Volume 5
Managing Federal Funds
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CHAPTER 1

ED/FSA Systems, COD and G5

PURPOSE OF CASH MANAGEMENT REGULATIONS

The cash management regulations are intended to:

- promote sound cash management of FSA program funds by schools;
- minimize the costs to the government of making FSA program funds available to students and schools; and
- minimize the costs to students who receive FSA loans.

Except for funds received for an administrative cost allowance (ACA) or for a Job Location and Development Program under the FWS Program, all FSA program funds received by a school are held in trust by the school for students and the Department.

To ensure adequate cash management practices, a school must have in place a cash management system that adheres to federal regulations and other standards. A school's cash management practices are governed by –

- Generally Accepted Accounting Principles (GAAP);
- standards prescribed by the federal Office of Management and Budget (OMB);
- U.S. Department of Treasury regulations; and
- U.S. Department of Education (ED) regulations.

Cash management cite
34 CFR Subpart K

Purpose of regulations cite
34 CFR 668.161

Contacting COD School Relations

If you have any questions regarding the information contained in this document, please contact the COD School Relations Center at the following phone numbers:

(800) 474-7268 for Grant assistance
(800) 848-0978 for Direct Loan

Staff are available Monday through Friday, 8a.m.– 8p.m. Eastern Time.

Or, you can email COD Customer Service at

codsupport@acs-inc.com.

COMMON ORIGINATION AND DISBURSEMENT

The Common Origination and Disbursement (COD) System is Federal Student Aid's (FSA) system for creating, delivering and reporting Federal Pell Grants, TEACH Grants and Federal Direct Loans. COD provides a common process and integrated system that enables efficient delivery of Title IV Funds. COD allows for:

1. Common Processing.
    - One process and record for submitting origination and disbursement data;
    - Edits that are common across the Pell Grant, TEACH Grant, and Direct Loan programs
    - Data tags that are common across the Pell Grant, TEACH Grant, and Direct Loan programs, and are (approaching) a cross-industry standard for data definitions; and
    - Elimination of duplicate data reporting for Pell Grants, TEACH Grants, and Direct Loans.
2. Streamlined edits to reduce turnaround time for exception processing.
3. Expanded online capability to make corrections/changes, to process "emergency" requests, and to check transmission status

In general, the COD process is a simplified process for requesting, reporting, and reconciling Title IV funds.

Your Financial aid office as a COD user

A COD user utilizes the Common Record in XML format to submit Pell Grant, TEACH Grant, and/or Direct Loan origination and disbursement data to the COD system.

COD Participants may submit data to the COD system in two ways:

1. Batch processing of Common Record documents over the Student Aid Internet Gateway (SAIG).
2. Manual entry of Common Record data using the COD website.

Common Record overview

The Common Origination and Disbursement process utilizes one single record across programs for both origination and disbursement. Participants use a Common Record, one that uses common data elements, definitions, edits, and structure for Pell Grants, TEACH Grants, and Direct Loans. Although the record has the same layout for all programs, not all data elements are required for each transmission. This record layout relies on a technology called the extensible Markup Language, or XML.

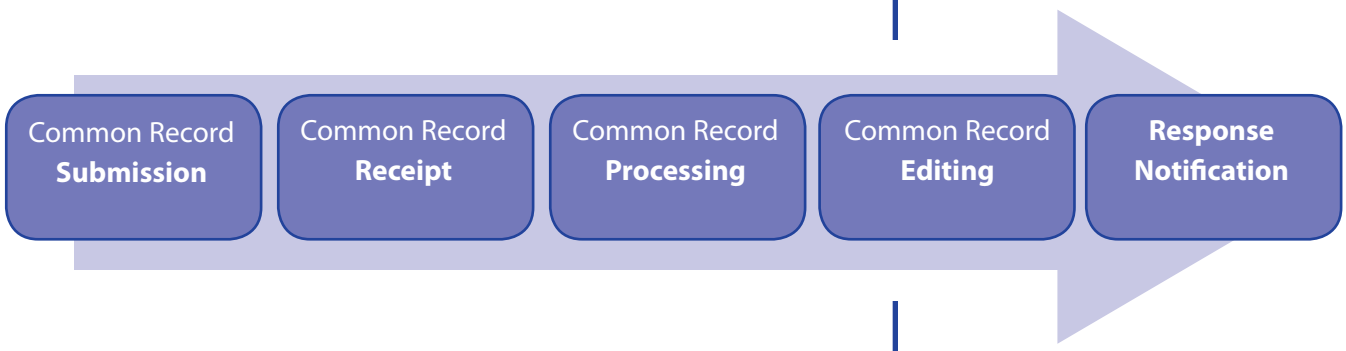
The flexible nature of the Common Record format makes it easily adaptable for future use throughout the financial aid community. Now, the Common Record supports the submission of Pell Grant, TEACH Grant, and Direct Loan data.

The Common Record was developed in partnership with members of the National Council of Higher Education Loan Programs (NCHELP) and the Postsecondary Electronic Standards Council (PESC). This collaborative effort enables the Common Record to bring consistency and standardization to the transmission of student financial aid data.

Common Record processing

The COD process is composed of the following steps.

1. Submission
2. Receipt
3. Processing
4. Editing
5. Response notification



Common Record submission

The COD Process begins when a school submits a Common Record. The Common Record is submitted by schools in one of two ways:

1. Batch Submission via SAIG
2. Manual online Submission via the COD web site

Batch submission

All Common Records sent in batch mode are submitted to COD's Student Aid Internet Gateway (SAIG) mailbox. The Enterprise Application Integration Bus (EAI Bus) performs periodic sweeps of COD's SAIG mailbox and transmits the Common Record data to the COD system.

Online submission

A COD User can enter data online via the COD web site. The COD website creates a Common Record document for data entered online and sends it directly to the COD system.

Common Record receipt

After the COD system receives the Common Record, the COD system generates a receipt. The receipt is transmitted from the COD system to the source entity in the same manner that the Common Record was submitted. For example –

- For Common Records received by the COD system via batch processing, the receipt is transmitted to the EAI Bus. The EAI Bus routes the receipt to the SAIG Destination Mailbox indicated in the SAIG Transmission Header and Trailer.
- For Common Record data entered via the COD web site, the receipt is returned to the COD web site.

Common Record processing

After the COD system transmits a receipt, the COD system classifies the record to determine how it is to be processed. The types of records are:

- New Record
- Update Record

New record

A New Record establishes a new person, award, or disbursement on the COD system. There are three types of new records.

1) *New Person with New Award* – If the SSN contained in the student identifier does not match any previously submitted to the COD system, then the record is considered a New Student. A student cannot be established on the COD database without establishing an award for the student. Therefore, any New Student Record must contain a New Award Record. For Pell Grant, TEACH Grant, and Direct Loan Subsidized/Unsubsidized, the student identifier submitted by a school to establish the student on COD is matched to data from the Central Processing System (CPS).

   - For Pell Grant and TEACH Grant, the current SSN, current date of birth, and first two characters of the current last name are matched with CPS data.
   - For Direct Loans, the current SSN and current date of birth are matched with CPS data.

