, the school may request, but not require, the student to confirm his or her oral notification in writing. If a student provides official notification of withdrawal to the institution by sending a letter to the designated office stating his or her intent to withdraw, the withdrawal date is the date that the institution receives the letter. Notification is not provided to an institution until the institution receives the notification. Note that an institution always has the option of using the date of a student's last participation in an academically related activity as long as that participation is documented by a campus official.

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

When a student triggers both dates

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

When a student triggers both dates

A student might both begin the school's withdrawal process and otherwise provide official notification to the school of his or her intent to withdraw. For example, on November 1, a student calls the school's designated office and states his or her intent to withdraw. Later, on December 1, the student begins the school's withdrawal process by

submitting a withdrawal form. If both dates are triggered, the earlier date is the student's withdrawal date - in this case, November 1.

Remember that a school that is not required to take attendance is always permitted to use *the last date of an academically related activity that the student participated in* as the student's withdrawal date. So, if a student continues to attend class past the date the student provides notification, and the school chooses to do so, the school may document and use the student's last day of attendance at an academically related activity as the student's withdrawal date in the R2T4 calculation.

Official notification not provided by the student

A student who leaves a school does not always notify the school of his or her withdrawal. The two categories for these **unofficial withdrawals** for the purposes of this calculation are:

1. When a school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other *circumstances beyond the student's control*.
2. All other withdrawals where official notification is not provided to the school or the official withdrawal process is not begun.

These rules apply only to schools that are not required to take attendance.

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

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

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

If a school administratively withdraws a student (e.g., expels, suspends, or cancels the student's registration) who has not notified

the school of his or her intent to withdraw, the last possible date of withdrawal for the student is the date the school terminates the student's enrollment (unless the school can document that the student continued his or her attendance after the midpoint). **However, a school may not artificially create a withdrawal date for such a student that is beyond the midpoint of the period by simply choosing to withdraw the student after the midpoint.**

Sometimes a school grants a retroactive withdrawal to a student who has experienced an event beyond his or her control. On those occasions, after the school has performed the R2T4 calculation using the best withdrawal date based on the circumstances and returned the funds required, it may be holding a credit balance composed of both Title IV and non-Title IV funds. When the withdrawal involves a student who has outstanding Direct Loans, if the school is unable to locate the student, in order to provide the student the greatest benefit, the school may return both the Title IV and non-Title IV funds in the student's credit balance using G5. All returns through G5 must be offset by a downward adjustment in the student's Direct Loan record in COD of the entire amount (the sum of the Title IV and non-Title IV funds) the school is returning. **A school may never return more through G5 than the outstanding balance on the student's Direct Loan.**

Withdrawal date for administrative withdrawals

A school may not artificially create a withdrawal date for a student that is beyond the "trigger point" that causes the school to administratively withdraw the student. If, for example, a school has a uniform policy of withdrawing students after a specified (and reasonable) number of absences that applies throughout the payment period/period of enrollment, then the date that a student exceeded that number of absences would be the date that the school would use as the withdrawal date. If a school administratively withdraws a student for some reason other than excessive absences, it similarly will have to determine the date of the event that caused the school to make that decision to withdraw the student.

In a slightly different scenario, if a school administratively withdraws a student because all of the student's instructors report that the student has ceased attendance as of a certain date (e.g., a census date) then the last possible date of the withdrawal for that student is that (census) date.

If a school can show that a student participated in an academically related activity after the date of the event that caused the school to terminate his or her enrollment, the school could use the date of the academically related activity as the last date of attendance (withdrawal date).

Withdrawal date when a student dies

When a student dies while enrolled and attending a program of study, a school must maintain the documentation it received that the

student has died and determine an appropriate withdrawal date.

If a school that is *not required to take attendance* is informed that a student has died, it must determine the withdrawal date for the student under 34 CFR 668.22(c)(1)(iv). This section provides that if the institution determines that a student did not begin its withdrawal process or otherwise provide official notification of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the withdrawal date is the date that the institution determines is related to that circumstance. The withdrawal date, in this instance, can be no later than the date of the student's death.

For an institution that is *required to take attendance*, the withdrawal date for a student who has died is the last date of attendance as determined from the school's attendance records.

For more information on how the death of a student affects the R2T4 process, see the discussion under *When a student receiving Title IV aid dies during the payment period or period of enrollment* later in this chapter. For complete information on how a school should proceed when a student dies, see *Appendix D of the Handbook*.

All other withdrawals without student notification

The midpoint of the payment period or period of enrollment (as applicable) is the withdrawal date for all other withdrawals without notification for schools not required to take attendance unless the school chooses to use the last date of an academically related activity in which the student participated as the withdrawal date.

Time frame for the determination of a withdrawal date for an unofficial withdrawal

A school may not know that a student has dropped out—unofficially withdrawn—until it checks its records at the end of an academic period. To ensure that Title IV funds are returned within a reasonable period of time, schools must have a procedure for determining when a student who began attendance and received or could have received an initial disbursement of Title IV funds unofficially withdrew (ceased to attend without providing official notification or beginning the official withdrawal process).

Schools *not required to take attendance* must determine the withdrawal date in these cases within 30 calendar days from the earliest of the end of (1) the payment period or period of enrollment, as applicable, (2) the academic year, or (3) the student's educational program. See 34 CFR 668.22(j)(2).

Institutions *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

All other withdrawals

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

Time frame for the determination

34 CFR 668.22(j)(2)

unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days after the student's last date of attendance as determined by the institution from its attendance records.

For more information, please review *Chapter 1*.

When a student fails to earn a passing grade

DCL GEN-04-03 Revised, November 2004

When students fail to earn a passing grade in any class

An institution must have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal. The Department does not specify a specific procedure for making this determination.

If a student earns a passing grade in one or more of his or her classes *offered over an entire period*, an institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

Please that a “system-generated” default date is not acceptable documentation that a student began attendance.

In some cases, a school may use its policy for awarding or reporting final grades to determine whether a student who failed to earn a passing grade in any of his or her classes completed the period. For example, a school might have an official grading policy that provides instructors with the ability to differentiate between those students who complete the course but failed to achieve the course objectives and those students who did not complete the course. If so, the institution may use its academic policy for awarding final grades to determine that a student who did not receive at least one passing grade nevertheless completed the period.

Another school might require instructors to report, for all students awarded a non passing grade, the student's last day of attendance (LDA). The school may use this information to determine whether a student who received all “F” grades withdrew. If one instructor reports that the student attended through the end of the period, then the student is not a withdrawal. In the absence of evidence of a last day of attendance at an academically related activity, a school must consider a student who failed to earn a passing grade in all classes to be an *unofficial withdrawal*.

Note that if a school uses its grading policy to determine whether students with failing grades have unofficially withdrawn, during compliance audits and program reviews, student records might be examined to determine whether the grades assigned accurately represent the students' attendance.

Remember, if a student does not complete at least one course during a payment period and the school cannot document that he attended at least one day during that payment period, he must be treated as one who never began attendance for the payment period. In such a case, the regulations under 34 CFR 668.21 apply and Title IV aid disbursed to the student for the payment period must be returned.

Example of a grading policy that could be used to determine whether a student unofficially withdrew

F (Failing) Awarded to students who complete the course but fail to achieve the course objectives.

I-U (Incomplete-Unauthorized) Awarded to students who did not officially withdraw from the course but who failed to participate in course activities through the end of the period. It is used when, in the opinion of the instructor, completed assignments or course activities or both were insufficient to make a normal evaluation of academic performance possible.

To serve as documentation that a student who received all “F” grades had not withdrawn, such a grading policy would have to require instructors to award the “F” (or equivalent grade) only to students who completed the course (but who failed to achieve the course objectives). In addition, the policy would have to require that instructors award an alternative grade, such as the “I-U” grade, to students who failed to complete the course (typically due to stopping attendance). If the system allows an instructor to indicate the date the student last participated in course activities, this date would be helpful if an institution chose to use attendance at an academically related activity as a student’s withdrawal date.

At a school using such a grading policy, if a student received at least one grade of “F”, the student would be considered to have completed the course and, like a student who received at least one passing grade, would not be treated as a withdrawal. A student who did not officially withdraw and did not receive either a passing grade or an “F” in at least one course must be considered to have unofficially withdrawn. As noted previously, when a student unofficially withdraws from an institution that is not required to take attendance, the institution may use either the student’s last date of attendance at an academically related activity or the midpoint of the period as the student’s withdrawal date.

Last date of attendance at an academically related activity

34 CFR 668.22(c)(3)

Last date of attendance at an academically related activity

A school that is *not required to take attendance* may always use a student's last date of attendance at an academically related activity, as documented by the school, as the student's withdrawal date, in lieu of the withdrawal dates listed previously in conjunction with the school's R2T4 policy. So, if a student begins the school's withdrawal process or otherwise provides official notification of his or her intent to withdraw and then attends an academically related activity after that date, the school would have the option of using that last actual attendance date (as spelled out in the school's R2T4 policy) as the student's withdrawal date, provided the school documents the student's attendance at the activity. Similarly, a school could choose to use an earlier date if it believes the last documented date of attendance at an academically related activity more accurately reflects the student's withdrawal date than the date the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw per the school's R2T4 policy. Please note that a school is not required to take class attendance to demonstrate academic attendance for this purpose. For more information on what qualifies as academically related activity, see the discussion under *Academic attendance and attendance at an academically related activity*.

Withdrawals after rescission of official notification

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

Withdrawals after rescission of official notification

A student may provide official notification to the school of the intent to withdraw and then change his or her mind. To allow a student to rescind an intent to withdraw for purposes of this calculation, the school must obtain a written statement from the student stating his or her intent to remain in academic attendance through the end of the payment period or period of enrollment. If the student subsequently withdraws after rescinding an intent to withdraw, the withdrawal date is the date the student first provided notification to the school or began the school's withdrawal process, unless the school chooses to document a last date of attendance at an academically related activity.

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

Academic attendance and attendance at an academically related activity**Academic Attendance**

34 CFR 668.22(l)(7)

For a school that is required to take attendance, the withdrawal date is always the last date of academic attendance as determined by the school from its attendance records. A school that is not required to take attendance may always use as a withdrawal date a student's last date of attendance at an academically related activity.

Moreover, the school (*not the student*) must document:

- ◆ that the activity is academic or academically related, and
- ◆ the student's attendance at the activity.

Academically related activities include but are not limited to:

- ◆ physically attending a class where there is an opportunity for direct interaction between the instructor and students;
- ◆ submitting an academic assignment;
- ◆ taking an exam, completing an interactive tutorial, or participating in computer-assisted instruction;
- ◆ attending a study group that is assigned by the school;
- ◆ participating in an online discussion about academic matters; and
- ◆ initiating contact with a faculty member to ask a question about the academic subject studied in the course.

Academically related activities do **NOT** include activities where a student may be present but not academically engaged, such as:

- ◆ living in institutional housing,
- ◆ participating in the school's meal plan,
- ◆ logging into an online class without active participation,
- ◆ participating in academic counseling or advisement.

Maintaining records—A school must determine and maintain the records that most accurately support its determination of a student's withdrawal date and the school's use of one withdrawal date over another according to the school's R2T4 policy. At a school that is not required to take attendance, but is using a last date of attendance at an academically related activity as a withdrawal date, it is up to the school to ensure that accurate records are kept for purposes of identifying a student's last date of academic attendance or last date of attendance at an academically related activity.

Excused absences—A school may only count as days in attendance

excused absences that are followed by some class attendance. That is, a school may not include as days attended any excused absences that occur after a student's last day of actual attendance.

Documenting attendance when students are enrolled in distance education courses

For distance education, documenting that a student has logged into an online class is not sufficient to demonstrate academic attendance by the student. A school must demonstrate that a student participated in class or was otherwise engaged in an academically related activity. Examples of acceptable evidence of academic attendance and attendance at an academically related activity in a distance education course/program include:

- ◆ student submission of an academic assignment,
- ◆ student submission of an exam,
- ◆ documented student participation in an interactive tutorial or computer-assisted instruction,
- ◆ a posting by the student showing the student's participation in an online study group that is assigned by the institution,
- ◆ a posting by the student in a discussion forum showing the student's participation in an online discussion about academic matters, and
- ◆ an email from the student or other documentation showing that the student initiated contact with a faculty member to ask a question about the academic subject studied in the course.

Documentation of a withdrawal date

A school must document a student's withdrawal date and maintain that documentation as of the date of the school's determination that the student withdrew. The determination of a student's withdrawal date is the responsibility of the school, *not the student*. A student's certification of attendance that is not supported by institutional documentation is not acceptable. If a school is required to take attendance, it is up to the school to ensure that accurate attendance records are kept for purposes of identifying a student's last date of academic attendance.

As with other Title IV program records, documentation must be retained and available for examination in accordance with the regulatory provisions for recordkeeping (34 CFR 668.24).

Withdrawals from programs offered in modules

Under the final regulations of October 29, 2010, for all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the school obtains written confirmation from the student at the time of the

Documenting a student's withdrawal date

34 CFR 668.22(b)(2)
34 CFR 668.22(c)(4)

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

34 CFR 668.22(c)

Withdrawal from programs offered in modules

DCL GEN-11-14, July 2011

withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment.

However, for a student in a *nonterm or nonstandard-term program offered in modules*, a student is considered to have withdrawn from the program if the student is not scheduled to begin another course within the 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. So, for a student in a nonterm or nonstandard-term program offered in modules who ceases attendance, the student is considered to have withdrawn for Title IV purposes unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment, provided the later module the student will attend begins no later than 45 calendar days after the end of the module the student ceased attending.

