

**U.S. Department of Education  
Office of Student Financial  
Assistance Programs**

**REFUNDS**

**“RETURN OF TITLE**

**IV**

**FUNDS”**

# ***Refunds/Return of Title IV Aid***

## **1998 Amendments**

- **Section 485 of the Amendments changed Section 484B of the HEA  
- Effective October 7, 2000 --**
- **Or Earlier if Institution Chooses.**

# ***Refunds/Return of Title IV Aid***

## **Early Implementation**

### **School Must:**

- **Establish specific date**
- **Implement all provisions**
- **Apply provisions to all students, except may:**
  - **Implement only for students who:**
    - **Enter after implementation date**
    - **Have been advised of new policy**

# ***Refunds/Return of Title IV Aid***

## **Change of Concept**

**From: “Refund of Unearned Institutional Charges”**

**To: “Return of Unearned Title IV Aid”**

# *Refunds/Return of Title IV Aid*

## Simply Stated

If a recipient of Title IV aid withdraws during a payment period (or a period of enrollment), the institution must calculate the amount of Title IV aid the student did not earn. Unearned Title IV funds must be returned to the Title IV programs.

# ***Refunds/Return of Title IV Aid***

## **Features**

- **Deals With Title IV Aid Only**
- **Applies to All Title IV Recipients**
- **No Comparison With Other Policies**
- **No Issue of Unpaid Charges**
- **Does Not Impact Non-Federal Aid**
- **Minimizes Issues of Institutional Charges**
- **Easier to Understand/Calculate**

# ***Refunds/Return of Title IV Aid***

## **Title IV Funds Earned**

**If payment period not completed student only eligible for an amount of Title IV aid that bears the same relationship to the total Title IV aid that was awarded as does the period in which he or she was enrolled bears to the entire payment period.**

# *Refunds/Return of Title IV Aid*

## EARNED AMOUNTS

- **Percent Earned Equals:**
  - **Portion of Period Completed**
    - **Divided By**
      - **Length of Payment Period**
      - **In Calendar Days or Clock Hours**  
(If > 60.0% Assume 100.0%)
- **Amount Earned Equals:**
  - **Percent Earned X Title IV Aid**



# *Refunds/Return of Title IV Aid*

## UNEARNED AMOUNTS

- **Percent Unearned Equals:**
  - **Complement of Percent Earned  
(100.00 Less Percent Earned)**
- **Amount Unearned Equals:**
  - **Difference between Title IV aid that was disbursed or could be disbursed for the payment period and the amount of Title IV aid that was earned.**

# *Refunds/Return of Title IV Aid*

## Title IV Funds Unearned

- Unearned Title IV funds must be returned to the programs.
- Shared responsibility between school and student.

# *Refunds/Return of Title IV Aid*

## Assumptions

- **Earned and Unearned Percentages Will Apply to Both School and Student**
- **Title IV Aid Used to Pay Institutional Charges First**

# ***Refunds/Return of Title IV Aid***

## **School Responsibility**

- **School Returns Unearned Title IV Aid Up To:**
  - **An amount that is equal to the total institutional charges for the payment period times the percentage of the Title IV aid that was unearned.**

# *Refunds/Return of Title IV Aid*

## Student Responsibility

- **Student Responsible for Balance of Unearned Title IV Aid**
  - Same as amount that is equal to the funds received by student for non-institutional expenses times the percentage of the Title IV aid that was unearned.