2) *New Award* – If the student identifier matches an SSN already established on the COD system, then the system checks to determine if the award is already on file. If not, then the record is considered a New Award.

3) *New Disbursement* – If the person and award already exist on the COD system, then the system checks the disbursement number submitted for the award. If it is not already on file, then the system logs the disbursement as a new disbursement. There are two types of disbursement records.

   - *Actual Disbursement* – Actual Disbursement Records contain a Disbursement Release Indicator equal to true. The *Disbursement Release Indicator* is a tag on the Common Record that signals to the COD system that the disbursement information is an actual disbursement. It either makes funds available to a school, or substantiates cash already made available to the school. These records affect the Current Funding Level (CFL) calculation for the school. This can be thought of as the actual disbursement record in the old fixed-length record process.

Award Already on File

For Direct Loans and TEACH Grants, the Financial Award Type, Financial Award Year, Attended Entity ID, Reporting Entity ID, and Financial Award ID fields are checked to determine if the award is already on file.

Effect of actual disbursement

The date for an actual disbursement is the date the school posts funds to the student's account. The date must coincide with what FSA defines as disbursing Title IV aid (see Chapter 3).

For Pell, TEACH and for Direct Loan schools on Heightened Cash Management and Reimbursement, accepted actual disbursements will increase the CFL.

Actual disbursements do not impact the CFL for advance funded DL schools unless the school has drawn and dispersed all of its CFL. In that case, the actual disbursement will increase the CFL.

Downward adjustments to disbursements only affect the CFL for Pell.

- *Anticipated Disbursement* – Anticipated Disbursement Records contain a Disbursement Release Indicator equal to false or omitted. If the Disbursement Release Indicator is omitted, the indicator will default to false. These disbursements are not considered Actual Disbursements; therefore, they do not substantiate drawdowns. These records do not affect the CFL calculation for the school.

Update Record

An Update Record performs a change to information or elements that were previously established on the COD system by a New Record. There are two types of Update Records.

- *Update Record* – An Update Record performs a change to a non-monetary data element that was previously established by a New Record or is used to change disbursement amounts and dates that occur prior to substantiating drawdowns.

- *Release Record* – A Release Record can be submitted to the COD system with a Disbursement Release Indicator equal to true for a disbursement record previously submitted as an Anticipated Disbursement Record. Data elements can be changed via the COD website or by resubmission of a Common Record. Once the release indicator is set to true, there will no longer be an anticipated disbursement on the system with the same disbursement number as the actual.

Common Record Editing

Once the Common Record is received and has been classified, the COD system performs a series of valid format and content edits to determine if the file is suitable for further processing.

The COD system performs three types of edits.

1. *Correction* – For Pell Grant data, if the school selects this option, the system automatically corrects the data and sends a response to the entity that submitted the record indicating that a correction took place, the element corrected, the original value, and the corrected value. The default option in the COD system for all schools is set to 'correct'. If a school wants to have COD reject data instead of correcting it, then it must contact the COD School Relations Center to request that FSA make this change.

2. *Warning* – The COD system sends a response to the entity that submitted the record indicating a warning, the warning code, and the relevant element. The record continues to be processed by the COD system.
3. *Reject* – The COD system sends a response to the entity that submitted the record indicating the reject code, the reject reason(s) and the relevant element(s). The record requires action from the school to continue processing.

COD receives the Abbreviated Applicant file from CPS on a daily basis. This file is used to:

- confirm a valid Institutional Student Information Record (ISIR) is on file (if applicable) and,
- pull student-level information required for Common Record processing.

The COD system performs edits on the Document, Entity, Person, Award, and Disbursement levels of the Common Record data. Data that passes edits is accepted and continues to be processed while data that does not pass edits is rejected. The COD system stores rejected data and associated reject reasons. Rejected data is held for corrective action to be taken by the school. Data can be corrected via Common Record resubmission or via the COD website. The COD system then returns a response record notifying the school of the edit results.

Response documents

For all Common Records received and processed by the COD system, the COD system returns a Response document indicating the status of the Common Record processing, including any rejected data elements and the reason for the rejection. If the Common Record was accepted, then the Response document indicates that the record was accepted.

The COD system sends one Response document for each Common Record document submitted. For Common Records that are transmitted via the SAIG, the COD system sends Response documents to the school's SAIG mailbox. For Common Record data entered into the COD web site, schools have an option to receive a Response document either via the COD website or via their SAIG mailbox.

For Responses received via the SAIG mailbox, schools also have the option to receive a Full or a Standard Response to Common Records processed by the COD system. A Full Response contains all the original tags sent by the school and the rejected data elements and reason codes. A Standard Response contains only the rejected data elements and reason codes.

Tip for Common Record Editing

The Common Record can be resubmitted in its entirety or sent with just the key identifiers and minimum data elements required for processing, together with the data elements that have changed.

For more information about COD response documents, see the *COD Technical Reference*:

Record Layouts and Processes
Common Record Technical Reference, Volume II

COD Response Documents
Volume VI, Section 6 – XML Examples
Volume VII, Section 7 – COD system Generated XML Response Files

Schools using a combination of EDExpress and another system should see
Volume III – Pell Grant & Direct Loan Combination System Supplement for record layouts, processes, and edits pertinent to working in a combination system

Direct Loan: Award Year 2008–09 and Prior

For assistance with Direct Loan data for award years 2008–09 and earlier, contact the COD School Relations Center at

800-848-0978

or email the Federal Student Aid (FSA) - Federal Loan Support Team (FLSST) at

SchoolReconciliation@ed.gov

COD customer service

The COD School Relations Center integrates customer service for the Direct Loan, Pell Grant and TEACH Grant programs.

All schools should use the numbers or email address listed below for assistance:

For Pell Grant, and TEACH Grant assistance

800 474-7268

CODSupport@acs-inc.com

For Direct Loan assistance

(800) 848-0978

CODSupport@acs-inc.com

- All *batch files* to be processed by COD should be transmitted to the SAIG mailbox for forwarding to COD.

- Mail all *Promissory Notes* to

  US Department of Education
  P.O. Box 5692
  Montgomery, AL 36103-5692

- For *overnight delivery,* send Promissory Notes to

  Department of Education
  100 Capitol Commerce Boulevard, Suite 160
  Montgomery, AL 36117

- *Refunds of Cash for Direct Loans* should be returned using the Electronic Refund function in G5. The Electronic Refund function can be accessed from the G5 "Payments Menu."

  Only in very exceptional cases will the Department accept checks when making refunds of Direct Loans (see Chapter 5 for additional information).

- *Refunds of Cash for Pell, and TEACH Grants* should be returned using the Electronic Refund function in G5. The Electronic Refund function can be accessed from the G5 "Payments Menu." Schools should contact the G5 Help Desk for assistance in returning funds for years that are no longer active.

COD customer service is also the resource for questions regarding **Studentloans.gov** where borrowers complete financial awareness counseling, entrance counseling, plus application requests (including credit checks), promissory notes, endorser applications and exit counseling (March 2013)

Current funding level and COD

There are no Initial Authorizations in the Pell, TEACH, and Iraq and Afghanistan Service Grant programs. A school's authorization for these programs will be based on the net accepted and posted actual disbursement records accepted by the COD system. A new Electronic Statement of Account (ESOA) will be sent to a school's SAIG mailbox each time an authorization changes for the Pell and Iraq and Afghanistan Service Grant programs.