If a school has a policy to administratively withdraw a student who fails to begin attendance in another course within a period of time that is less than the 45-day period, the student is considered a withdrawal for Title IV purposes, and the school must determine his or her withdrawal date in accordance with the requirements for administrative withdrawals.

If a school obtains a written confirmation of future attendance but the student does not return as scheduled, the student is considered to have withdrawn from the payment period or period of enrollment. The student's withdrawal date and the total number of calendar days in the payment period or period of enrollment are the withdrawal date and total number of calendar days as of the student's last day of attendance (those that would have applied if the student had not provided written confirmation of future attendance).

As discussed in Chapter 1 under *When students withdraw from certain programs and transfer to a new school or reenter the same school in a similar program*, if a student who withdraws from a clock-hour or nonterm credit hour program returns to the same program at the school within 180 calendar days, the student is treated as though he or she did not cease attendance. Similarly, if a student enrolled in a term-based credit-hour program offered in modules who withdrew without confirming an intent to return to a later module in the payment period or period of enrollment reenters the same program prior to the end of the payment period or period of enrollment, the student is treated as if he or she did not cease attendance.

How to determine whether a student in a program offered in modules has withdrawn

Schools can determine whether a student enrolled in a series of modules is a withdrawal by asking the following three questions.

1. After beginning attendance in the payment period or period of enrollment, did the student cease to attend or fail to begin attendance in a course he or she was scheduled to attend?

If the answer is no, this is not a withdrawal. If the answer is yes, go to question 2.

2. When the student ceased to attend or failed to begin attendance in a course he or she was scheduled to attend, was the student still attending any other courses?

If the answer is yes, this is not a withdrawal; however, other regulatory provisions concerning recalculation may apply. If the answer is no, go to question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period (for nonterm and nonstandard-term programs, this must be no later than 45 calendar days after the end of the module the student ceased attending)?

If the answer is yes, this is not a withdrawal, unless the student does not return. If the answer is no, this is a withdrawal and the return of Title IV Funds requirements apply.

Note: See the discussion under "If a student remains enrolled only in non-Title IV eligible courses" in Chapter 1 for more information about a student in a term-based module program who remains enrolled only in non-Title IV eligible courses.

Examples of using the three questions to determine whether a student who is scheduled to complete two courses in each of the first two of three modules within a payment period has withdrawn

Scenario 1

The student begins attendance in both courses in the first module but ceases to attend both courses after just a few days and does not provide written confirmation that he or she will return to any courses in modules two or three. The student is a withdrawal because he or she ceased to attend courses he or she was scheduled to attend (Yes to question 1); was not still attending any other courses (No to question 2); and did not confirm attendance in a course in a module beginning later in the period (No to question 3).

Scenario 2

If, however, the student begins attendance in both courses in the first module but drops just one of the courses after just a few days, the student is not a withdrawal. Although the student ceased to attend a course he or she was scheduled to attend (Yes to question 1), the student was still attending another course (Yes to question 2). However, the student's eligibility may have to be recalculated.

Scenario 3

If the student officially drops both courses in the second module *while still attending module one courses*, and then completes the module one courses, the student is not a withdrawal. Because the student officially dropped module two courses while still attending module one courses, the student did not cease to attend or fail to begin attendance in a course he or she was scheduled to attend. (No to question 1). However, because the student did not begin attendance in all courses, other regulatory provisions concerning recalculation may apply.

Determining if a program is offered in modules

A program is offered in modules if a course or courses in the program do not span the entire payment period or period of enrollment. The determination of whether a program is offered in modules is made on a payment period or period of enrollment basis, as appropriate, and is student specific. So, while some periods in a student's program may be considered to be offered in modules, others may not. If all the courses in a program span an entire payment period or period of enrollment, the program is not considered to be offered in modules for any student who withdraws during *that* period.

Conversely, if none of the courses in a program for a particular payment period or period of enrollment span the entire period, the program is considered to be offered in modules for a student who withdraws during *that* period.

If some courses span the entire period but some do not (modules), the program is considered to be offered in modules for any student scheduled to attend at least one course that does not span the entire period and who withdraws during the period.

For example, an institution offers a credit-hour program in semesters with two optional summer sessions. All the courses in the fall and spring semesters span the entire length of the semester. The two summer sessions are offered sequentially and are each seven weeks long. The institution chooses to combine the summer sessions into one term. Students have the option to enroll in either session or both sessions. The fall and spring semesters are never considered to be offered in modules for any student who withdraws because all classes span the entire length of the payment period (the term). However, for the summer sessions, where the payment period is the term comprising both sessions, all students who withdraw are considered to be withdrawing from a program offered in modules (with each session being a module) because none of the courses offered span the entire length of the payment period. If, for the summer term, the institution also offered courses that were 14 weeks in length (i.e., spanned the entire length of the payment period) and a student who withdrew was scheduled to attend only 14-week-long courses, the program would not be considered to be offered in modules for determining the applicability of the return of Title IV funds requirements to that student's withdrawal.

The academic calendar structure of a program, (standard terms, nonstandard terms, or nonterm) does not dictate whether a program contains modules or not. Modular coursework can exist in all types of programs. However, not every payment period or term may contain modules as noted above. Consider a student enrolled in a program offered predominantly in standard terms without modules. However, the third semester of the program is composed of clinical coursework offered in modules. If a student withdraws during the third semester, the student

would have to be treated as one who withdrew from a modular program.

When a student who has withdrawn returns within a payment period or period of enrollment

If a withdrawn student returns to the school within the same payment period or period of enrollment for a term-based program offered in modules, or within 180 calendar days into the same clock-hour or nonterm credit-hour program, the student is treated as though he or she did not cease attendance and the school must “undo” the R2T4 calculation.

As with a student who reenters the same clock hour or nonterm credit-hour program within 180 days, for a student who returns to a term-based credit hour program offered in modules within the same payment period or period of enrollment, the school must restore the student’s original Title IV program funds to the original amounts, with no adjustments required for partial attendance of a module. However, if a student did not attend an entire module he or she was originally scheduled to attend during the time the student was away from the school, the school must adjust the student’s original Title IV fund amounts to take into account that the student never began the courses in that module (e.g. Federal Pell Grant mandatory recalculations, etc.).

However, the regulations require that funds be returned to the Department or delivered or offered to a student due a post-withdrawal disbursement within a specified period of time, and a school is expected to begin the R2T4 process immediately upon its determination that a student has withdrawn in order to perform any required actions in a timely manner. (See the chart *Return of Title IV Funds Requirements and Deadlines* near the end of this chapter for a description of all time-limited actions.) Therefore, once it has determined that a student has withdrawn, *a school may not delay performing an R2T4 calculation to see if the student will return later in the payment period or period of enrollment.*

Written confirmation of future attendance

A student is not considered to have withdrawn if the school obtains a written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment. This confirmation must be obtained at the time of withdrawal, even if the student has already registered for subsequent courses.

“At the time of the withdrawal” means close to the date that the student actually ceased attendance and before the time when the school was required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the R2T4 requirements. Without confirmation of future attendance, a school must assume a student who has ceased attendance is a withdrawal and begin the R2T4 process. A school is expected to begin the R2T4 process immediately upon its determination that a student has withdrawn in

order to perform required actions in a timely manner and may not delay the R2T4 process in hopes that a student might return. Of course, because the notice must confirm attendance in a module that begins later in the same payment period or period of enrollment, the notice must always be obtained prior to the beginning of the module in which the student is confirming attendance.

Written confirmation can be electronic as well as hardcopy. One form of electronic written confirmation may be through an online confirmation process. With an online confirmation process, the school must ensure that the online confirmation requires the student to reaffirm attendance in a module that begins later in the period in a timely manner. Remember that a school may not assume a student will be returning for a later module in which he or she was registered before the student ceases attendance. However, if at the time of the withdrawal, the student enrolled in a course in a later module in the same payment period or period of enrollment (*that the student was not previously scheduled to attend*), the newly added course would count as positive confirmation of future attendance for Title IV program purposes.

Changing dates of written confirmation of future attendance

A student who has provided written confirmation of his or her intent to return is permitted to change the date of return to a different module in the same payment period or period of enrollment, provided that he or she does so in writing prior to the return date previously confirmed, and, for nonterm and nonstandard-term programs, the module that he or she will now attend begins no later than 45 calendar days after the end of the module the student ceased attending.

When a student drops all future classes between modules

Unless a student provides written confirmation of future attendance in the payment period or period of enrollment, a student who drops all the future classes that he or she was scheduled to attend between modules (when the student is not attending classes) is considered to have withdrawn, and an R2T4 calculation is required.

Adjustments to a student's enrollment status made after the student has ceased attendance have no bearing on the R2T4 requirements. For example, if a student who is scheduled to attend all three modules in a payment period or period of enrollment drops all future classes (in the two remaining modules) during the period between the first and second modules (when the student is not attending any classes), the days in modules two and three are included in the total number of calendar days in the payment period or period of enrollment. The days in the remaining modules are included whether the student ceased attendance during or completed the first module.

In addition, the days in the remaining modules are included in the number of days in the payment period or period of enrollment whether

the student's future enrollment is cancelled by the student *or by the school* (for example, because the school cancels the class or drops the student from the class because the school determines that the student's grades in prior classes do not allow the student to progress to the next class).

A student who ceases attendance between modules that he or she was scheduled to attend is considered to have withdrawn because: (1) the student has not completed all the days in the payment period that he or she was scheduled to complete (§668.22(a)(2)(i)(A)); and (2) his or her Title IV aid was based on attendance in all the modules he or she was originally scheduled to attend.

For example, a student enrolls in two three-credit courses in the first module (35 days in the module) and one three-credit course in the second module of a semester (35 days in the second module) comprising three modules of five weeks each. The student completes the two courses in the first module but never begins attendance in the second module and does not provide written confirmation of future attendance in the payment period (the semester). The student is considered to have withdrawn because the student was scheduled to, but did not, complete the days in the second module. Under the regulations, *completion of a course in a module in a term-based credit-hour program does not prevent a student from being considered a withdrawal*, therefore, the school would determine that the student earned 50% of his Title IV funds ($35 \text{ days} \div 70 \text{ days} = 50\%$).

When a student drops classes on the same day he or she withdraws

If a student drops classes (or is administratively dropped by a school) on the same day the student withdraws, the student's enrollment status is not adjusted to reflect the dropped classes for R2T4 purposes.

Classes dropped on the same day that the student withdraws have no bearing on the R2T4 requirements. A school must perform an R2T4 calculation that includes those classes in the days in all modules the student was scheduled to attend.

When a student enrolled in modules within a term drops all future courses on the last day of a completed module

If a student drops all future classes in a payment period or period of enrollment on the same day the student completes a module, the student is not considered a withdrawal. For example, if a student who is enrolled in module one (and completes module one) and module three of a three-module term, drops all classes in module three on the last day of module one, the student is not considered to have withdrawn and no R2T4 calculation is required. **However, the student's eligibility for certain Title IV aid may have to be recalculated based on a revised cost of attendance (COA) and enrollment status.**

In the case of the student who completes a term and does not return for the next term, leaving the course of study uncompleted, the effective date for the ‘W’ status is the final day of the term in which the student was last enrolled. If a student’s enrollment for a term is comprised only of a module or modules that end prior to the term end date and the student completes those modules, but does not return for the next term, the effective date for the “W” status is the final day of the last module that the student completed.”

Withdrawal date for a program offered in modules

Regardless of whether a student withdraws from a program offered in modules or a program not offered in modules, the withdrawal date is still determined following the normal R2T4 requirements.

For a school that is *required to take attendance*, a student’s withdrawal date is always the last date of academic attendance as determined by the school from its attendance records (34 CFR 668.22(b)(1)).

For a school that is *not required to take attendance*, the withdrawal date is determined in accordance with the requirements of section 34 CFR 668.22(c). For official withdrawals, the withdrawal date is the earlier of the date the student began the official withdrawal process or otherwise provided official notification of withdrawal to the institution.

The withdrawal date for a student who withdraws from a school that is *not required to take attendance* when the student does not provide official notification to the school of his or her withdrawal (i.e., unofficially withdraws) is the midpoint (the 50% point) of the payment period or period of enrollment, unless the school chooses to use a last day of attendance at an academically related activity as defined by the school’s R2T4 policy.

Determining the percentage of the payment period or period of enrollment completed for a student who withdraws from a program offered in modules

In determining the percentage of the payment period or period of enrollment completed for a student who withdraws from a program offered in modules, the school includes in the denominator (the total number of calendar days in the payment period or period of enrollment) all days within the period that the student was scheduled to complete (including those completed by the student) prior to ceasing attendance, excluding days in which the student was on an approved leave of absence and excluding any scheduled breaks of at least five consecutive days when the student was not scheduled to attend a module or other course offered during that period of time.

When a student who failed hours in the payment period withdraws from a *non-term credit hour program offered in modules*, the payment period must be extended

When a student who failed hours in the payment period withdraws from a nonterm credit hour program offered in modules, the total number of calendar days in the period must reflect the actual days the student would have had to attend to successfully complete all the hours the student was originally scheduled to complete in the period.

The regulations (34 CFR 668.22(f)(2)) provide that the total number of calendar days in a payment period or period of enrollment include all days within the period that the student was scheduled to complete and the number of calendar days completed in the period, except that scheduled breaks of at least five consecutive days and days on which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment. DCL GEN-04-03 (Revised November 2004) provides that, for nonterm credit-hour programs, if the student has not successfully completed any courses in the payment period, the payment period must be extended to reflect the number of days in the failed courses that the student did not successfully complete. The regulations (34 CFR 668.4(c)) also define how payment periods are determined for nonterm credit-hour programs. Completion of a payment period occurs when a student successfully completes the hours and weeks of instructional time in the period. Section 34 CFR 668.4(h) provides that a student successfully completes credit hours if the institution considers the student to have passed the coursework associated with those hours. If a student has not passed all the coursework associated with the hours in the payment period (in addition to completing the weeks of instructional time), the student has not completed the payment period.