# ***Refunds/Return of Title IV Aid***

## **Order of Return**

- **Unsubsidized Stafford loans.**
- **Subsidized Stafford loans.**
- **Perkins Loans.**
- **PLUS Loans.**
- **Federal Pell Grants**
- **FSEOG**
- **Other Assistance Under Title IV**

# *Refunds/Return of Title IV Aid*

## Special Student Responsibility Rules

- School Responsibility Considered to Have Been Completed First
- Loan Responsibility Repaid in Accordance with the Terms of the Loan
  - No Need to Inform Lender
- Grant Responsibility Divided In Half

# ***Refunds/Return of Title IV Aid***

## **Grant Overpayments**

- **Immediate Repayment**
  - **OR**
- **Report Overpayment to NSLDS**
- **Comply With Overpayment Regs**
- **Loss of Eligibility for Title IV Aid**
  - **UNLESS**
- **Satisfactory Arrangements To Repay Are Made**



# ***Refunds/Return of Title IV Aid***

## **Processing Steps**

- **Determine Number of Calendar Days or Clock Hours in Payment Period or Enrollment Period**
- **Determine Withdrawal Date**
- **Determine Number of Calendar Days Student in Attendance or Number of Clock Hours Completed (or scheduled)**

# ***Refunds/Return of Title IV Aid***

## **Processing Steps - continued**

- **Calculate Percentage Earned**
- **Calculate Percentage Unearned**
- **Calculate Amount of Title IV Aid Unearned**

# *Refunds/Return of Title IV Aid*

## Processing Steps - continued

- Calculate Amount of Institutional Charges
- Multiply Institutional Charges x Percentage Unearned
- School Responsible for Above Amount Up to Total Unearned Title IV Aid
- Determine Amount School Returns to Each Title IV Program

# ***Refunds/Return of Title IV Aid***

## **Processing Steps - continued**

- **Calculate Student Responsibility**
- **Determine Student Responsibility to Loan Programs -- No Further Action**
- **Determine Student Responsibility to Grant Programs**
- **Divide Student Grant Responsibility in Half**
- **Follow Overpayment Procedures**

# ***Refunds/Return of Title IV Aid***

## **Processing Steps - continued**

- **School Returns Funds to Program  
According to Regulatory Requirements**
- **School Collects Grant Overpayment  
OR Reports Overpayment to NSLDS**
- **Makes Satisfactory Repayment  
Agreement  
OR**
- **Reports Overpayment to Dept's DCS**

# ***Refunds/Return of Title IV Aid***

## **Withdrawal Date**

- If required to take attendance the date determined from the attendance records.
- If not required to take attendance:
  - The date the student began the institution's withdrawal process;
  - The date that student otherwise provided official notification of the intent to withdraw; OR

## ***Refunds/Return of Title IV Aid***

### **Withdrawal Date - continued**

- **If student did not begin the withdrawal process or otherwise notify the institution:**
  - **The midpoint of the payment period for which Title IV assistance was disbursed or a later date if documented by the institution.**

# *Refunds/Return of Title IV Aid*

## Leave of Absence

- Authorizes an institution to grant a student a leave of absence of up to 180 days in any 12-month period, if --
  - The institution has a formal policy regarding leaves of absences;
  - The student followed the institution's policy in requesting the leave of absence.



# ***Refunds/Return of Title IV Aid***

## **Leave of Absence - continued**

- **If student does not return institution must calculate based on the date the student left.**

# ***Refunds/Return of Title IV Aid***

## **Consumerism Requirements**

- **School Must Provide To:**
  - **Enrolled Students**
  - **Prospective Students**
- **Information About:**
  - **Any Refund Policy of the Institution**
  - **The Requirements of the “Return of Title IV Aid”**
  - **The Requirements for Officially Withdrawing From the School**