Advance funded Direct Loan schools receive an initial CFL prior to the start of the award year with an additional increase midway through the year. If additional funds are needed, the school can send in actual disbursement records up to seven days in advance of the actual disbursement date or may contact the COD Customer Service Representative (CSR) to request an increase.

Only after a school's funding levels have been established may schools under the Advanced Funding method request a funding level increase using the Advance Payment method via the school's assigned COD CSR.

The Department places a school on Reimbursement or Cash Monitoring if it determines there is a need to monitor strictly the school's participation in the FSA programs. Under Reimbursement and Heightened Cash Management 2 (HCM2), the Department releases funds to a school after the school has made the disbursement to the student (or parent borrower).

A school on the Reimbursement or Heightened Cash Monitoring 2 (HCM2) funding method must complete and submit Standard Form 270 with each request for reimbursement. (Note that a school may only submit one such request for reimbursement during any 30-day period.)

Iraq & Afghanistan Service Grant disbursements

For the Iraq & Afghanistan Service Grant Program, schools will not submit actual disbursements in the 2012–2013 award year. In the Iraq & Afghanistan Service Grant Program, ED will provide schools with an "Exception-Based Process" through which schools will be funded when they submit anticipated disbursements (DRI = False).

If a school is placed on reimbursement or HCM2 its administration of the reimbursement or cash monitoring payment method must be audited every year. The independent auditor engaged by the school to conduct its annual compliance audit must express an opinion in the audit report regarding the school's compliance with the reimbursement or cash monitoring requirements, as applicable.

Reimbursement payment method

A school on Reimbursement must first disburse FSA program funds to eligible students and parents before it can request those funds from the Department. As part of its request, a school that has been placed on Reimbursement must:

- identify the students and parents for whom it is seeking reimbursement; and
- submit documentation demonstrating that each student and parent included in the request was eligible to receive, and received, FSA funds.

After the reimbursement request is approved, the Department transfers electronically the appropriate amount of FSA funds to the bank account in which the school maintains its federal funds.

Cash Monitoring payment methods

Unlike the reimbursement payment method where a school must provide detailed documentation for each student to whom it made a disbursement, the Department may relax the documentation requirements under cash monitoring payment method and provide funds to a school in one of two ways:

1. ***Heightened Cash Monitoring 1*** (HCM1). After a school makes disbursements to eligible Pell recipients, it draws down FSA funds to cover those disbursements in the same way as a school on the advance payment method.

   Note: In the 2012–2013 award year, for the Direct Loan Program, schools on HCM1 will be given an initial authorization. Beginning with the 2013–2014 award year, for the Direct Loan Program, schools must report actual disbursements first before they can draw funds from G5.

2. ***Heightened Cash Monitoring 2*** (HCM2). After a school makes disbursements to eligible students, it submits only the documentation specified by the Department. The Department may tailor the documentation requirements for schools on a case-by-case basis.

EDCAPS AND G5

EDCAPS

The *Education Central Automated Processing System (EDCAPS)* is designed to integrate ED's financial processes, including financial management, contracts and purchasing, grants administration, and payment management.

EDCAPS integrates four formerly separate system modules into a single system. EDCAPS consists of the –

- Financial Management Systems Software (FMSS);
- Travel Management (TMS);
- Contracts and Purchasing Support System (CPSS); and
- Grant Management System (G5).

G5 is the EDCAPS module that directly affects schools' participation in the FSA programs.

G5 Overview

G5 is a delivery system that supports program award and payment administration. G5 provides financial management support services for the grant life cycle in a single system. It supports the planning, obligating, authorizing, disbursing, and final closing of Department of Education grant awards.

G5 is the central repository for payment transactions of schools that receive cash[1] from ED through the Office of the Chief Information Officer (OCIO). G5 is a system; OCIO is the office within ED that administers the system.

Schools may use G5 to request payments, adjust drawdowns, and return cash. G5 also provides continuous access to current grant and payment information, such as authorized amounts, cumulative drawdowns, current award balances, and payment histories.

Am I a grantee or a payee?

A **grantee** (not a person) is an entity that applies for and receives a grant award from ED. The grantee is responsible for ensuring the grant is administered in accordance with program regulations.

A **payee** is an entity (designated by the grantee) to request and manage Federal funds on its behalf. The grantee and payee can be the same entity.

TIP

Every user must register to gain access to G5. There is no limit to the number of users an entity or organization may have with access to G5. Business officers and financial aid administrators are encouraged to use G5 to help reconcile FSA funds.

Access to G5

G5 can be accessed through the Internet at the G5 Web page
www.G5.gov

The G5 Help Desk phone number is
1-888-336-8930

1. *G5 controls cash for both FSA and non-FSA Title-IV programs.

What is a TIN?

The TIN is the federal tax Identification number given to the grantee organization. The TIN is the unique nine-digit number the organization uses to report activity to the Internal Revenue Service. In other words, the TIN is the grantee's social security number.

What is a D-U-N-S number?

The Data Universal Numbering System (or D-U-N-S Number) is a unique nine-digit identification code that is assigned to a school. G5 grantees and payees must register their D-U-N-S number and TIN with the System for Award Management (SAM).

You can acquire a D-U-N-S number by calling Dun & Bradstreet at 1-800-333-0505 or by completing a D-U-N-S-Number Request Form. The form can be obtained via the Internet at

https://eupdate.dnb.com/requestoptions.asp

The D-U-N-S number represents your school as a unique financial entity. You must notify ED if your school merges with another organization, is sold to another organization, or separates from an existing organization and becomes a freestanding organization.

What is a grant award number?

The grant award number is a unique, 11-character "number" that identifies each grant award issued by a specific program office to a specific grantee. **All funds are requested (and returned) using the Grant Award Number.**

The following is an example of a Grant Award Number and an explanation of the parts that make up the number:

P031B131234

P	Program Office issuing the award
031	Catalog of Federal Domestic Assistance (CFDA) numeric suffix of the program
B	Alphabetic subprogram identifier
13	The trailing year in the academic year for DL and TEACH and the beginning year in the academic year for Pell and all other awards.
1234	Unique identifier

A school uses G5 to request cash for –

- the Federal Pell Grant Program,
- the TEACH Grant Program,
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program,
- the Federal Work-Study (FWS) Program,
- the Federal Perkins Loan Program, and
- the Direct Loan Program.

Accessing G5

Schools request federal cash electronically using G5. To request cash, a school must access G5 via the Internet at **www.G5.gov**.

Before you can use G5, and as part of applying for Title IV participation, your school must register with the Department. This process includes:

1. obtaining a D-U-N-S number;
2. obtaining a Grant Award Number;
3. setting up Bank Information;
4. registering the D-U-N-S and Taxpayer Identification Number (TIN) with the System for Award Management (SAM) at **https://www.sam.gov/portal/public/SAM/**; and
5. obtaining User ID(s) and Password(s).