When performing an R2T4 calculation for a student who did not pass all the coursework associated with the hours in the payment period, a school must add to the total number of calendar days in the payment period the number of additional days beyond the original end date of the payment period that it would have taken for the student to complete the credits associated with the courses the student did not pass and that ended prior to the student's withdrawal.

If more than one course must be added for successful completion of the hours in the payment period and those courses could have been taken concurrently by the student had he or she remained enrolled, then the payment period would be extended by the days necessary to take the courses concurrently. However, if the only way the student could have taken the courses was consecutively, then the added days must reflect the days it would have taken to complete the courses consecutively. If prior to a student's withdrawal, the student has added a course or courses to complete within the original payment period hours previously failed, the payment period would reflect the original end date. (Guidance issued 9/14/2012.)

When a student who was enrolled in a *module within a term* withdraws from the module and the school later determines that the student failed to begin the term-long courses

Consider a student enrolled in a credit-hour, term-based program who enrolls in a course that spans the entire 16-week term AND a course in an eight-week module that starts in week nine and ends in week 16.

The student, who did not actually attend the 16-week long course, begins the eight-week module and later officially withdraws.

After the term ends, the registrar receives a “never attended” F-grade for the student’s course that spanned the entire term.

The school must determine what days to use in the denominator of the R2T4 calculation for withdrawal from module 2.

Since at the time the student withdrew from the 8-week course, he/she was still scheduled to attend both the 8-week course and the 16-week courses, the school must use the number of days in the entire 16-week term in the denominator of the R2T4 calculation.

(Adjustments to a student’s enrollment status made after a student has ceased attendance have no bearing on the R2T4 requirements.)

Before performing the required R2T4 calculation, the school must recalculate the student’s eligibility for Pell Grant and Campus-Based funds based on a revised cost of education and enrollment status (that do not include any costs associated with the classes the student failed to begin), and return any Title IV funds the school received that were based on the student’s enrollment in the term-long courses.

The school then performs an R2T4 calculation using the student’s revised award.

For nonterm credit-hour programs offered in modules, a school must take into consideration any credits that a student has attempted, but not successfully completed before withdrawing, as well as whether the program is self-paced when determining the total number of calendar days in the period. For more information, see *Credit hour programs under Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program* later in this chapter. The numerator includes the number of the total days in the payment period or period of enrollment that the student has completed.

Adjustments to a student's enrollment status made after the student ceases attendance have no bearing on the R2T4 requirements. Thus, if a student, who enrolled in three modules, completes one module and drops the two remaining modules *after ceasing attendance* in the first module, the total number of calendar days in the student's payment period or period of enrollment would include the days in all three modules, except for any scheduled breaks of at least five consecutive days when the student is not scheduled to attend a module or other course offered during that period of time, and days in which the student was on an approved leave of absence. However, if the student drops the classes in the two remaining modules *prior to ceasing attendance* in the first module (necessitating a recalculation of the student's eligibility for Title IV funds), the total number of calendar days in the student's payment period or period of enrollment would include only the days in the first module, except for any scheduled breaks of at least five consecutive days and days in which the student was on an approved leave of absence. Note that scheduled breaks include both those within and between modules. So, breaks of less than five consecutive days, including those that take place between modules, are included in the total number of days in the period, and breaks longer than five days within or between modules are not.

Aid to include in an R2T4 calculation

If a student withdraws before beginning attendance in the number of credit hours for which the Federal Pell Grant and Campus-Based funds were awarded, before performing the required R2T4 calculation, a school must recalculate the student's eligibility for Pell Grant and Campus-Based funds based on a revised cost of attendance and enrollment status (34 CFR 690.80(b)(2)(ii)). The school then performs an R2T4 calculation using the student's revised award.

For such a student, a change in enrollment status to less than half time as a result of the failure to begin attendance in all subsequent modules would not affect the student's eligibility for any federal education loan funds previously received because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. (Of course, a student may not receive as a late disbursement any second or subsequent disbursement of the loan.)

However, if a student who was enrolled in a series of modules

withdraws before beginning attendance as a half-time student and the student had not received the first disbursement of Title IV loan before withdrawing, the school may not make the first disbursement because the school knows the student was never enrolled on at least a half-time basis. A school may not disburse the proceeds of a Direct Loan to an ineligible borrower.

Title IV program funds are disbursed to a student on the presumption that he or she will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of Title IV program funds until a student has attended enough hours to qualify for the enrollment status for which the funds were awarded. However, if the student has withdrawn and has not begun attendance in enough courses to establish a half-time enrollment status, the presumption is no longer valid. Thus, the school may not make a first disbursement of a Direct Loan to such a student. Section 668.164(j)(3) (iii), which permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw but ceased to be enrolled as at least a half-time student, does not apply because the student never really was a half-time student.

For example, take a credit-hour program where each semester comprises three modules of five weeks each. If a student enrolls in one three-credit course in the first module and one three-credit course in the second module, the student will not begin attendance in six credit hours, the school's minimum half-time enrollment status, until starting the course in the second module. The school is not required to, nor should it, delay the disbursement of the student's Direct Loan Program funds until the student begins the course in the second module. However, if the student withdraws during the first module and the school has not made the first disbursement of a Direct Loan to the student prior to the withdrawal, the school may not make that first disbursement of the Direct Loan to the student as a late disbursement (although the loan would be included as *aid that could have been disbursed*) since the student never actually began half-time attendance.

Recalculation for students withdrawing from nonterm programs offered in modules

Any time a student enrolled in a nonterm program offered in modules changes his or her enrollment status before beginning all of the classes for which the student's eligibility for Title IV aid was calculated, the school must recalculate the student's COA to determine if the student's eligibility for Campus-Based funds has changed. The school may not include in the COA costs associated with any classes the student failed to begin. The school does not have to recalculate the student's eligibility for Pell Grants because Pell Grant eligibility for a student enrolled in a nonterm program (and a clock-hour program) is always based on the full-time enrollment schedule. A school does not have to recalculate a student's eligibility for Direct Loans as long as the student has begun at least one class.

When a student enrolled in a nonterm program offered in modules withdraws, a school that performs an R2T4 calculation on a period of enrollment basis may not include in the recalculated COA any costs associated with future payment periods for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days.

Schools that calculate R2T4 on a period of enrollment basis may not include aid associated with a subsequent payment period for which the student would be ineligible after the recalculation as aid that could have been disbursed in the R2T4 calculation

Part 2—Percentage of Aid Earned

Percentage of payment period or period of enrollment completed

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

Scheduled breaks

For credit hour programs, institutionally scheduled breaks of five or more consecutive days are excluded from the R2T4 calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of Title IV aid earned. If a scheduled break occurs prior to a student's withdrawal, all days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. If the withdrawal occurs prior to a scheduled break, the days in the break are excluded only from the denominator.

If a student officially withdraws while on a scheduled break of less than five days, the date of the student's notification to the institution is the student's withdrawal date. (Withdrawing during a scheduled break of less than five days does not affect the date the school uses as the date of withdrawal in an R2T4 calculation.)

The beginning date of a scheduled break is defined by the school's calendar for the student's program. In a program where classes only meet on Saturday and/or Sunday, if a scheduled break starts on Monday and ends on Friday, the five weekdays between the weekend classes do not count as a scheduled break because the break does not include any days on which classes are scheduled. Therefore, the five days would not be excluded from the numerator or denominator in Step 2 of an R2T4 calculation.

Percentage of payment period or period of enrollment completed

34 CFR 668.22(f)

Scheduled breaks

34 CFR 668.22(f)(2)(i) and (ii)(B)

Determining the length of a scheduled break

1. Determine the last day that class is held before a scheduled break—the next day is the first day of the scheduled break.
2. The last day of the scheduled break is the day before the next class is held.

Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the R2T4 calculation, for a total of nine days. (The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break.)

If classes were taught on either weekend, those days would be included rather than excluded and would not be part of the scheduled break. For example, if a community college offers regular classes on Saturday and Sunday and its academic calendar says that a scheduled break starts on a Monday and resumes with classes the following Monday, that break is seven days long.

Credit-hour programs

For a credit-hour program, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period.

Credit-hour programs

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

Example of withdrawal date when a student withdraws during a scheduled break of five or more days

If a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break. For example, the institution's last date of scheduled class attendance prior to spring break is Friday, March 7. Spring break at the institution runs from Saturday, March 8, to Sunday, March 16. If the student contacts the institution's designated office on Wednesday, March 12, to inform the institution that he or she will not be returning from the institution's spring break, the student's withdrawal date is Friday, March 7, which was the institution's last day of scheduled class attendance.

However, the date of the institution's determination that the student withdrew is March 12, the date the student actually informed the institution that he or she would not be returning. The date of the institution's determination that the student withdrew is used as the starting date for institutional action, such as providing student notifications and returning Title IV funds.

Institutionally scheduled breaks of at least five consecutive days

Institutionally scheduled breaks of at least five consecutive days between courses/modules in the same payment period or period of enrollment are excluded from an R2T4 calculation.

If a student takes an “unscheduled break in attendance,” thereby deviating from the student’s original attendance plan, the school either must treat the student as a withdrawal or place the student on an “approved leave of absence” as described under *Breaks in attendance for students enrolled in programs measured in credit hours without academic terms*, in Chapter 1.

The length of a payment period can never be less than the originally scheduled length. If a student is progressing more rapidly than originally planned and the required projection calculation results in an end date that creates a shorter payment period, the school must use the original “end date” in the R2T4 calculation.

Temporary closures beyond the control of the institution

A school that temporarily closes due to weather, natural disaster, or other event outside the control of the institution should promptly contact its School Participation Division to discuss its situation. The Department will work with the school to review the effects of the temporary interruption and the impact of the temporary closure.

You can find the Department’s most recent disaster guidance on IFAP under the Dear Colleague Letter [GEN-17-08](#).

Please note: the Department has provided specific guidance on the COVID-19 national emergency that may differ from the guidance in Dear Colleague Letter GEN-17-08. Refer to the resources for higher education institutions on the [Department's webpage](#) on the COVID-19 virus for guidance pertaining to that national emergency.

$$\frac{\text{number of calendar days completed in the period}}{\text{total number of calendar days in the period}}$$

The number of calendar days in the numerator or denominator includes all days within the period, **except for institutionally scheduled breaks of five or more consecutive days or days in which the student was on an approved leave of absence.** *The day the student withdrew is counted as a completed day.*

Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program

DCL GEN-04-03 Revised, November 2004

Percentage of Title IV aid earned for withdrawal from a nonterm credit-hour program

In a credit-hour nonterm program, the ending date for a period and, therefore, the total number of calendar days in the period, may depend on the pace at which an individual student progresses through the program. Therefore, for a student who withdraws from a credit-hour nonterm program in which the completion date of the period depends on an individual student's progress, an institution must project the completion date based on the student's progress as of his or her withdrawal date to determine the total number of calendar days in the period. (See the examples that follow.)

If a student withdraws from a self-paced, nonterm credit-hour program before earning any credits, the institution must have a reasonable procedure for projecting the completion date of the period. To the extent that any measure of progress is available, the institution should base its determination on that progress (see examples 2 and 3 following this section).

For a school that offers credit-hour, nonterm programs in which the student does not earn credits or complete lessons as he or she progresses through the program, the institution must have a reasonable procedure for projecting the completion date of the period based on the student's progress before withdrawal. If the total number of calendar days in the period does not depend on the pace at which a student progresses through a program (the completion date is the same for all students) and the student has not failed any courses for which he or she was paid in the payment period, the total number of calendar days in the period will be the same for all students.

Consider a nonterm credit-hour program offered in modules where some or all courses are offered sequentially and all students begin and end the modules at the same time. For a student who successfully completed all modules attempted up to the time the student withdrew, the completion date (and the corresponding number of days in the R2T4 calculation) will be the number of days between the start of the first module and the originally scheduled end of the last module.

Examples of calculating a completion date for a student who withdraws from a nonterm credit-hour program

Example 1—lessons completed

David enrolled in a program offered in a credit-hour nonterm format and, though he completed two lessons, withdrew before earning any credits. The institution uses David's completed assignments as an interim measure of his progress and compares it to information from its records about other students who have completed the same program to determine an end date.

Looking at the records of students who have completed the same program, the institution identifies other students who complete the two lessons in approximately the same amount of time as David. The school determines the number of days it took those students to complete the period and uses the same number of days in the denominator of the R2T4 calculation for David.

Example 2—nothing completed

Danny enrolls in a program offered in a credit-hour nonterm format. Danny withdraws before earning any credits, completing any lessons, or providing any other measure of progress toward the course or program goals at the time he withdrew. The institution uses its records to identify the student who took the longest to complete the period and determines the number of days it took that student to complete the period. The institution then uses the same number of days in the denominator of the R2T4 calculation for Danny.

Examples of calculating a completion date for a student who withdraws from a nonterm credit-hour program (continued)

Example 3—percentage completed

Barbara is enrolled in a 24 credit-hour nonterm program at an institution that calculates Returns of Title IV aid on a payment period basis. Students in the program are expected to complete 12 credit hours each payment period in 15 weeks (105 days). The program has no scheduled breaks of 5 or more days.

When Barbara began classes, she received a Federal Pell Grant and a Direct Loan. She completed the 12 credit hours in the first payment period (half of the number of credit hours) in 120 days (more than half the weeks of instructional time in the program). When Barbara completed the first half of her program, she became eligible for the second disbursements of both her Federal Pell Grant and Direct Loan.