# ***Refunds/Return of Title IV Aid***

## **Example 1**

**Institutional Charges -- \$5,000**

**Title IV Loans -- \$2,000**

**Title IV Grants -- \$1,000**

**Total Title IV Aid -- \$3,000**

**Title IV Aid to School -- \$3,000**

**Title IV Aid to Student -- \$0**

**Length of Payment Period -- 80 Days**

**Student Withdrew on -- 20th Day**

# ***Refunds/Return of Title IV Aid***

## **Example 1 - Continued**

**Percent Earned:  $20/80 = 25.0\%$**

**Percent Unearned:  $100.0 - 25.0 = 75.0\%$**

**Amount Unearned:  $75.0\% \times \$3,000 =$   
**\$2,250****

**Institutional Responsibility:**

**Lessor of:  $\$5,000 \times 75.0\% = \$3,750$**

**OR**

**Amount Unearned of  $\$2,250 = \$2,250$**

# *Refunds/Return of Title IV Aid*

## Example 1 - Continued

**School Returns to Lender: \$2,000**

**Student Remaining Loan Debt: \$0**

**School Returns to Grant Account: \$250**

**Student's Responsibility:**

**Amount Unearned less School**

**Responsibility --  $\$2,250 - \$2,250 = \$0$**

**(Same as 75.0% unearned x \$0 to student)**

# ***Refunds/Return of Title IV Aid***

## **Example 2**

**Institutional Charges -- \$1,000**

**Title IV Loans -- \$2,000**

**Title IV Grants -- \$1,000**

**Total Title IV Aid -- \$3,000**

**Title IV Aid to School -- \$1,000**

**Title IV Aid to Student -- \$2,000**

**Length of Payment Period -- 80 days**

**Student Withdrew on -- 20th Day**

# ***Refunds/Return of Title IV Aid***

## **Example 2 - Continued**

**Percent Earned:  $20/80 = 25.0\%$**

**Percent Unearned:  $100.0 - 25.0 = 75.0\%$**

**Amount Unearned:  $75.0\% \times \$3,000 =$   
**\$2,250****

**Institutional Responsibility:**

**Lessor of:  $\$1,000 \times 75.0\% = \$750$**

**OR**

**Amount Unearned of  $\$2,250 = \$750$**

# ***Refunds/Return of Title IV Aid***

## **Example 2 - Continued**

**School Returns to Lender: \$750**

**Student Remaining Loan Debt: \$1,250**

**School Returns to Grant Account: \$0**

**Student's Responsibility:**

**Amount Unearned less School**

**Responsibility--\$2,250 - \$750 =\$1,500**

- (Same as 75.0% unearned x \$2,000 to student)**



# ***Refunds/Return of Title IV Aid***

## **Example 2 - Continued**

**Student's Responsibility to Loans: \$750**

**(Original \$2,000 less \$2,250 paid by school)**

**Student's Responsibility to Grants: \$750**

**(\$1,500 less Loan Responsibility of \$750)**

**Grant Overpayment: \$375**

**(\$750 divided in half)**

# ***Refunds/Return of Title IV Aid***

## **Example 3**

**Institutional Charges -- \$500**

**Title IV Loans -- \$0**

**Title IV Grants -- \$1,500**

**Total Title IV Aid -- \$1,500**

**Title IV Aid to School -- \$500**

**Title IV Aid to Student -- \$1,000**

**Length of Payment Period -- 80 Days**

**Student Withdrew on -- 20th Day**

# ***Refunds/Return of Title IV Aid***

## **Example 3 - Continued**

**Percent Earned:  $20/80 = 25.0\%$**

**Percent Unearned:  $100.0 - 25.0 = 75.0\%$**

**Amount Unearned:  $75.0\% \times \$1,500 =$   
**\$1,125****

**Institutional Responsibility:**

**Lessor of:  $\$500 \times 75.0\% = \$375$**

**OR**

**Amount Unearned of  $\$1,125 = \$375$**

# ***Refunds/Return of Title IV Aid***

## **Example 3 - Continued**

**School Returns to Lender: \$0**

**Student Remaining Loan Debt:\$0**

**School Returns to Grant Account: \$375**

**Student's Responsibility:**

**Amount Unearned less School**

**Responsibility--\$1,125 - \$375 = \$750**

- (Same as 75.0% unearned x \$1,000 to student)**

# ***Refunds/Return of Title IV Aid***

## **Example 3 - Continued**

**Student's Responsibility to Loans: \$0**

**(Original \$000 less \$0 paid by school)**

**Student's Responsibility to Grants: \$750**

**(\$750 less Loan Responsibility of \$0)**

**Grant Overpayment: \$375**

**(\$750 divided in half)**

# *Refunds/Return of Title IV Aid*

The End