Setting up bank information

Funds requested from G5 will be transmitted to the payee's bank account using either the Automated Clearing House (ACH) or the FEDWIRE transmission method. A payee designates its method of transmission when providing its bank account information.

ACH

For payees using ACH, G5 electronically transfers payments through the U.S. Department of the Treasury into the payee's bank account.

To use ACH you must enroll with the Office of the Chief Information Officer, Department of Education. To enroll, you complete a Direct Deposit Sign-Up Form (SF1199A) and send it to the Department.

The form is located on the G5 home page in the Frequently Asked Questions (FAQs). Look under the Banking section and then find the subheading ***Domestic.*** The SF1199A is the first bullet point.

TIP

You must reenroll in ACH when any of the following occur:

1. you change banks;
2. the payee or its bank changes the account number;
3. the depositor account is closed; or
4. the bank closes – either voluntarily or involuntarily.

ACH processing times

ACH payment requests made before 3:00 p.m. Eastern Time (ET) are deposited the next business day. ACH payment requests made after 3:00 p.m. ET are deposited on the second business day. You can enter payment requests up to 30 days in advance.

You should always verify deposits before disbursing cash. When verifying ACH payments, you must tell the bank to check for deposits made through the Automated Clearing House. There are several kinds of electronic fund transfers. If other terms are used, the bank may search for the wrong payment(s).

FEDWIRE

The FEDWIRE transmission method is an electronic wire transfer of cash directly from G5 through the U.S. Department of Treasury into the payee's bank account. Large payees generally use this payment method. Most banks charge a fee for processing FEDWIRE payments.

Before a payee can receive FEDWIRE payments, the payee must enroll with the Office of the Chief Information Officer in the Department of Education. If the bank is online with the U.S. Department of Treasury, you must send the Department a letter containing the:

- name and address of the payee's bank;
- bank's ABA number;
- contact (name and telephone number at the bank); and
- depositor's account number at that school, and the bank's telegraphic abbreviation.

If the bank is not online with the U.S. Department of Treasury , send the Department a letter containing the following:

- name of the payee's bank; and
- payee's account number at the bank

TIP

You must reenroll in FEDWIRE (by sending the Department a letter) if any of the information listed above changes. Payees may obtain a FEDWIRE enrollment form letter by contacting the G5 Hotline at **1-888-336-8930**.

Example of Prefixes to Grant Award Numbers

P007A	FSEOG
P033A	FWS
P063P	Pell
P268K	DL

Title IV funds are program and award year specific.

- P063P12#### is the award for 2012–13 Pell funds.
- P268K13#### is the award for 2012–13 Direct loan funds. Note that DL uses trailing years as the award year indicator.

"####" represents a school's unique four digit gaps ID).

System for Award Management

The System for Award Management (SAM) is a free website that consolidates the capabilities you used to find in CCR/FedReg, ORCA, and EPLS. If you had an active record in CCR, you have an active record in SAM. You can search for registered entities in SAM by typing the DUNS number or business name into the search box.

FEDWIRE processing time

Payees may request FEDWIRE payments using the G5 Hotline. Payment requests completed by 2:00 p.m. ET will be deposited in the payee's bank account the same day. FEDWIRE payment requests made after 2:00 p.m. ET will be deposited the next business day.

You should always verify deposits before disbursing cash. When verifying FEDWIRE payments, you must tell the bank to check for deposits made through the FEDWIRE. There are several kinds of electronic fund transfers. If other terms are used, the bank may search for the wrong payment(s).

Obtaining a user ID and password

Individual authorized users must register for a G5 user ID and password. To obtain a user ID, an individual must complete a *G5 Production System External User Access Request Form*. The form is generated during the online registration process. You can also download the form at **http://www.G5.gov**.

You can register for a user ID and password by following these instructions.

1. Click on ***Non ED Employee Sign Up***.
2. Complete all necessary steps in the external user registration process.
3. Once you have completed registration, you will receive an email to activate the account. Follow the email instructions to finalize the user ID and password registration.

   If you do not receive an activation email you must contact the G5 Help Desk at 1-888-336-8930

Please note that your G5 user ID will be your email address. You can recover a forgotten user ID or password on the G5 website by clicking on the Forgot Email ID or Password on the home page of G5.

Using the user ID and password

User IDs and passwords are required to gain access to G5 or to request cash through the G5 Hotline. (Note: To enhance G5 security, payees are required to enter or state additional identifiers to gain access to G5.)

You will be requested periodically to validate every user ID assigned to your organization. You are responsible for ensuring that this information is correct.

Once a grantee receives a grant (or is authorized funding), the designated payees will request cash by Grant Award Number using G5.

Alternatively, payees can also call the G5 Hotline between 8 a.m. and 6 p.m. Eastern Time (ET) to request cash.

A school may also call the G5 Hotline for help resolving problems with payments.

Projecting cash needs

Immediate Need

Immediate need is defined as the amount of FSA program funds a school needs to make disbursements within three business days following the date the school receives the funds. **This definition of immediate need applies to all FSA program funds (other than Perkins Loan funds), regardless of whether the school draws down funds by electronic funds transfer (EFT) through the Automated Clearinghouse (ACH) or through FEDWIRE.** Drawing down amounts beyond immediate need may result in excess cash, and there are penalties for holding excess cash. Because of this, schools may want to carefully review the excess cash tolerances regulation.

A school on the advance payment method must determine the amount of funds it needs before it transmits a request to G5. The amount requested must be limited to the amount needed to make immediate disbursements so excess funds do not exist after disbursements are made. The amount should be enough to meet:

- Federal Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant disbursements to students;
- the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) disbursements to students and, if it applies, an administrative cost allowance (ACA);
- the federal share of Federal Work-Study (FWS) payroll disbursements and, if it applies, an administrative cost allowance (ACA);
- the federal share of Federal Perkins Loan disbursements and, if it applies, an administrative cost allowance (ACA); and
- Federal Direct Loan disbursements.

In general, the following equation may be used to calculate projected immediate needs:

Anticipated Disbursements	
minus	Balance of Cash on Hand
minus	Anticipated Recoveries
minus	ACH/EFT Cash in Transit
equals	Projected Immediate Need

A school's request for funds should not exceed its immediate need.

Excess cash
34 CFR 668.166

Three-day rule for funds received under the advanced payment method

A school must disburse FSA funds as soon as administratively feasible but no later than three business days following the date the school received those funds.

Cite: 34 CFR 668.162(b)(3)

For further information on processing and managing FSA funds, please see chapters 2 through 5.

Federal Capital Contribution (Perkins)

Congress has not authorized any Federal Capital Contribution (FCC) through the 2012–2013 application year.

Timing issues

When a school initiates a drawdown from G5, it should consider that processing requests within G5 typically takes one to three business days and consider whether the school is using ACH/EFT or FEDWIRE. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

Requesting cash

Schools request cash for all FSA programs directly from the federal government through G5.

Recording payments

Payees should keep records of submitted payment requests. The amount of each request and the corresponding control number(s) need to be carefully documented. These records will serve as an audit trail and help payees reconcile their books to the G5 Activity Report.