Barbara withdrew from school on day 53 of the second payment period. At the time she withdrew, Barbara had completed only one-third of the work (four credits) in the payment period. If Barbara had continued to progress at her current pace of four credits earned every 53 days, Barbara would not complete the additional eight credit hours for another 106 days. She would not complete the 12 credit hours in the second payment period until day 159.

For this student, therefore, the total number of days in the payment period (and the number used in the denominator of the R2T4 calculation) is 159. The percentage of the payment period Barbara completed before withdrawing is 33.3% (53 days completed divided by 159 total days in the payment period).

In general, to calculate the number of days in the period, do the following:

Determine the percentage of credits earned.

$$\frac{\text{Number of credits completed (4)}}{\text{Number of credits in payment period (12)}} = \text{Percentage of credits earned (.333)}$$

Determine the number of days in the period.

$$\frac{\text{Number of days attended (53)}}{\text{Percentage of credits earned (.333)}} = \text{Number of days in the period (159)}$$

The school enters “159” as the number of “Total Days” in Step 2, Box H of the R2T4 calculation.

Examples of calculating a completion date for a student who withdraws from a nonterm credit-hour program (continued)

Example 4—projecting a completion date for a withdrawal from a self-paced, nonterm program

Pixie is enrolled in a self-paced, 30 credit-hour, nonterm program in pet grooming offered over 30 weeks at an institution that calculates Returns of Title IV aid on a payment period basis. Students in the program are expected to complete three modules of five credit hours each over the 15 weeks (105 days) in a payment period. (A student is expected to complete each five-credit module in five weeks' time [35 days].) The program has no scheduled breaks of 5 or more days.

It takes Pixie seven weeks (49 days) to complete 100% of the lessons in the first module, but she did not earn a passing grade. Pixie decides to withdraw from school in order to pursue an acting career.

Because Pixie is a withdrawal, the school must perform an R2T4 calculation. In addition, because Pixie was progressing more slowly than the rate expected, the school must project a new end date and a new number of "total days" to be used in the R2T4 calculation.

Important: Because Pixie was progressing at a slower rate (it took her 49 days instead of 35) to complete 100% of the lessons in the first module, the school can not simply add the length of a scheduled (make-up) module (35 days) to arrive at the projected number of days in the payment period. The school must project the number of days in the period as follows.

Determine the time it would have taken Pixie to complete the first module by dividing the number of days attended (49) by the percentage of the lessons completed.

$$\frac{\text{Number of days attended (49)}}{\text{Percentage of payment period completed (1.00)}} = \text{Number of days required to complete one module (49)}$$

Project the number of days in the payment period by multiplying the number of days required for one module (49) by the number of modules in the payment period (3) and adding a module (1) for the student to make up the module failed (though all lessons were completed, Pixie failed the first module).

$$\text{Number of days it takes a student to complete a module (49)} \times \{\text{Number of modules in payment period (3) + a makeup module (1)}\} = 4 = \text{Number of projected days in payment period (196)}$$

The school enters "196" as the number of "Total Days" in Step 2, Box H, of the R2T4 calculation.

However, an institution must take into consideration any credits that a student has attempted but not successfully completed before withdrawing. Those credits must be successfully completed before the student is considered to have completed the period. To do this, the school must modify the denominator used in the R2T4 calculation. The school must add to the number of days between the start of the first module and the scheduled end of the last module, the number of days the student spent in the failed courses/module(s).

When a school disburses Title IV aid to a student using different payment periods

Nonstandard term credit-hour programs with terms that are not substantially equal in length have two defined payment periods: one for Title IV grant funds, and one for Direct Loan funds. Because only one payment period may be used in determining earned Title IV grant and loan funds for a student who withdraws and was disbursed or could have been disbursed aid under both payment definitions, the regulations specify a school must use the *payment period that ends later* in the R2T4 calculation.

Any aid disbursed for payment periods that overlap the payment period used in the calculation must be *attributed* to the payment period that ends later.

If aid is disbursed or could have been disbursed using only one of the two payment period definitions, that is the payment period that is used for the calculation of earned aid, and no attribution of funds is necessary.

Note that this rule on multiple payment periods is only applicable to nonstandard term credit hour programs with terms that are not substantially equal in length. (Special considerations must also be followed for abbreviated loan periods discussed later in this chapter.) All other types of programs will only have one type of Title IV payment period.

Performing an R2T4 calculation for a student receiving aid under two payment period definitions, example 1

The Ted Animal Institute (TAI) offers programs in nonstandard credit-hour terms that are not substantially equal in length.

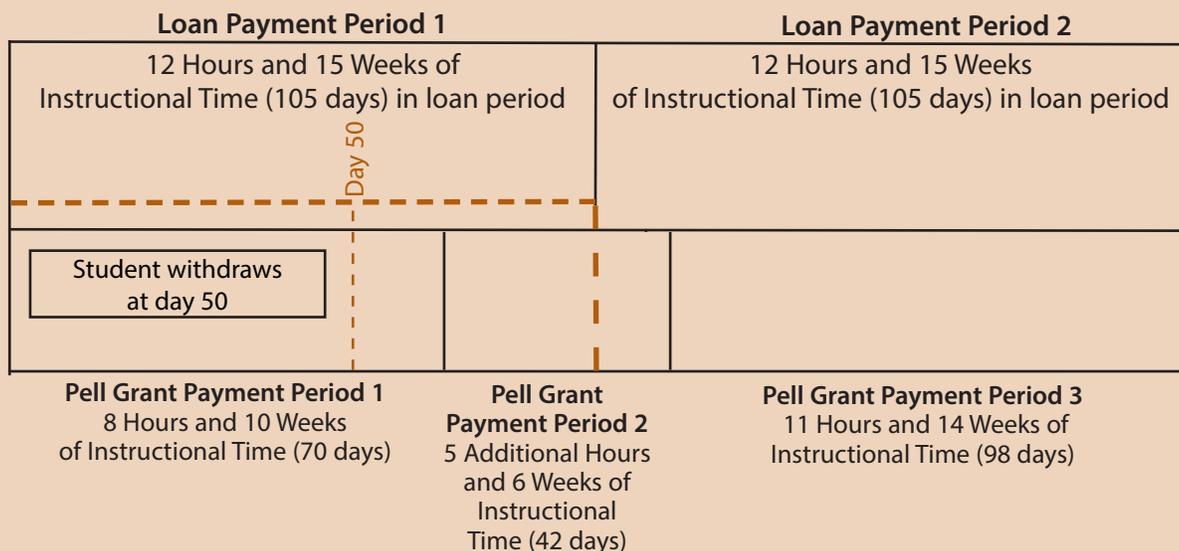
John enrolls for TAI's varmint retrieval program offered over 30 weeks in three terms of 10 weeks, 6 weeks, and 14 weeks, respectively. After attending classes for 50 days, John decides that he could make a greater contribution if he studied home health care and withdraws from TAI.

TAI's Academic Year = 24 credit hours over 30 weeks of instructional time comprising the academic year. Term 1 = 8 credits over 10 weeks. Term 2 = 5 credits over 6 weeks. Term 3 = 11 credits over 14 weeks.

Each scheduled payment period for John's Direct Loans was one-half of the program's academic year - 12 credits and 15 weeks.

John was scheduled to receive three disbursements of his Pell Grant with one disbursement occurring at the beginning of each term.

The scheduled disbursements and the withdrawal date are shown in the following graphic.



Performing an R2T4 calculation for a student receiving aid under two payment period definitions, example 1 (Continued)

John withdrew on the 50th day of his program while being enrolled in both Pell Grant payment period 1 and the Direct Loan payment period 1. His Direct Loan funds were disbursed for loan payment period 1 (the first half of the academic year) and his Pell Grant funds were disbursed for Pell Grant payment period 1 (the first term, which is 10 weeks in length).

Since the Direct Loan payment period 1 ends later than the Pell Grant payment period 1, the payment period the school is required to use for the R2T4 calculation is the Direct Loan payment period 1.

As shown by the horizontal dashed line, the first two Pell Grant payment periods overlap with Direct Loan payment period 1, so aid that was disbursed or could have been disbursed for the Pell Grant payment periods 1 and 2 are attributed to Direct Loan payment period 1.

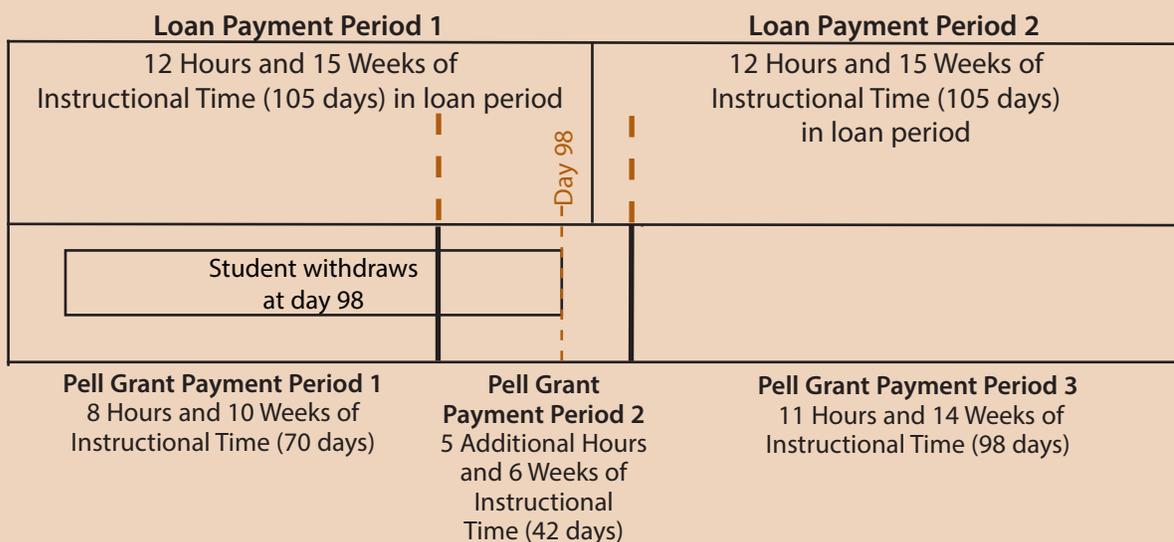
All of Pell Grant payment period 1 falls within Direct Loan payment period 1, so all of the Pell Grant funds that were disbursed for Pell Grant payment period 1 are included in the calculation. Pell Grant payment period 2 (six weeks - 42 days) overlaps with Direct Loan payment period 1 for five weeks (35 days). Therefore, those five weeks of Pell payment period 2 are attributed to Direct Loan payment period 1 so that the Direct Loan payment period 1 includes 70 days of Pell Grant payment period 1 and 35 days from Pell Grant payment period 2.

To determine the amount of Pell Grant funds that could have been disbursed that are attributable to the five additional weeks, the school would take the full amount of Pell Grant funds for Pell Grant payment period 2, multiply by 35, and divide by 42. Any funds from the Pell Grant payment period 2 are included in the R2T4 calculation as *Aid that could have been disbursed*.¹

Note that before John could receive a post-withdrawal disbursement of funds from Pell Grant payment period 2, he would have had to have started the 2nd term.

1. The school must have a reasonable method for determining the student's projected enrollment status for the next Pell Grant payment period (that the student had not yet attended). For example, the school could include a full-time Pell disbursement for a student who had indicated that they planned to attend full-time for the whole year.

Performing an R2T4 calculation for a student receiving aid under two payment period definitions, example 2



Christy withdrew on the 98th day after the start of classes. Her Direct Loan funds were disbursed for Direct Loan payment period 1 (the first half of the academic year) and her Pell Grant funds were disbursed for Pell Grant payment periods 1 and 2, the first and second terms, which together are 16 weeks in length.

Pell Grant payment period 2, the payment period during which the student withdrew, ends later than Direct Loan payment period 1, so Pell Grant payment period 2 is the payment period the school is required to use for the R2T4 calculation. The school includes only the Pell Grant funds from Pell Grant payment period 2 in the R2T4 calculation. Pell Grant payment period 2 overlaps with both Direct Loan payment periods. Therefore, the school will have to calculate the Direct Loan funds attributable to the Pell Grant payment period 2.

When performing an R2T4 calculation, if a school must attribute some part of a Direct Loan to a Pell Grant payment period, the school must calculate the amount of the Direct Loan that is attributed to the payment period by calculating the amount of the loan attributed from each Direct Loan payment period that overlaps the Pell Grant payment period from which the student withdrew. This approach is particularly useful when the Direct Loan funds attributed to the Pell Grant payment period comprise both aid that was disbursed, and aid that could have been disbursed. The payment period that is the basis for the R2T4 calculation (in this case, Pell Grant payment period 2) overlaps with Direct Loan payment period 1 for 35 days and Direct Loan payment period 2 for 7 days.

To determine the amount of the Direct Loan funds from Direct Loan payment period 1 attributed to Pell Grant Payment period 2, the school would first divide the number of days in Direct Loan period 1 that are in Pell Grant payment period 2 by the total number of days in Direct Loan period 1 ($35/105$) and multiply that number by the net loan disbursed in Direct Loan period 1. That yields the amount of loan funds from Direct Loan period 1 attributable to Pell Grant payment period 2. As this aid was already disbursed to the student, this amount would be included in the R2T4 calculation as disbursed aid.

Performing an R2T4 calculation for a student receiving aid under two payment period definitions, example 2 (Continued)

To determine the amount of Direct Loan funds from Direct Loan payment period 2 attributed to Pell Grant payment period 2, the school would divide the number of days in Direct Loan Period 2 that are in Pell Grant payment period 2 by the total number of days in Direct Loan Period 2 (7/105) and multiply that number by the net loan disbursed in Direct Loan Period 2. That yields the amount of loan funds from Direct Loan period 2 attributable to Pell Grant payment period 2.