Delayed, denied, or reduced payment requests

Your payment requests may be delayed, denied, or reduced if any of the following occurs.

- an award included in your payment request is flagged for review and approval;
- the Department's Accounts Receivable has entered an offset against one or more of the awards;
- a program office has intervened as a result of a program review or audit finding.

Award periods

Before you can request cash, you must understand the award periods for G5 program authorizations. The length of the award periods vary by program and authorizing statute. The award period dictates when the payee can request cash. There are four award periods:

1. Performance period
2. Liquidation period
3. Suspension period
4. Closeout period

Performance period

The performance period is the period between the Title IV program award begin date and the Title IV program end date. During this period, schools can draw down cash. Before drawing down cash, schools must obligate that cash to eligible recipients (such as by submitting to ED disbursement records for students eligible for the Federal Pell Grant Program).

During this period:

- payees may request payments;
- payees may modify payment requests;
- payees may adjust drawdowns; and
- changes may be made to the Federal Student Aid (FSA) program's grant awards authorizations.

Liquidation period

The liquidation period is one month and follows the performance period and it is the first closeout phase. During the liquidation period –

- no new expenditures may be processed against a grant award;
- payees can draw down funds for obligations incurred during the performance period; and
- payees may use the period to adjust drawdowns for expenditures incurred during the performance period.

The last date a school can draw down cash from ED without special permission from the program office is the end of the liquidation period. Once the performance period ends, the closeout process begins.

The *Closeout Process* includes the liquidation, suspension, and closeout periods

Suspension period

The suspension period is also **one month** and follows liquidation. Once an FSA program has entered the suspension period, no payment actions can take place without the approval of the program office. ED program offices use this period to prepare for final closeout.

Closeout period

The closeout period immediately follows the suspension period. During closeout, the grant award is closed and any remaining cash is deobligated.

For all FSA programs, the periods are as follows:

1. Performance period – 59 months
2. Liquidation period – 1 month
3. Suspension period – 1 month
4. Closeout period – the period that follows the suspension period

Requesting and Managing FSA Funds

CHAPTER 2

Except for funds received as an administrative cost allowance (ACA), FSA funds received by a school are held in trust by the school for students and the Department. The cash management regulations discussed in this chapter establish rules and procedures that a school must follow in requesting and managing FSA Program funds. These rules and procedures also apply to third-party servicers.

OVERVIEW OF G5 SYSTEM

Schools use the G5 payment system to request payments, adjust drawdowns, and return funds. G5 also provides continuous access to current grant and payment information, such as authorized amounts, cumulative drawdowns, current award balances, and payment histories.

A school's ***authorization*** is the amount of FSA funds a school is currently eligible for in the year and program in question. The authorization is called the Current Funding Level (CFL). Please note that in Direct Loan and TEACH Grant programs, you might also hear the authorization referred to as the Cash Control Amount (CCA).

A school's ***available balance*** is the amount of cash available for a school to draw down through G5. The available balance is the difference between the authorized amount and the school's net drawdowns to date. A separate authorization is maintained for each program by award year.

A school may not request more funds than it needs to make disbursements to eligible students and parents. Therefore, a school must make the disbursements as soon as administratively feasible but no later than three business days following the date the school receives those funds.

If G5 accepts a school's request for funds, it will make an electronic funds transfer (EFT) of the amount requested to a bank account designated by the school.

Chapter 2 Highlights

- → Drawing down funds
- → Maintaining & accounting for funds
- → Excess cash
- → Administrative Cost Allowance
- → Fiduciary responsibility; escheating & garnishing prohibited
- → Returning funds

Adjusting drawdowns in the Campus-Based Programs

For instructions on transferring funds between Campus-Based programs, transferring funds between award years (carry forward and carry back), and the corresponding G5 entries, see *Volume 7*.

Self-assessment tool for fiscal management

You can evaluate your school's procedures by referring to "Fiscal Management" in the Managing Funds module of FSA Assessments at: **http://ifap.ed.gov/qahome/qaassessments/fiscalmanagement.html.**

Cash Management
34668.161

Funding methods

Cite: 34 CFR 668.162, except as noted.

The Advance Payment method

Under the Advance Payment method, once a school's funding levels have been established, a school may request (through the school's COD Customer Service Representative) a funding level increase.

Receiving funds under Heightened Monitoring

After the 2012–2013 award year, schools that receive funds under the Reimbursement, Heightened Cash Monitoring 1 (HCM1), or Heightened Cash Monitoring 2 (HCM2) funding method will not receive an initial authorization of Direct Loan funds. After the 2012–2013 award year, those schools will receive an authorization for Direct Loan funds after the COD system has accepted and posted actual disbursement records.

Iraq & Afghanistan Service Grant disbursements

For the Iraq & Afghanistan Service Grant Program, schools will not submit actual disbursements in the 2012–2013 award year. In the Iraq & Afghanistan Service Grant Program, ED will provide schools with an "Exception-Based Process" through which schools will be funded when they submit anticipated disbursements (DRI = False).

Supplemental Campus-Based allocations

Schools can return unused prior year Campus Based funds and request funds for the upcoming year through the **Reallocation - Supplemental award process**. Schools deobligate or request additional funds by completing the Reallocation form (ED Form E40-4P), due the third Friday in August.

ED will notify schools of any supplemental funding during the month of September.

DRAWING DOWN FSA FUNDS

Drawing down funds in the Direct Loan Program

Generally, schools under the Advanced Funding method receive an Initial Direct Loan authorizations in late spring or early summer prior to July 1. Initial authorizations are based on a schools net accepted and posted disbursements from the previous award year. A School Account Statement (SAS) is delivered to schools immediately following the first full weekend of the month, with data through the end of the previous month. The SAS is transmitted to each school's Student Aid Internet Gateway (SAIG) mailbox.

As a school submits actual Direct Loan disbursement records, the COD system will track the total accepted and posted amount against the school's authorized amount. Each time the school's total net accepted and posted disbursements exceed the school's authorization, the COD system will give the school an automatic authorization increase up to the level of the school's net accepted and posted disbursements.

Drawing down funds in the Pell, TEACH, and Iraq and Afghanistan Service Grant programs

There are no Initial Authorizations in the Pell, TEACH, and Iraq and Afghanistan Service Grant programs. A school's authorization for these programs will be based on the net accepted and posted actual disbursement records accepted by the COD system. A new ESOA will be sent to a school's SAIG mailbox each time an authorization changes for the Pell and Iraq and Afghanistan Service Grant programs.

Drawing down funds in the Campus-Based Programs

The Department awards Campus-Based funds to a school for an upcoming award year on the basis of *The Application to Participate* portion of the *The Fiscal Operations Report and Application to Participate* (FISAP). The way in which schools request Campus-Based funds from G5 will vary depending on the funding method under which schools operate. In all cases, a school may not request funds in excess of the actual disbursements it has made or will make to students (plus any Administrative Cost Allowance, if applicable).

Note: For the Campus-Based programs, schools do not report individual disbursements in COD. Schools report expenditures on their FISAP expenditure reports. Therefore, a school's allocation of Campus-Based funds is not revised during the year unless the school receives a supplemental allocation (see sidebar).

See *Volume 7* for more information on applying for and receiving Campus-Based funding.

Heightened Cash Management

The Department places a school on Reimbursement or Heightened Cash Monitoring (HCM) if it determines there is a need to more closely monitor the school's participation in the FSA programs. Under Reimbursement and Heightened Cash Monitoring 2 (HCM2), the Department releases funds to a school after the school has made the disbursement to the student (or parent borrower).

A school on the Reimbursement or HCM2, funding method must complete and submit Standard Form 270 with each request for reimbursement. (Note that a school may only submit one such request for reimbursement during any 30-day period.)

If a school is placed on reimbursement or HCM2, its administration of the Reimbursement or Cash Monitoring payment method must be audited every year. The independent auditor engaged by the school to conduct its annual compliance audit must express an opinion in the audit report regarding the school's compliance with the reimbursement or cash monitoring requirements, as applicable.

Reimbursement payment method

A school on Reimbursement must first disburse FSA program funds to eligible students and parents before it can request those funds from the Department. As part of its request, a school that has been placed on Reimbursement must:

- identify the students and parents for whom it is seeking reimbursement; and
- submit documentation demonstrating that each student and parent included in the request was eligible to receive, and received, FSA funds.

After the reimbursement request is approved, the Department transfers electronically the appropriate amount of FSA funds to the bank account in which the school maintains its federal funds.

Cash monitoring payment methods

Unlike the Reimbursement payment method where a school must provide detailed documentation for each student to whom it made a disbursement, the Department may relax the documentation requirements under Cash Monitoring payment method and provide funds to a school in one of two ways:

1. ***Heightened Cash Monitoring 1*** (HCM1). After a school makes disbursements to eligible students, it draws down FSA funds to cover those disbursements in the same way as a school on the advance payment method.
2. ***Heightened Cash Monitoring 2*** (HCM2). After a school makes disbursements to eligible students, it submits only the documentation specified by the Department. The Department may tailor the documentation requirements for schools on a case-by-case basis.

Maintaining & accounting for funds
34 CFR 668.163

Bank account requirements
34 CFR 668.163(a)&(b)

Interest bearing accounts
34 CFR 668.163(c)

Recordkeeping requirements
34 CFR 668.24

Not applicable to some programs

The cash management requirements are not applicable to the state grant and scholarship programs. The Special Leveraging Educational Assistance Partnership (SLEAP), the Robert C. Byrd Honors Scholarship (Byrd) Program, and if a state is the grantee, the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) are administered under rules established by the state.

Timely return of funds

Schools are required to make a timely return of any unearned funds after a student withdraws, as discussed in *Chapter 5*.

Bank notification via UCC-1 form

The requirement that a school file a UCC-1 statement when an account's name does not include the phrase *federal funds* was established to reduce the possibility that a school could misrepresent *federal funds* as its own funds to obtain a loan or secure credit. Because public institutions generally do not seek to obtain credit in the same manner as private institutions, they are exempt from the requirement.

MAINTAINING AND ACCOUNTING FOR FUNDS

All schools must maintain a bank account into which the Department transfers, or the school deposits, FSA funds. The account must be federally insured or secured by collateral of value reasonably equivalent to the amount of FSA funds in the account. A school generally is not required to maintain a separate account for each FSA program unless the Department imposes this requirement as a result of a program review or other action.

When a school does not maintain a separate account

A school has a fiduciary responsibility to segregate federal funds from all other funds and to ensure that federal funds are used only for the benefit of eligible students. Absent a separate bank account, the school must ensure that its accounting records clearly reflect that it segregates FSA funds. Under no circumstances may the school use federal funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of FSA funds or subjects FSA funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps). Clearly, carrying out these fiduciary duties limits the ways the school can otherwise manage cash in an operating account when that account contains FSA funds.

If a school does not maintain a separate account for FSA program funds, its accounting and internal control systems must:

- identify the balance for each FSA program that is included in the school's bank or investment account as readily as if those funds were in a separate account; and
- identify earnings on FSA program funds in the school's bank or investment account.

A school must maintain its financial records in accordance with the recordkeeping requirements described in *Volume 1*.

Bank account notification requirements

For each account that contains FSA program funds, a school must identify that FSA funds are maintained in the account by:

- including the phrase *federal funds* in the name of the account; or
- notifying the bank or investment company of the accounts that contain FSA funds and keeping a copy of this notice in its records and, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds.

The school must keep a copy of the UCC-1 statement in its records.

Interest-bearing or investment account

FSA funds must be maintained in an interest-bearing account or an investment account unless:

- the school drew down less than $3 million of these funds in the prior award year and anticipates that it will not draw down more than $3 million in the current award year, or
- the school can demonstrate that it would not earn over $250 in interest on the funds it will draw down during the award year.

An investment account must consist predominantly of low-risk income-producing securities. If a school chooses to maintain federal funds in an investment account, the school must maintain sufficient liquidity in that account to make required disbursements to students.

Any interest earned on FSA funds maintained in an interest-bearing account or an investment account that exceeds $250 per award year must be remitted to the Department by June 30 of that award year (see sidebar). A school may keep up to $250 per year of the interest or investment revenue earned (other than that earned on Perkins Loan funds) to pay for the administrative expense of maintaining the account.

Additional Perkins Loan requirements

A school that participates in the Perkins Loan Program must always maintain an interest-bearing account or an investment account for Perkins Loan funds. The school must maintain sufficient liquidity in its Perkins fund to make all required distributions.

If a school is also required to maintain an interest-bearing account or investment account for other federal funds, the school may use one account for Perkins Loan funds and all other federal funds. However, if the school chooses to maintain one account, it must determine the amount of any interest earned on the Perkins Loan funds and retain those funds for use in the Perkins program. The interest earned on the school's Perkins funds is not included in the $250 maximum award year interest the school is permitted to retain.

A school may deduct from the interest earned any bank or service charges incurred as a result of maintaining the fund assets in an interest-bearing account and deposit only the net earnings.

If a collection agency or third-party servicer receives funds directly from Perkins borrowers, it must immediately deposit those funds in a school trust account. The agency or servicer may open and maintain the account, but the funds in it belong to the school. If the funds will be held for more than 45 days, the account must be interest bearing.

Remitting Interest

The fastest, most efficient way to remit interest is through the G5 website at

http://www.g5.gov

A school with a user ID and password can go to the main menu and select **"Refunds"** then **"Interest."** They will be taken to the screens through which they can send ED interest.

Schools can also return excess interest income to ED by check. Send the check to:

U.S. Department of Education
P.O. Box 979053
St. Louis, Missouri 63197-9000

On the front of the check, the school should note its DUNS number and Document Award Number, and it should also indicate that the remittance is for interest earned.

Perkins bank account requirements
34 CFR 674.19(b)

Excess cash
34 CFR 668.166

Three-day rule for funds received under the advanced payment method

A school must disburse FSA funds as soon as administratively feasible but no later than three business days following the date the school received those funds.