Because Christy did not complete the 12 hours and 15 weeks of instructional time associated with Direct Loan payment period 1 and begin attendance in Direct Loan payment period 2, any loan amount attributable to the payment period that is the basis for the R2T4 calculation (in this case, Pell Grant payment period 2) that exceeds the amount previously disbursed would be included as Aid that Could Have Been Disbursed.

Of course, Christy would not be able to receive any post-withdrawal disbursement of Direct Loan funds since she would not meet the late disbursement requirements for receiving a second or subsequent Direct Loan disbursement (i.e. successful completion of the loan period for which the funds were intended).

Clock-hour programs

Clock-hour programs

34 CFR 668.22(f)(1)(ii)

Only *scheduled hours* are used to determine the percentage of the period completed by a student withdrawing from a clock-hour program.

For a clock-hour program, the percentage of the period completed is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment, as of the day the student withdrew, by the total number of clock hours in the same period as follows:

$$\frac{\text{number of clock hours the student was scheduled to complete in the period}}{\text{total number of clock hours in the period}}$$

A student withdrawing from a clock-hour program earns 100% of his or her aid if the student's withdrawal date occurs after the point that he or she was scheduled to complete more than 60% of the scheduled hours in the payment period or period of enrollment.

The scheduled clock hours used for a student must be those established by the school prior to the student's beginning class date for the payment period or period of enrollment, and the hours must have been established in accordance with any requirements of the state or the institution's accrediting agency. These hours must be consistent with the published materials describing the institution's programs. However, if an institution modified the scheduled hours in a student's program prior to and unrelated to his or her withdrawal in accordance with any state or accrediting agency requirements, the new scheduled hours may be used.

Please note that a school does NOT count scheduled hours during periods when a student is on a leave of absence or "make-up" hours that were not part of the student's normal schedule.

When a student who received a loan with an abbreviated loan period withdraws

As described in Chapter 1 under *Loan principles applicable to reentry in and transfer to clock-hour programs, non-term credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal* when a student transfers to a new school and enters that type of program, and an overlap exists between academic years of the two schools, the new school may originate a loan for the remaining portion of the prior school's academic year. The abbreviated loan period—the shortened initial loan period at the new school—ends on the calendar end date of the prior school's academic year without regard to the weeks of instructional time and credit- or clock-hours completed. (Note that the amount of the loan for the abbreviated loan period may not exceed the remaining balance of the student's annual loan limit at the grade level

applicable at the new school, and the borrower is not eligible for a new annual loan limit until the original academic year has ended.)

If a student who has received a loan for an abbreviated period withdraws, there are special considerations for the student's R2T4 calculation.

When an R2T4 calculation is performed on a payment period basis, the definition of a payment period in 34 CFR 668.4 is used. Those regulations define a payment period for clock-hour programs and nonterm credit hour programs as the time it takes a student to complete half the hours and the weeks of instructional time in the program or the defined academic year, whichever is shorter. **An abbreviated loan period designed to complete a prior school's academic year does not meet the definition of a payment period and should not be used as a payment period for purposes of the R2T4 calculation.**

When determining what aid to include in Step 1 of an R2T4 calculation for a student who withdraws from a payment period or period of enrollment that includes an abbreviated loan period, a school follows the rules for Step 1 in R2T4 calculations described earlier in this chapter under *Student's Title IV aid information*, *Title IV aid disbursed*, and *Title IV aid that could have been disbursed*. In addition, when the loan period for a student does not correspond with the payment period used in the R2T4 calculation, as defined in 34 CFR 668.4, the school must prorate the loan funds to determine the amount that should be attributed to the payment period from which the student withdrew.

If a student with an abbreviated loan period was enrolled in a nonterm credit-hour program in which the completion date of the period depends on an individual student's progress, when performing the proration to determine the amount of loan funds to include in Step 1 of the R2T4 calculation, **an institution may either use the original payment period and loan period end dates, or may project the end dates of the payment period and loan period based on the student's progress** as of his or her withdrawal date using the same procedure as it uses to project the student's payment period completion date when it is determining the number of days in the payment period in Step 2 of the R2T4 calculation (see *Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program*).

An institution also has the discretion to use the original payment period and loan period end dates or to project those end dates when performing this proration for a student who has withdrawn from a clock hour program. An institution must be consistent in its use of original end dates or projected end dates.

Example of an R2T4 calculation with an abbreviated loan and overlapping payment periods

Consider a one year credit-hour nonterm program that consists of 24 semester hours and 30 weeks of instructional time. The school’s defined academic year for the program is also 24 semester hours and 30 weeks. The school performs its R2T4 calculations on a payment period basis.

A student transfers into the program beginning on 8/24/20, but the academic year for the most recent Direct Loan the student received at the student’s prior school ends on 10/9/20. Therefore, the student is awarded a Direct Subsidized Loan (DLP 1) of \$1,000 (the difference between the annual loan limit at the new school and the loan amount received during the overlapping academic year period at the prior school) with an abbreviated loan period that begins on 8/24/20 and ends on 10/9/20. The student does not receive any other type of Title IV aid during that period.

Remember that when an R2T4 calculation is performed on a payment period basis, the definition of a payment period for clock-hour programs and nonterm credit hour programs is the time it takes a student to complete half the hours and the weeks of instructional time in the program or the defined academic year, whichever is shorter.

The student begins attendance in the program on 8/24/20. If the student stays on schedule, the first Title IV payment period will end on 12/4/20.

The student receives two disbursements of \$500 each of Direct Loan funds from the DLP 1 (the \$1000 loan awarded for the abbreviated loan period—a first disbursement of \$500 on 8/24/20 and a second disbursement of \$500 on 9/16/20 (calendar mid-point of the abbreviated loan period). On September 25, the school originated a second Direct Loan (DLP 2) for a total of \$2,400 with a loan period that extends from 10/10/20 through 3/11/21 (the period during which the student is expected to complete the remaining portion of the program). The school must wait to make the first disbursement of the second loan period until the student has completed the abbreviated loan period (the period of overlap with the academic year at the prior school).

Due to a family emergency, the student officially withdraws on 9/29/20.

Title IV Payment Period1(PP1) 8/24/20–12/4/20 12 Hours and 103 days of Instructional Time	+	Title IV Payment Period 2(PP2) 12/5/20–3/11/21 12 Hours and 98 days of Instructional Time	24 hours and 201 days
DLP1/ Abbreviated Loan Period 8/24/20–10/9/20 (47 days) First Disbursement 8/24/20 Second Disbursement 9/16/20		DLP2 / Second Loan Period 10/10/20–3/11/21 (154 days) First Disbursement Scheduled for 10/10/20 Second Disbursement Scheduled for 1/11/21	201 days
	56 day overlap between DLP2 & PP1		

Example of an R2T4 calculation with an abbreviated loan and overlapping payment periods (Continued)

When the school performs the R2T4 calculation for the student, it performs the calculation on a payment period basis and uses the payment period that began on 8/24/20 and was to end on 12/4/20. The school includes the \$1,000 of Subsidized Direct Loan funds that was disbursed to the student as “aid disbursed.” Because the school originated the second loan prior to the student’s withdrawal and the first disbursement of that loan was scheduled to be made prior to the end of Title IV Payment Period 1 (12/4/20), the school must include as *Aid that could have been disbursed*, that portion of the proceeds from the loan for the second loan period (LP2) prorated by the number of days that are part of the first Title IV payment period (PP1).

$$\frac{\text{(Days in Loan Period 2 that fall in PP1) 56}}{\text{(Total Days in Loan Period 2) 154}} \times 2400 = \$873.00 \text{ (use normal rounding rules not to exceed annual or aggregate loan limits)}$$

In the example above, the school *may not make a post-withdrawal disbursement of funds from the second loan period because the student never completed the abbreviated loan period and never began the second loan period to establish eligibility for that loan.*

If the student had completed Title IV Payment Period 1 and started the Title IV Payment Period 2 and then withdrew, the \$1,527.00 of the proceeds of the second loan prorated for Title IV Payment Period 2 would be the basis for any required R2T4 calculation.

When a student receiving Title IV aid dies during the payment period or period of enrollment

If a school determines that a student has died during a period, it must perform an R2T4 calculation. If the R2T4 calculation indicates that an institution is required to return Title IV funds, *the school must return the Title IV funds for which it is responsible.*

The student's estate is not required to return any Title IV funds disbursed to the student. Therefore, when a student dies, a school should neither report a grant overpayment to the National Student Loan Data System (NSLDS), nor refer a grant overpayment to [Debt Resolution Services](#). If a grant overpayment was previously referred for a student who later dies, the school should inform Debt Resolution Services and NSLDS that it has received notification that the student has died.

The Direct Loan regulations provide for a discharge of a borrower's obligation to repay a Federal Direct Loan if he or she dies; this also includes a parent's obligation to repay a Direct PLUS Loan if the student on whose behalf the parent borrowed dies. If a school is aware that a student who has died has any outstanding Title IV loan debt, the school should contact the student's estate and inform it of the actions it can take to have the student's Title IV loan debt cancelled.

If a Title IV credit balance created from **funds disbursed before the death of the student** exists after the completion of the R2T4 calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance in one of the following three ways:

1. In accordance with the cash management regulations, pay authorized charges at the institution (including previously paid charges that are now unpaid due to the return of Title IV funds by the institution).
2. Return any Title IV grant overpayments owed by the student for **previous withdrawals** from the present school (the school may deposit the funds in its federal funds account and make the appropriate entry in G5).

If the school previously referred grant overpayments to Debt Resolution Services that have not been fully resolved, the school should provide documentation that the student has died so that Debt Resolution Services can delete the overpayment from its records.

3. Return any remaining credit balance to the Title IV programs.

Amount of Title IV aid earned by the student

34 CFR 668.22(e)(1)

STEP 3: AMOUNT OF TITLE IV AID EARNED BY THE STUDENT

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

Title IV aid to be disbursed or returned

34 CFR 668.22(a)(4) or (5)

STEP 4: TOTAL TITLE IV AID TO BE DISBURSED OR RETURNED

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

Part 1—Post-withdrawal disbursements

If a PWD is due, a school stops at Step 4, Box J on the worksheet. Since a school must keep written records of the post-withdrawal disbursement process, a school may use the Department's post-withdrawal disbursement tracking sheet to track the handling of PWDs, or any other alternative form developed to track PWDs.

Any post-withdrawal disbursement due must meet the current required conditions for late disbursements. These conditions are listed in the chart ***Conditions and Limitations on Late Disbursements*** in Volume 4. For example, the Department must have processed a SAR or ISIR with an official expected family contribution (EFC) prior to the student's withdrawal.

A school is required to make (or offer as appropriate) post-withdrawal disbursements. A post-withdrawal disbursement must be made within 180 days of the date the institution determines that the student withdrew. The amount of a post-withdrawal disbursement is determined by following the requirements for calculating earned Title IV aid and has no relationship to incurred educational costs.

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

For a student who withdraws after the 60% point in time, even though a return of Title IV aid is not required, a school may have to complete an R2T4 calculation to determine whether the student is eligible for a post-withdrawal disbursement.

A school may not make a post-withdrawal disbursement of Title IV funds to the account or estate of a student who has died.

Disburse grants before loans

A post-withdrawal disbursement, whether credited to the student's account or disbursed to the student or parent directly, must be made from available grant funds before available loan funds. *Available grant or loan funds* refers to Title IV program assistance that could have been disbursed to the student but was not disbursed as of the date of the institution's determination that the student withdrew.

Example—If a student is due a post-withdrawal disbursement of \$500, and the student has received \$400 of \$1,000 in Federal Pell Grant funds that could have been disbursed and \$1,200 of the \$2,000 in Federal Direct Loan funds that could have been disbursed, the available undisbursed funds are \$600 in Federal Pell Grant funds and \$800 in Direct Loan funds. Any portion of the \$500 post-withdrawal disbursement that the school makes must be from the \$600 in available Federal Pell Grant funds.

Summary of actions a school must take before making a post-withdrawal disbursement

The actions a school must take before it may disburse funds from a post-withdrawal disbursement vary depending on the source of the funds.

A school must obtain confirmation from a student, or parent for a Direct Parent PLUS Loan, before making any disbursement of loan funds from a post-withdrawal disbursement.

Because the COD system will not accept requests for other than whole dollars for the Direct Loan Program, the amount a school may be required to enter on the Post-Withdrawal Tracking Sheet may have to be rounded up or down to the nearest whole dollar, not to exceed the annual or aggregate limits.

Post-withdrawal disbursement of Title IV grant funds

Post-withdrawal grant disbursements are either credited to a student's account to satisfy outstanding allowable charges or paid directly to the student.

Disburse grants before loans

34 CFR 668.22(a)(6)(i)

Time frame for post-withdrawal disbursement of grant funds

34 CFR 668.22(a)(6)(ii)(B)(1)

A school is permitted to credit a student's account with the post-withdrawal disbursement of Title IV grant funds to cover current outstanding allowable charges without the student's permission for tuition, fees, and room and board (if the student contracts with the school). A school must credit the student's account with the PWD for current charges within 180 days of the date of determination.

To cover charges other than current charges, a school must obtain a student's authorization to credit a student's account with Title IV grant funds. A school is permitted to use a student's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as the cash management requirements for student authorizations are met. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges or for educationally related activities. (See *Volume 4* for more information on student and parent authorizations.)

For any amount of a post-withdrawal grant disbursement not credited to the student's account to cover allowable charges, the school must make the disbursement as soon as possible but no later than 45 days after the date of the school's determination that the student withdrew (no confirmation from the student is required).