For funds received from the Department, the three-day period begins on the day the school receives the funds in the account designated by the school for that purpose. For funds deposited in the school's account (1) as part of the school's compliance with the requirement to return funds if a student withdraws before completing a period for which the student was paid, (2) for federal Pell Grant funds deposited because of adjustments and federal Direct Loan funds deposited because of adjustments or cancellations, and (3) for funds deposited because a student failed to begin attendance, the three-day period begins on the date the school deposits the funds in the school's federal account.

Note: A school must return or deposit funds for a student who withdraws before completing a period for which the student was paid within 45-days of determining the student withdrew. A school must return or deposit funds for a student who failed to begin attendance no later than 30 days after the date the school became aware the student will or has not begun attendance. Finally, a school must complete a report within 30 days of making adjustments to a student's Pell or Direct Loan award.

When ED considers a check is issued if there's a finding

Generally, ED considers a check to be issued when the school mails the check to the student or parent or notifies the student or parent that a check is available for immediate pickup. However, upon finding that a school has maintained excess cash balances, the Department considers the school to have issued a check on the date that check cleared the school's bank account, unless the school demonstrates to the satisfaction of the Department that it issued the check to the student shortly after the school wrote that check.

EXCESS CASH

As mentioned earlier, under the advanced payment method a school must disburse funds no later than three business days following the date the school receives them. The Department considers excess cash to be any amount of FSA funds, other than Perkins Loan funds, that a school does not disburse to students or parents by the end of the third business day following the date the school:

- received those funds from the Department; or
- deposited or transferred to its Federal funds account previously disbursed FSA funds received from the Department, such as those resulting from award adjustments, recoveries, or cancellations.

Sometimes a school cannot disburse funds in the required three days because of circumstances outside the school's control. For example, a school may not have been able to disburse funds because of a change in a student's enrollment status, a student's failure to attend classes as scheduled, or a change in a student's award as a result of verification. In view of these circumstances, a school may maintain some excess cash for up to seven additional days.

Allowable excess cash tolerances

A school may retain for up to seven days an additional amount of excess cash that does not exceed one percent of the total amount of funds the school drew down in the prior award year. The school must return immediately to the Department any amount of excess cash over the one percent tolerance and any amount remaining in its account after the seven-day tolerance period.

The Department reviews schools to determine where excess cash balances have been improperly maintained. Upon a finding that a school has maintained an excess cash balance in excess of allowable tolerances, a school is required to reimburse the Department for the costs that the government incurred in making those excess funds available to the school.

Where excess cash balances are disproportionately large or where they represent a continuing problem with the school's ability to responsibly administer the FSA programs, the Department may initiate a proceeding to fine, limit, suspend. or terminate the school's participation in one or more of the FSA programs. For more on fines and other actions against schools, see *Volume 1*.

ADMINISTRATIVE COST ALLOWANCE (ACA)

Administrative Cost Allowance
34 CFR 690.10(b) and 34 CFR 673.7

The ACA is an annual payment calculated by ED and automatically deposited in the school's account to help offset the costs of administering the FSA programs. The Department reimburses schools participating in the Pell Grant Program $5 per award year for unduplicated recipients at the school who receive a Pell Grant. For the Campus-Based Program, the ACA is taken from the school's federal allocation and the maximum amount permissible is up to five percent of the sum of the loans advanced in Perkins, the total earned compensation in FWS, and the total awards to recipients in FSEOG.

For the Campus-Based programs, the ACA is not a separate allowance sent to the school. Rather, the school has the option of taking its Campus-Based ACA out of the annual authorizations the school receives for the FSEOG and FWS Programs and/or from the available cash on hand in its Perkins Loan fund. A school may draw its allowance from any combination of Campus-Based programs, or it may take the total allowance from only one program provided there are sufficient funds in that program and as long as the school has disbursed funds to students from that program during the award year.

A school must use its administrative costs allowance to offset its cost of administering the Pell Grant, FWS, FSEOG, and Federal Perkins Loan programs. Administrative costs may include the expenses incurred in carrying out a school's student consumer information requirements. In addition, a school may use up to 10 percent of its ACA that is attributable to the school's expenditures under the FWS Program to pay the administrative costs of conducting community service programs.

Charging Perkins cost against ACA

If a school charges any ACA against its Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made.

Schools' fiduciary responsibilities
34 CFR 668.14(b)(1)&(2)

A SCHOOL'S FIDUCIARY RESPONSIBILITY

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development Program, funds received by a school under the FSA programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school may not use (or use as collateral) FSA funds for any other purpose.

FSA funds are awarded to a student to pay current-year charges. Notwithstanding any authorization obtained by a school from a student or parent, the school must pay:

- any remaining balance from loan funds by the end of the loan period; and
- other remaining FSA funds by the end of the last payment period in the award year for which they were awarded.

A school that fails to disburse funds by those dates is in violation of the Department's cash management regulations.

In addition, a school has a fiduciary responsibility to:

- safeguard FSA funds;
- ensure FSA funds are used only for the purposes intended;
- act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student; and
- return to the Department any FSA funds that cannot be used as intended.

Reconciliation

Reconciliation is a process that a school must perform in operating the FSA programs. It is also a tool that a school should use to ensure that it's management of the FSA programs is optimal. Most importantly, reconciliation is a shared responsibility. That is, the business office and the financial aid office are equally responsible for performing the periodic reconciliation that is required to make certain that a school is managing the FSA programs as they should be managed. This responsibility involves much more than the mere sharing of reports. It requires joint action by the financial aid and business office to identify discrepancies and to correct them in a timely manner.

Schools are required to reconcile their Title IV funds. In the Direct Loan Program, reconciliation is a formal process that is required monthly.

GARNISHMENT OF FSA FUNDS IS PROHIBITED

No FSA grant, loan, or work assistance (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department.

A student's FWS wages may be garnished only to pay any costs of attendance that the student owes the school or that will become due and payable during the period of the award. Schools must oppose any garnishment order they receive for any other type of debt.

By law, FSA funds may only be used for educational purposes. If your school is not the employer in an off-campus employment arrangement, it must have an effective procedure to notify off-campus employers that garnishment of FWS wages for any debt other than a cost of attendance is not permissible.

Garnishment/attachment prohibited
HEA 488A(d)

ESCHEATING OF FSA FUNDS IS PROHIBITED

A school must return to the Department any FSA program funds, except FWS Program funds, that it attempts to disburse directly to a student or parent if the student or parent does not receive the funds or cash the check. (For FWS Program funds, a school is required to return only the Federal portion of the payroll disbursement.)

A school must have a process that ensures FSA funds never escheat to a state, or revert to the school or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the FSA regulations.

Example of a policy to prevent escheating

Typically, each state establishes the useful life of a check or bank draft used to disburse FSA program funds. After this established date, the check cannot be negotiated and the proceeds of an uncashed check normally escheat to an unintended third party (the state or the institution).

In state A, a bank check has a useful life of 180 days. In order to prevent FSA funds from escheating to a third party, the Business office at School A, at the end of each month, identifies all outstanding uncashed checks containing FSA funds. Prior to the 180th day, the Business office voids the uncashed checks and restores the funds back to the applicable FSA program.