A school may not delay its disbursement processes while it ascertains whether a student wishes to receive the grant funds he or she is entitled to. However, while the school is processing the disbursement or notifying the student about his or her eligibility for a post-withdrawal disbursement of grant funds, the school may, at its discretion, notify the student that it may be beneficial to turn down all or a portion of the grant funds to preserve grant eligibility for attendance at another institution. Of course, if the student independently contacts the school and states that he or she does not wish to receive a grant disbursement, the school is not required to send it. (Please see [GEN-12-18](#) for more information on a student's Pell declination process.)

Time frame for notification of eligibility for post-withdrawal disbursement of loan funds

34 CFR 668.22(a)(6)(iii)(A)

Cash management requirements for student and parent authorizations

34 CFR 668.165(b)

Post-withdrawal disbursement of Title IV loan funds

A school must notify a student, or parent for a Direct Parent PLUS Loan, in writing prior to making any post-withdrawal disbursement of loan funds, whether those loan funds are to be credited to the student's account or disbursed directly to the student (or parent). The information provided in this notification must include the information necessary for the student, or parent for a Direct Parent PLUS Loan, to make an informed decision as to whether the student or parent would like to accept any disbursement of loan funds and must be provided within 30 days of the date of a school's determination that a student has withdrawn. In addition, the notice must request confirmation of any post-withdrawal disbursement that the student or parent, as applicable, wishes the school

to make.

The notice must identify the type and amount of the loan funds the school wishes to credit to the student's account or disburse directly to the student or parent, and explain that a student, or parent for a Direct Parent PLUS Loan, may accept or decline all or a portion of the funds. The notice must also explain to the student, or parent for a Direct Parent PLUS Loan, the obligation to repay the loan funds whether they are disbursed to the student's account or directly to the borrower.

The notice must also make clear that a student, or parent for a Direct Parent PLUS Loan, may not receive as a direct disbursement loan funds that the institution wishes to credit to the student's account unless the institution agrees to do so. If the student, or parent for a Direct Parent PLUS Loan, does not wish to accept some or all of the loan funds that the institution wishes to credit to the student's account, the institution must not disburse those funds.

In the notification, the school must advise the student or parent that an institution may set a deadline of 14 days or more. Any deadline must apply to both confirmation of loan disbursements to the student's account and direct disbursements of a post-withdrawal disbursement. The notification must make it clear that if the student or parent does not respond to the notification within the time frame, the school is not required to make the post-withdrawal disbursement. However, a school may choose to make a post-withdrawal disbursement based on an acceptance received from a student or parent after the school's deadline. A student's or parent's response to an offer of a direct disbursement of Title IV loan funds from a PWD does not have to be in writing, but the school must document the response.

A school that chooses to honor a late response must disburse all the funds accepted by the student or parent as applicable. The school cannot credit the student's account in accordance with the student's request but decline to disburse post-withdrawal funds accepted as a direct disbursement. If a response is not received from the student or parent within the permitted time frame, or the student declines the funds, the school must return (or redispurse to another eligible student) any earned funds that the school was holding to the Title IV programs.

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal loan disbursement, per the student's or parent's instructions, the school must disburse the loan funds within 180 days of the date of the institution's determination that the student withdrew. (For additional information, see the discussion under *Date of the institution's determination that the student withdrew* in Chapter 1.)

If authorization from a student (or parent for a Direct PLUS Loan) is

Deadline for responding to an offer of a post-withdrawal disbursement of loan funds

34 CFR 668.22(a)(6)(iii)(A)(5)

received after the deadline and the school chooses not to make a post-withdrawal disbursement of loan funds, the school must notify the student (or parent) that the post-withdrawal disbursement will not be made and why. This notification must be made in writing. If an authorization from the student (or parent for a Direct PLUS Loan) is never received, or if the school chooses to make a post-withdrawal disbursement of loan funds per the recipient's instructions on an authorization received after the deadline, the school does not need to notify the student.

The school must document the result of the notification process and the final determination made concerning the disbursement and maintain that documentation in the student's file.

If a school has completed the post-withdrawal loan notification process and confirmed a student's desire for any Direct Loan funds included in the post-withdrawal disbursement, the school is permitted to credit a student's account with the post-withdrawal disbursement without additional permission from the student (or parent, in the case of a Direct PLUS Loan) for current institutional charges as described earlier.

A school may combine providing loan counseling, obtaining authorization to credit loan funds to a student's account for outstanding charges, and obtaining authorization to make a direct disbursement to the student.

Once a school has received confirmation from a student, or parent in the case of a Direct PLUS Loan, that he or she wants to receive the post-withdrawal disbursement of loan funds, a school must make the post-withdrawal disbursement of Title IV loan proceeds as soon as possible but no later than 180 days after the date of the school's determination that the student withdrew.

Separate authorization required for educationally related expenses

A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges for educationally related activities. (See *Volume 4* for more information on student and parent authorizations.)

Crediting a student's account

An institution should not request Title IV funds for a post-withdrawal disbursement unless, and until, it has determined that it can

disburse any post-withdrawal disbursement within three business days of receiving the funds.

The requirements for the treatment of Title IV funds when a student withdraws must still adhere to the cash management requirements for disbursing Title IV funds. An institution must obtain a student's (or parent's where applicable) authorization to credit a student's account with Title IV funds for charges other than current charges for tuition, fees, and room and board (if the student contracts with the school.) (See *Volume 4* and *Appendix F—Institutional Reporting and Disclosure Requirements*.)

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

Outstanding Charges Example—Consider a student who is due a post-withdrawal disbursement of \$800. The institutional charges that the student was originally assessed by the school totaled \$2,300. However, under the institution's refund policy, the institution may only keep \$600 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes \$150 for a bus pass. The outstanding charges on the student's account that would be entered in Box 2 of the post-withdrawal Disbursement Tracking Sheet are \$750 (the \$600 in institutional charges plus the \$150 owed for the bus pass). A portion of the \$800 the institution must disburse under the post-withdrawal disbursement provisions may (with authorization if they are loan funds) be used to satisfy the outstanding balance. If the student has provided written authorization to credit Title IV funds to his account and use them for noninstitutional educational charges, the school may credit \$750 to institutional charges and offer \$50 to the student. If the student has not provided (and does not provide) written authorization to use the funds for noninstitutional educational charges, the school may only credit \$600 to institutional charges and must offer \$200 to the student.

A school may credit a student's account for **prior award year charges** in accordance with the cash management requirements (see *Volume 4*). Schools should make every effort to explain to a student that all or a portion of his or her post-withdrawal disbursement has been used to satisfy any charges from prior award years.

Example of the post-withdrawal disbursement requirements

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has ceased attending. The school determines that Michael is due a post-withdrawal disbursement of \$900. When Michael withdrew, only \$600 of the \$1,000 in Federal Pell Grant funds that could have been disbursed had been disbursed. Of the \$500 in Direct Loan funds that could have been disbursed, none had been disbursed. The school determines that Michael has \$50 in outstanding tuition charges and \$100 in outstanding library fines for the payment period. The school obtained permission from Michael at the beginning of the term (prior to his withdrawal) to credit his account for educationally related charges other than tuition, fees, and contracted room and board. Because available grant funds must be used before available loan funds to make a post-withdrawal disbursement, the school credits Michael's account with \$150 of his Federal Pell Grant funds. On November 12 (the last date the school could have sent the funds was December 25th—45 days after the date of the school's determination that the student withdrew), the school sends the remaining \$250 in Pell Grant funds to Michael. On the same day (the last date the school could have sent the notification was December 10th—30 days after the school's determination that the student withdrew), the school sends a notification to Michael stating that:

1. He is due a post-withdrawal disbursement of \$500 in Direct Loan funds to be disbursed directly to him.
2. Michael may accept all, a portion, or none of the \$500 in Direct Loan funds.
3. Any Direct Loan funds that Michael accepts will have to be repaid.
4. The school is obligated to make a post-withdrawal disbursement of loan funds only if Michael accepts the funds by November 26, which is 14 days after the school sent the notification.

Note that a school may allow more than 14 days for a response.

Michael responds on November 19 and informs the school that he is accepting \$250 of the \$500 in Direct Loan funds. The school has until May 9 (180 days after November 10—the date the school determined that the student withdrew) to make the \$250 disbursement (34 CFR 668.22(a)(6)(iii)(C)). The school must document the notification and final determination (whether the student accepts a partial or full disbursement or declines the entire disbursement (34 CFR 668.22(a)(6)(iv))).

Notice to a student offering a post-withdrawal disbursement—flexibility in notifying students

To avoid having to contact a student multiple times, a school may use one contact to:

- ◆ notify a borrower about his or her loan repayment obligations;
- ◆ obtain permission to credit loan funds to a student's account to cover unpaid institutional charges;
- ◆ obtain permission to make a post-withdrawal disbursement of grant or loan funds for other than institutional charges; and
- ◆ obtain permission to make a post-withdrawal disbursement of loan funds directly to a student.

A school must send the notification as soon as possible, but **no later than 30 calendar days after the date that the school determines the student withdrew.**

Part 2 —Title IV aid to be returned

If the student receives more Title IV aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. The amount of Title IV aid to be returned is determined by subtracting the amount of earned Title IV aid (Box I) from the amount of Title IV aid that was actually disbursed to the student (Box E).

Title IV aid to be returned

34 CFR 668.22(a)(4)

STEP 5: AMOUNT OF UNEARNED TITLE IV AID DUE FROM THE SCHOOL

When a return of Title IV funds is due, the school and the student may both have a responsibility for returning funds. Although these requirements are in terms of returning funds, a school is not required to actually return its share before the student. Rather, it is the R2T4 calculation of the amount of assistance the school is responsible for returning to the Title IV accounts that must be calculated first. Thus, the student's repayment obligation is determined after the school's share is calculated.

The school must return the lesser of:

- ◆ the amount of Title IV funds that the student does not earn (Box K), or
- ◆ the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned (Box N).

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

34 CFR 668.22(g)

Aid disbursed to the student before institutional charges are paid

Consider a case in which, to assist a student with living expenses, a school elects to disburse an anticipated credit balance to a student rather than pay itself for institutional charges from the first Title IV funds the school receives. Then, the student withdraws before the school receives additional aid from all the Title IV programs. The R2T4 calculation indicates the school must return funds, even though the school had passed through all the initial Title IV funds to the student.

The school still must return the funds it is responsible for returning as a result of 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 the inclusion of all appropriate fees as well as applicable charges for books, supplies, materials, and equipment in Step 5, Part L of the R2T4 calculation. (See *Institutional versus noninstitutional charges* and *Demonstrating a real and reasonable opportunity* in Chapter 1.) Institutional charges do not affect the amount of Title IV aid that a student earns when he or she withdraws.

Pre-enrollment and post-enrollment fees are not considered institutional charges. For example, application fees are excluded from institutional charges because they are a pre-enrollment fee and not considered an educational cost. (See *Federal Register*, Volume 59, No. 82, April 29, 1994, page 22356.) Withdrawal fees are also excluded from institutional charges since they are considered a post-enrollment fee. However, administrative/registration fees charged a student while enrolled, are considered institutional charges and are not excluded from R2T4 calculations.

Please note that a school is allowed to exclude from institutional charges an administrative fee of \$100 or 5% of the total institutional charges, whichever is less.

If an institution enters into a contract with a third party to provide institutional housing, the institution must include the cost of housing as an institutional charge in an R2T4 calculation if a student living in the third-party housing withdraws.

As noted in Chapter 1, FWS funds are not included in the calculation of earned Title IV funds when a student withdraws. This remains so even if a student has granted permission for a percentage of the FWS earnings to be credited to his or her account to pay educational costs.

Institutional charges

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

34 CFR 668.22(g)(2)

DCL GEN-00-24 December 2000

DCL GEN-12-21 November 2012

Determining charges

34 CFR 668.22(a)

34 CFR 668.22(g)(2)(ii) and

DCL GEN-00-24 December 2000

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January 7, 1999

Use of institutional charges in determining a school's responsibility for return

The institutional charges used in the calculation are always those that were assessed the student for the entire payment period or period of enrollment, as applicable, prior to the student's withdrawal. Initial charges may only be adjusted by those changes the school made before the student withdrew (e.g., for dropping or adding a class or changing enrollment status). If after the student withdraws, the school changes the amount of institutional charges it assessed the student or decides to eliminate all institutional charges, those changes do NOT affect either the charges used or the aid earned in the R2T4 calculation. Similarly, if a student drops classes or a school drops the student's classes *on the same day* that he or she withdraws, the dropped classes have no effect on institutional charges in the R2T4 calculation. See *Step 3—Amount of Title IV Aid Earned by the Student* for a further discussion of aid earned and institutional charges.

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

When an institution that offers courses in a nonterm credit-hour format calculates the aid for which the student is eligible, it does so using costs associated with the number of courses it expects the student to complete in the period for which aid is awarded. If the student later withdraws, the charges entered in Step 5 of the R2T4 calculation must include the charges for all the courses the student was initially expected to complete.

Effects of a post-withdrawal reduction in charges

If a student withdraws and, as a result of applying an institutional refund policy, the school reverses, reduces, or cancels a student's charges, the R2T4 requirements still apply. The statute mandates that an otherwise eligible student who begins attendance at a school and is disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal earns a portion of those Title IV funds. If, as a result of the withdrawal, an institution adjusts or eliminates a student's institutional charges, or changes a student's enrollment status, the changes made by the institution have no bearing on the R2T4 calculation. Moreover, the charges used in the R2T4 calculation are always the charges initially assessed on the student's account prior to withdrawal. However, if a student's enrollment status changed *prior to and unrelated to the withdrawal*, the effect of any change on institutional charges should be reflected in any R2T4 calculation.

Effect of other assistance

Federal Register, Volume 64, No. 210,
November 1, 1999, page 59032

How the cash management regulations might affect the determination of institutional charges in an R2T4 calculation

The cash management regulations determine the amount of Title IV aid a school may retain for institutional charges for a payment period (See the discussion under *Apportioning and prorating charges* in *Volume 4, Chapter 2* for a complete discussion.) The amount determined under those regulations must be used in determining institutional charges in an R2T4 calculation (Step 5, Part L).

Although a school may not be allowed to retain the amount charged for books and supplies beyond what is attributed to the payment period, a school may always exclude from institutional charges the total documented cost to the school (what the school paid for the items) of unreturnable equipment and returnable equipment not returned in good condition within 20 days (See the discussion under *institutional vs noninstitutional charges* in *Chapter 1* and, for an example, see *Case Study 5* in *Chapter 3*).

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 a financial aid resource, 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 (would *never* owe the waiver amount), the waiver is not considered to be financial assistance, and only the actual charges would be included in the R2T4 calculation. (See DCL GEN 00-24, December 2000, for a further discussion of waivers and the R2T4 calculation.)

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 grants waivers of the out-of-state charges to out-of-state athletes. Since the school considers the waiver to be a payment to those charges, the waiver is considered estimated financial assistance (EFA) and the full \$2,900 would need to be included in any R2T4 calculation.

STEP 6: RETURN OF TITLE IV FUNDS BY THE SCHOOL

Order of return of Title IV funds

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

- ◆ Unsubsidized Direct Loans (other than Direct PLUS Loans)
- ◆ Subsidized Direct Loans

Order of return of Title IV funds

34 CFR 668.22(i)

- ◆ Direct PLUS Loans (parent or graduate)
- ◆ Federal Pell Grants for which a return of Title IV funds is required
- ◆ FSEOG for which a return of Title IV funds is required
- ◆ TEACH Grants for which a return of Title IV funds is required
- ◆ Iraq and Afghanistan Service Grant, for which a return of Title IV funds is required.

Time frame for the return of Title IV funds

A school **must** return unearned funds for which it is responsible **as soon as possible** but no later than 45 days after the date of determination of a student's withdrawal.

A school will be considered to have returned funds timely if the school does one of the following **as soon as possible** but no later than 45 days after the date it determines that the student withdrew:

- ◆ deposits or transfers the funds into the school's federal funds bank account, (once deposited excess cash rules apply, please see *Volume 4*);
- ◆ initiates the return of funds to the Department electronically using the "Refund" function in G5 or;
- ◆ issues a check to the Department.

A school is considered to have issued a check timely if the school's records show that the check was issued within 45 days of the date the school determined that the student withdrew and the date on the cancelled check shows that the bank endorsed that check no more than 60 days after the date the school determined that the student withdrew.

The *de minimis* provision that waives returns of grant funds from students when the original amount to be returned is less than \$50.00 does not apply to schools. A school must return the full amount owed to any Title IV program that the school is responsible for returning. **However, a school does not have to return amounts of less than \$1.00.**

If a school has not drawn down federal funds or has used institutional funds in lieu of federal funds, the school does not need to place returned funds in its federal account. Of course, the school's accounting records must show that institutional funds were used to credit the student's account.

Return of Title IV funds when a school does not maintain a separate federal bank account

The Department considers a school that maintains Title IV funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if:

Time frame for return of Title IV funds

34 CFR 668.22(j)(1)

- the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and reconciled to its general ledger,
- the subsidiary ledger for each Title IV program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of Title IV program funds received and disbursed by the school, and
- the school updates the relevant subsidiary ledger accounts in its general ledger no later than 30 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to a Title IV program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

Downward adjustment of FSA grant disbursement records and Direct Loan disbursement records required

Returns of FSA grant funds (except FSEOG and Iraq and Afghanistan Service Grants) and Direct Loan funds, other than funds not associated with a student that are being returned to stay in compliance with any excess cash requirements, must be offset by downward reductions to a student's record in COD.

In addition, when all or a portion of a Direct Loan is cancelled (either because the borrower requested the cancellation within the regulatory time frames or to comply with statutory or regulatory requirements), the school must make the appropriate adjustment to the student's record in COD.

Returning Direct Loan funds

If a school is required to return Direct Loan funds to comply with a regulatory or statutory requirement, even if more than 120 days have elapsed since the disbursement date, the school must return Direct Loan funds through G5. The school returns Direct Loan funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

Initial amount due from student

34 CFR 668.22(h)

Return of Title IV funds by the student

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

STEP 7: INITIAL AMOUNT OF UNEARNED TITLE IV AID DUE FROM THE STUDENT

The statute specifies that a student is responsible for all unearned Title IV program assistance that the school is not required to return. The initial amount of unearned Title IV aid due from the student (or parent, for Direct PLUS Loan funds) (Box Q) is determined by subtracting the amount returned by the school (Box O) from the total amount of unearned Title IV funds to be returned (Box K). This is called the initial amount due from the student because a student does not have to

immediately return loan funds or the full amount of any grant repayment due. Therefore, the student may not have to return the full initial amount due.

STEP 8: REPAYMENT OF STUDENT LOANS

The student loans that remain outstanding (Box R) consist of the loans disbursed to the student (Box B) minus any loans the school repaid in Step 6 (Box P). These *outstanding loans are repaid by the student according to the terms of the student's promissory note(s)*.

STEP 9: TITLE IV GRANT FUNDS TO BE RETURNED BY A STUDENT

The regulations limit the amount a student must repay to the amount by which the original overpayment amount *exceeds 50% of the total grant funds disbursed to or that could have been disbursed* to the student for the payment period or period of enrollment.

The initial amount of unearned Title IV grant aid due from the student (Box S) is found by subtracting the loans to be repaid by the student (Box R) from the initial amount of unearned aid due from the student (Box Q).

The amount of grant overpayment due from a student (Box U) is limited to the amount by which the original grant overpayment (Box S) exceeds half of the total Title IV grant funds disbursed and could have been disbursed to the student (Box T).

STEP 10: RETURN OF TITLE IV GRANT FUNDS BY THE STUDENT

The student is obligated to return any Title IV overpayment in the same order that is required for schools.

Grant overpayments may be resolved through:

- ◆ full and immediate repayment to the institution;
- ◆ repayment arrangements satisfactory to the school; or
- ◆ overpayment collection procedures negotiated with the Default Resolution Group.

Grant overpayments, retaining eligibility

34 CFR 668.22(h)(4)

A SCHOOL'S RESPONSIBILITIES IN THE RETURN OF TITLE IV FUNDS BY THE STUDENT

A school has responsibilities that continue beyond completing the R2T4 calculation and returning the funds for which it is responsible. A school has additional responsibilities if a student is required to return funds due to R2T4.

Grant overpayments

The applicable regulations limit the amount of grant funds a student must repay to one-half of the grant funds the student received or could have received during the applicable period. Moreover, repayment terms for students who owe Title IV grant overpayments were established to ensure that students who could not immediately repay their debt in full had the opportunity to continue their eligibility for Title IV funds. Students who owe overpayments as a result of withdrawals initially will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of:

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

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

1. The student owes an overpayment of Title IV funds.
2. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the school sent or was required to send notification to the student.
3. There are three positive actions a student can take to extend his or her eligibility for Title IV funds beyond 45 days:
 - a) The student may repay the overpayment in full to the school.
 - b) The student may sign a repayment agreement with the school. **Two years is the maximum time a school may allow for repayment.**

Satisfactory repayment arrangements

34 CFR 668.22(h)(4)(i)(B) & (C)

Repayment arrangements with schools

34 CFR 668.22(h)(4)(iii)

Two-year maximum

34 CFR 668.22(h)(4)(iii)(B)

A school must have procedures in place that ensure the school immediately refers for collection (to the Default Resolution Group) any student who violates the terms of the repayment agreement (including failing to repay the full amount within two years).

45-Day period example

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

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

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

Example 1—A school sends notification to a student within the 30 days allowed.

If a school sends notification to a student within the 30 days allowed, the 45-day period begins on the day after the school sends the notification to the student. If a school determines on August 20 that a student withdrew and owes a repayment and the school sends notification to the student on September 1 (within the 30 days allowed), then the first day of the 45-day period is September 2. Unless the student takes positive action to resolve the overpayment before the end of the 45-day period, the student loses his or her eligibility on the 45th day. Thus, in this case, the last day of the student's eligibility for Title IV funds is October 16.

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

If the school fails to notify the student or notifies the student after the 30 days allowed, the 45-day period begins on the day after the end of the 30-day period (the date by which the school should have sent the notification to the student). Consider a school that determines on August 1 that a student withdrew on June 15. The school should have sent the student a letter by July 15. Because it failed to do so, the first day of the 45-day period is the day after the end of the 30-day period (July 16). Unless the student takes action to resolve the overpayment, the last day of the student's eligibility for Title IV funds is August 29, the end of the 45-day period that began on July 16.

If a student agrees to a repayment arrangement and then fails to meet the terms of that arrangement, the student's eligibility ends as of the date the student fails to comply with the terms of the repayment arrangement.

The Department may take enforcement action against schools that fail to refer students for collection as required by the regulations.

- c) The student may sign a repayment agreement with the Department.
4. If the student fails to take one of the positive actions during the 45-day period, the school will report the student's overpayment to NSLDS and refer the student to the Default Resolution Group for collection.
5. The student should contact the school to discuss his or her options.

If the student takes no positive action during the 45-day period, the school should both refer the student for collection to the Default Resolution Group AND report the overpayment immediately to NSLDS after the 45-day period has elapsed. (Because making this change in the NSLDS system is a simple process, the Department expects an institution will complete making the change within a few days of the end of the 45-day period.)

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

Students who owe overpayments as a result of withdrawals generally will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of (a) the date the school sends the student notice of the overpayment, or (b) the date the school was required to notify the student of the overpayment.

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

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

arrangement and the time the student violated the agreement. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who violates the terms of a repayment agreement and loses eligibility remains ineligible for Title IV funds until the student has made satisfactory repayment arrangements with the Department.

If, in either of the two aforementioned cases, the student withdraws a second time, any unearned funds from the disbursements that were made while the student was still eligible would have to be returned in accordance with the R2T4 requirements.

Student grant overpayments of \$50 or less

A student does not have to repay a grant overpayment of \$50.00 or less per grant program for grant overpayments resulting from the student's withdrawal. As a result, a grant overpayment of \$50.00 or less per grant program will not make the student ineligible to receive Title IV aid should the student return to school. A school is not required to attempt recovery of that overpayment, report it to NSLDS, or refer it to the Default Resolution Group.

Remember these *de minimis* amounts are program specific. That is, if an R2T4 calculation resulted in a student having to return \$150.00 in Pell Grant funds and \$40.00 in FSEOG funds, the student would have to return the Pell Grant funds, but the FSEOG funds would be considered *de minimis* and treated as described above.

If a school is currently holding an overpayment resulting from a withdrawal for which the original amount (after the grant protection was applied) was less than \$50.00, the school should delete the overpayment in NSLDS by following these steps:

1. On the NSLDS Professional Access website, go to the “Aid Tab.”
2. From the Overpayment List page, select the overpayment to be deleted by clicking on the blue number icon.
3. On the Overpayment Display page, verify that this is the overpayment you want to delete, and then click the Delete button.
4. On the Overpayments Delete Confirmation page, click the Confirm Button.

This \$50 threshold does not apply to remaining grant overpayment balances. That is, a student must repay a grant overpayment that has been reduced to \$50.00 or less because of payments made. An overpayment for which the original amount was more than \$50.00 that has a current balance of less than \$50.00 may not be written off.

This provision does not apply to funds that a school is required to return. A school must return the full amount owed to any Title IV program that the school is responsible for returning. *However, a school*

Student overpayments of \$50 or less

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

does not have to return amounts of less than \$1.00.

Institutional payments on a student's behalf

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

Recording student payments and reductions in the Title IV grant programs

When reductions or payments are made toward students' Title IV awards, schools will record such reductions or payments by entering a replacement value in the COD system.

If, through its R2T4 calculation, a school determines that a student has received an overpayment of Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant funds and the student (or school) repays the overpayment amount, the school should reduce the student's award/disbursements in COD and return the funds through G5.

A school will reduce the student's award/disbursements by entering a replacement value in the COD system. The replacement value will be the original values less only the amount the school has returned (the sum of: (a) that amount the school is responsible for returning, plus (b) any portion of the grant overpayment that otherwise would be the responsibility of the student but which the school has chosen to return for the student, plus (c) any portion of the grant overpayment the school has collected from the student). *Do not reduce the award/disbursement by the amount the student must return unless the student has made a payment.*

If, through its R2T4 calculation, a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). (For more information about returning Title IV funds, please see *Volume 4, Chapters 3 and 4*).

A school should never make a downward adjustment in COD to reflect funds the school has referred to the Department for collection. Doing so will create a negative disbursement record.

Recording payments and reductions in the Direct Loan Program

If, through its R2T4 calculation, a school is required to return Direct Loan funds, the school must reduce the student's award/disbursements by making a downward adjustment in COD.

The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

Notifying the Department of student overpayments

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

Important: The Default Resolution Group is unable to respond to a student-initiated request to negotiate a repayment arrangement until a school has referred the student's account for collection. In addition, Debt Resolution Services uses the information about the student in the NSLDS while conversing with a student.

To ensure a student overpayment has been reported and referred to the Department, when the school is communicating with a student about making repayment arrangements with the Department, **the school should make it clear that the student should contact the school before contacting the Department.** Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Schools may also negotiate similar repayment agreements with students. However, **schools' repayment arrangements with students must provide for complete repayment of the overpayments within two years** of the date of the institutions' determination that the students withdrew.

There are exceptions to the recommendation that a school wait the full 45 days before reporting a student overpayment through NSLDS. If, during the 45-day period, a student indicates that he or she cannot repay his or her debt in full and wishes to negotiate a repayment agreement with

the Department, the school should immediately report the overpayment to NSLDS and refer the overpayment to the Default Resolution Group. Likewise, if a student contacts a school that will not be offering institutional repayment agreements and indicates that he or she cannot pay the overpayment within the 45 days, the school should immediately report the overpayment to NSLDS and refer the overpayment to the Default Resolution Group since the Default Resolution Group will need time to receive and record an overpayment before it can respond to a student inquiry. Schools should advise students to wait at least 10 days before contacting the Default Resolution Group.

After a school has reported and referred a student's overpayment, the school should provide the student with the phone number and postal address for the Default Resolution Group. A student can contact the Default Resolution Group by calling 1-800-621-3115 or by writing to the **Default Resolution Group** at the following address:

U.S. Department of Education
Default Resolution Group
P.O. Box 5609
Greenville, Texas 75403

Using NSLDS

You must use the NSLDS Professional Access website to report overpayments. To do so, your school's primary destination point administrator (PDPA) must have signed up at least one user at <https://fsawebenroll.ed.gov> for overpayment updates for NSLDS online services.

If a student is determined to have withdrawn from a school, the student is no longer considered to be enrolled and in attendance. Therefore, the student is no longer eligible for an in-school status or in-school deferment, and the school must report the student as withdrawn in NSLDS Enrollment Reporting. See 34 CFR 685.309(b).

You can find [NSLDS reference materials online](#). The email address for NSLDS Customer Support is: NSLDS@ed.gov, and the phone number **for school use only** is 1-800-999-8219.

Reporting and referring overpayments

Reporting overpayments to NSLDS is a separate process from referring overpayments for collection. Reporting is the process of creating within NSLDS a record of a student's overpayment. Referring is the process of turning over a student's debt to the Default Resolution Group. *Students who pay their debts in full during the 45-day period should neither be reported to NSLDS nor referred for collection.*

A school reports overpayments to NSLDS via the NSLDS Professional Access website. A school sends referrals to the Default Resolution Group —through the U.S. Mail to the following address:

Student Loan Processing Center—Overpayments
P.O. Box 4157
Greenville, Texas 75403

Or by fax: 903-454-2243

If a student who owes a repayment of a Title IV grant calls the Default Resolution Group before Debt Resolution Services has received and recorded the student's overpayment, the Default Resolution Group will examine the student's record in NSLDS. If a school has reported the overpayment to NSLDS correctly, the Default Resolution Group will inform the student that the overpayment is being processed and that the student should call back in 10 days for further information. If a student calls the Default Resolution Group before a school has reported the student's overpayment to NSLDS, the Default Resolution Group will find no record of the overpayment and will tell the student to contact the school to resolve the discrepancy.

Though a student may regain Title IV eligibility by negotiating and satisfying the requirements of a satisfactory repayment arrangement, the information on the student's NSLDS account will continue to reflect the status of the overpayment until the debt is repaid in full.

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

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

Required referrals

A school must refer to the Department/Default Resolution Group a student who:

- ◆ does not satisfy the requirements of a repayment agreement

with the school;

- ◆ fails to contact the school during the 45-day period;
- ◆ fails, during the 45-day period, to pay his or her overpayment in full or enter into a repayment arrangement; or
- ◆ fails to complete repayment in the two years allowed.

If a school is referring a student overpayment to the Default Resolution Group that was previously reported to NSLDS, the school must also update the information previously reported to NSLDS by changing the Source field from “School” to “Transfer.” If a school is referring a student who has failed to satisfy the terms of his or her repayment agreement, the school should also change the status code (indicator field) from “Satisfactory Arrangement Made” to “Overpayment.” If a school is referring for collection a student not previously reported to NSLDS, the school must report the account to NSLDS as a referred overpayment, enter “TRF-Transfer” as the initial source in the Source field and “Overpayment” as the overpayment status (indicator field).

To refer student overpayments for collection, schools must use the format found in the appendix to this volume labeled *Information Required when Referring Student Overpayments to Default Resolution Group* and send or fax the document to the address or phone number at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead. Remember to include your school’s Pell Grant Identification Number on the referral.

To avoid creating a double record for a single overpayment, the school must enter for the *Dates of Disbursements* the exact same dates the school used when it created the NSLDS record. In addition, for *Award year*, a school must ensure that it enters the year the disbursement was made.

Once the Default Resolution Group has accepted a referred student overpayment, it will transmit the information to NSLDS, and “EDR Region” will replace “Transfer” as the appropriate contact source for information about the overpayment. On the overpayment referral, schools must provide their Pell Grant Identification Number. Schools should **not** enter their routing identifier.

If your school does not have a Pell Grant Identification (ID)

If you are referring a TEACH Grant to the Default Resolution Group for collection and your school does not have a Pell Grant ID, on the “Overpayment Referral Form,” under “School Information,” you must provide your OPEID.

For more information about reporting and referring overpayments, including accepting payments on referred overpayments, please see *Volume 4, Chapter 3*.

Corrections or recalls of referred overpayments

If you determine that a student you referred to the Default Resolution Group does not owe an overpayment or that the amount you referred was incorrect, fax a letter on institution letterhead explaining the situation to the Default Resolution Group at 903-454-2312. (The DRG phone number is 1-800-621-3115.)

Important: You should not send a revised referral form when making changes or corrections.

The letter must include the following:

- ◆ student's last name, first name and middle initial;
- ◆ student's Social Security number;
- ◆ award year of the overpayment;
- ◆ disbursement date the institution used to create the overpayment record in NSLDS;
- ◆ amount originally referred; and
- ◆ description of the issue and the requested action.

The Default Resolution Group will cease collection efforts and change the record in NSLDS so that the overpayment will be shown as "Repaid."

Withdrawal Dates for a School That is Not Required to Take Attendance			
Withdrawal Type	Circumstance	Student's Withdrawal Date ¹	Date of the Institution's Determination That the Student Has Withdrawn
Official Notification	The student begins the school's withdrawal process, or The student otherwise provides official notification to the school of intent to withdraw	The date the student begins the school's withdrawal process, or The date that the student otherwise provides notification (If both circumstances occur, use the earlier withdrawal date)	The student's withdrawal date or the date of notification, whichever is later
Official Notification Not Provided	Official notification not provided by the student because of circumstances beyond the student's control, or All other instances where student withdraws without providing official notification	The date that the school determines is related to the circumstance beyond the student's control, or The midpoint of the payment period or period of enrollment, as applicable	The date that the school becomes aware that the student has ceased attendance ²
Leave of Absence Related	The student does not return from an approved leave of absence, or The student takes an unapproved leave of absence	The date that the student began the leave of absence	The earlier of the dates of the end of the leave of absence or the date the student notifies the school he or she will not be returning to that school (In the case of an unapproved absence, the date that the student began the leave of absence)
Withdrawal After Rescission of Official Notification	The student withdraws after rescinding a previous official notification of withdrawal	The student's original withdrawal date from the previous official notification	The date the school becomes aware that the student did not, or will not, complete the payment period or period of enrollment

1. In place of the dates listed, a school may always use, as a student's withdrawal date, the student's last date of attendance at an academically related activity if the school documents that the activity is academically related and that the student attended the activity.
2. For a student who withdraws without providing notification to the school, the school must determine the withdrawal date no later than 30 days after the end of the earliest of the (1) payment period or period of enrollment (as appropriate), (2) academic year, or (3) educational program.

Sample Summary of the Requirements of 34 CFR 668.22 (To Provide to Students as Part of Consumer Information)

Treatment of Title IV Aid When a Student Withdraws

The law specifies how your school must determine the amount of Title IV program assistance that you earn if you withdraw from school. The Title IV programs that are covered by this law are Federal Pell Grants, Iraq and Afghanistan Service Grants, TEACH Grants, Federal Supplemental Educational Opportunity Grants (FSEOGs), Direct Loans, and Direct PLUS Loans.

Though your aid is posted to your account at the start of each period, you earn the funds as you complete the period. If you withdraw during your payment period or period of enrollment (your school can define these terms for you and tell you which one applies to you), the amount of Title IV program assistance that you have earned up to that point is determined by a specific formula. If you received (or your school or parent received on your behalf) less assistance than the amount that you earned, you may be able to receive those additional funds in the form of a post-withdrawal disbursement. If you received more assistance than you earned, the excess funds must be returned by the school and/or you.

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

If you did not receive all of the funds that you earned, you may be due a post-withdrawal disbursement. If your post-withdrawal disbursement includes loan funds, your school must get your permission before it can disburse them. You may choose to decline some or all of the loan funds so that you don't incur additional debt. Your school may automatically use all or a portion of your post-withdrawal disbursement of grant funds for tuition, fees, and room and board charges (as contracted with the school). The school needs your permission to use the post-withdrawal grant disbursement for all other institutional charges. If you do not give your permission (some schools ask for this when you enroll), you will be offered the funds. However, it may be in your best interest to allow the school to keep the funds to reduce your debt at the school.

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

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

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

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

If your school is not required to return all of the excess funds, you may be required to return the remaining amount.

For any loan funds that you must return, you (or your parent for a Direct PLUS Loan) will repay the loan funds in accordance with the terms of the promissory note. That is, you will not be required to repay any loan funds immediately, but instead, you will make scheduled payments to the holder of the loan over a period of time.

Any amount of unearned grant funds that you must return is called an overpayment. The maximum amount of a grant overpayment that you must repay is half of the grant funds you received or were scheduled to receive. You do not have to repay a grant overpayment if the original amount of the overpayment is \$50 or less. You must make arrangements with your school or the Department of Education to return the unearned grant funds.

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

If you have questions about your Title IV program funds, you can call the Federal Student Aid Information Center at 1-800-4-FEDAID (1-800-433-3243). TTY users may call 1-800-730-8913. Information is also available on Student Aid on the Web at <https://studentaid.gov>.

Return of Title IV Funds Requirements and Deadlines		
Party Responsible	Requirement	Deadline
School	Determining withdrawal date for student who withdraws without providing notification	30 days after the end of the earlier of the: <ul style="list-style-type: none"> • Payment or enrollment period • Academic year in which student withdrew • Educational program from which student withdrew
School	Return of unearned Title IV funds	As soon as possible but no later than 45 days after date school determined student withdrew
School	Post-withdrawal disbursement to student's account for: Outstanding current (allowable) charges (tuition and fees, contracted room and board, etc.) Other allowable charges with student authorization (e.g. library fines, books, supplies, etc.)	As soon as possible but no later than 180 days after the date school determined student withdrew, in accordance with requirements for disbursing Title IV funds, 34 CFR 668.164
School	Written notification providing the student (or parent) the opportunity to accept all or part of a post-withdrawal disbursement of Title IV loan funds (Direct Loan, or Direct PLUS Loan) to the student's account	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(6)(iii)(A)
School	Written notification of student's eligibility for a direct post-withdrawal disbursement of Title IV loan funds in excess of outstanding current (educationally related) charges	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(6)(iii)(A)
School	Post-withdrawal disbursement to student for earned Title IV funds in excess of outstanding current (educationally related) charges	From the date school determined student withdrew (1) loans as soon as possible but no later than 180 days (2) grants as soon as possible but no later than 45 days
School	Notification to student (or parent) of outcome of late request for a post-withdrawal disbursement to student (request received by school after the specified period and school chooses not to make disbursement)	Not specified - but as soon as possible
School	Notification to student of grant overpayment	Within 30 days of date school determined student withdrew
School	Referral of student to the Default Resolution Group if student does not pay overpayment in full, does not enter into repayment agreement, or fails to meet terms of repayment agreement	Not specified - but as soon as possible
Student (or parent)	Submit response instructing school to make post-withdrawal disbursement	Within specified number of days school allows for response (must allow at least 14 days)
Student	Return of unearned Title IV funds	Loans—according to terms of the loan Grants—within 45 days of earlier of date school sent or was required to send notice

Return of Title IV Funds Requirements for Notification		
Party Responsible	Notification	Requirements
School	Report student to NSLDS if student does not pay overpayment in full, does not enter into repayment agreement, or fails to meet terms of repayment agreement	No later than 45 days from the date student is notified (or was required to be notified) of overpayment
School	Consumer Information	<ul style="list-style-type: none"> • School's withdrawal policy • School's refund policy • Office(s) designated to receive official notifications of intent to withdraw • Requirements regarding returns of Title IV funds
School	Written notification of student's eligibility for a direct post-withdrawal disbursement of <i>Title IV loan funds</i> in excess of outstanding current (educationally related) charges	<ul style="list-style-type: none"> • Identify type and amount of the Title IV loan funds that will make up the post-withdrawal disbursement not credited to student's account • Explain that student or parent may accept all or part of the disbursement • Advise student or parent that no post-withdrawal disbursement of Title IV loan funds will be made unless school receives response within the time frame established by the school
School	Response (written or electronic) to late request for post-withdrawal disbursement (that school chooses not to make)	Outcome of request
School	Repayment Agreement	<ul style="list-style-type: none"> • Terms permitting student to repay overpayment while maintaining eligibility for Title IV funds • Repayment in full within two years of date school determined student withdrew
Student enrolled in a series of modules	Statement of intent to return to a module that begins later in the same payment period or period of enrollment	<p>Close to the date that the student ceases attendance at any point prior to completing the payment period or period of enrollment and before the school is required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the R2T4 requirements</p> <ul style="list-style-type: none"> • For students enrolled in nonterm and nonstandard-term programs, the later module must begin no later than 45 calendar days after the end of the module the student ceased attending • For students enrolled in modules within a term, the later module must begin and end within the term