TIME FRAME FOR RETURNING UNCLAIMED FSA CREDIT BALANCES

If a school attempts to disburse the credit balance by check or EFT and the check is not cashed or the EFT is rejected, the school must return the funds no later than 240 days after the date it issued that check or made the EFT. (For additional information on returning funds, see *Chapter 4*.)

However, if a check is returned to a school or an EFT is rejected, the school may make additional attempts to disburse the funds, provided those attempts are made not later than 45 days after the funds were returned or rejected.

In cases where the school does not make another attempt, the funds must be returned before the end of the initial 45-day period.

The school must cease all attempts to disburse the funds and return them no later than 240 days after the date it issued the first check.

Time frame for returning unclaimed funds
34 CFR 668.164(h)

Undelivered Perkins funds

If a portion of the undelivered credit balance consists of Perkins funds, the school must reimburse its Perkins Loan fund for that amount and report those funds as other income in Part III, Section A of the FISAP.

Unpaid FWS wages

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school's FWS account.

If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

Disbursing FSA Funds

CHAPTER 3

These rules apply to the following programs: Pell Grants, TEACH, and Iraq and Afghanistan Service Grants, Federal Supplemental Educational Grants (FSEOG), Perkins Loans, and Direct Loans. We have indicated when a rule applies to Federal Work-Study (FWS) funds. This chapter will discuss the rules for crediting federal student aid (FSA) funds to the student's account and making direct disbursements to the student or to the parent (PLUS), with provisions for early disbursements, delayed disbursements, and late disbursements.

CHAPTER 3 HIGHLIGHTS

- Notifications
- Authorizations
- Using electronic processes for notifications & authorizations
- Method of disbursement
- Credit balances
- Power of attorney
- Checking eligibility at the time of disbursement
- Prompt disbursement rules
- Disbursing FWS Wages
- Late disbursements

NOTIFICATIONS

Notification of disbursement

In general, there are two types of notifications a school must provide: (1) a general notification to all students receiving FSA funds, and (2) a notice when loan funds are credited to a student's account.

General notification

A school must notify a student of the amount of funds the student and his or her parent can expect to receive from each FSA program, including FWS, and how and when those funds will be disbursed. This notification must be sent before the disbursement is made.

If the funds include a Direct Loan, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. A school must provide the best information that it has regarding the amount of FSA program funds a student can expect to receive. Because the actual loan disbursements received by a student may differ slightly from the amount expected by the school (due to loan fees and rounding differences), you may include the gross amount of the loan disbursement or a close approximation of the net disbursement amount.

Loan and TEACH Grant notification

Except in the case of loan funds made as part of a post-withdrawal disbursement, when Perkins Loan, Direct Loan or TEACH funds are being credited to a student's account, the school must also notify the student or parent in writing (paper or electronically) of the:

- anticipated date and amount of the disbursement;
- student's (or parent's) right to cancel all or part of the loan or disbursement; and
- procedures for canceling a loan and the time by which the student (or parent) must notify the school that he or she wishes to cancel the loan, grant or loan or grant disbursement.

Note on Iraq Afghanistan Service Grants

The HEA (Sec. 420R(d)) specifies that those grants shall be awarded in the same manner, and with the same terms and conditions, as Federal Pell Grants.

Notices and Authorizations
34 CFR 668.165

The loan notification requirements for post-withdrawal disbursements are covered in *Chapter 6*.

Borrower notification via email
If you are notifying the student of the next disbursement by electronic mail or other electronic means, you are encouraged to follow up on any electronic notice for which you receive an "undeliverable" message.

Acceptable means of notification

Your school may not use an in-person or telephonic conversation as the sole means of notification because these are not adequate and verifiable methods of providing notice. However, a school may use in-person and telephone notices in addition to those provided in writing.

Confirmation process
34 CFR 668.165(a)(6)

The timing of a loan or TEACH Grant notification varies depending on whether a school obtains affirmative (active) confirmation from a student that he or she wants a loan. Affirmative confirmation is a process under which a school obtains written confirmation of the types and amounts of FSA program funds that a student wants for an award year before the school credits the student's account with those loan funds. See the *Application and Verification Guide* for more information on the confirmation process.

This notification must be sent:

- ***if the school obtains affirmative confirmation***, no earlier than 30 days before and no later than 30 days after crediting the student's account;
- ***if the school does NOT obtain affirmative confirmation***, no earlier than 30 days before and no later than 7 days after crediting the student's account.

Proration of loan fees for returned FSA loan funds

If a school returns a Direct Loan disbursement or a portion of a disbursement because a borrower has cancelled a loan, or because the school must satisfy the regulatory requirement, any fees or interest associated with the returned amount are reduced in proportion to the amount returned.

If the student or parent borrower wishes to cancel all or a portion of a loan, he or she must inform the school. A school must return the loan or grant proceeds, cancel the loan or grant, or do both, provided that the school receives the loan cancellation request within the following time frames:

- ***if the school obtains affirmative confirmation from the student***, by the later of the first day of a payment period or 14 days after the date the school notifies the student or parent of his or her right to cancel all or a portion of a loan or grant; or
- ***if the school does not obtain affirmative confirmation from the student***, within 30 days of the date the school notifies the student or parent of his or her right to cancel all or a portion of a loan.

If a school receives a borrower's request for cancellation outside of the period during which the borrower is required to cancel the loan, grant, or loan or grant disbursement, the school has the option of canceling the loan or directing the borrower to contact the appropriate servicer. The school must inform the student or parent **in writing** of the outcome of the request.

Self-assessment tool for fiscal management procedures

You can evaluate your school's procedures by referring to "Fiscal Management" in the *Managing Funds* module of FSA Assessments at

http://ifap.ed.gov/qahome/qaassessments/fiscalmanagement.html

When acting upon a cancellation request, your school must return the funds (if received) and/or cancel the loan or grant as appropriate. A school is not responsible for returning any portion of a loan or grant that was disbursed to a student or parent directly (e.g., as a result of a credit on the student's account) before the request for cancellation was received. However, you are encouraged to take an active role in advising the borrower to return the funds already received.

Direct Loan funds that are returned within 120 days of the disbursement by the school or the borrower, for any reason, are treated as a partial or full cancellation, with the appropriate adjustment of the loan fee and interest. In addition, Direct Loan funds that are returned by a school at any time to comply with a regulatory or statutory requirement are treated as a partial or full cancellation. Direct Loan funds that a borrower returns (or that a school returns at the request of the borrower) 120 days or more after disbursement are processed as a payment, and there is no adjustment of the loan fee or interest. For additional information on returning loan funds, please see *chapters 4* and *5*.

AUTHORIZATIONS

Authorizations
34 CFR 668.165(b)

Electronic disclosures
CFR 34 668.41(b) & (c)

Information Security Requirements
The Gramm-Leach-Bliley (GLB) Act requires that schools have in place an information security program to ensure the security and confidentiality of customer information, protect against anticipated threats to the security or integrity of such information, and guard against the unauthorized access to or use of such information. (For information on the GLB Act, see *Volume 1*.)

You must obtain authorization from a student (or parent borrower), before your school can perform any of the following activities:

- use FSA funds to pay for allowable educationally related charges **other than** tuition, fees, and room and board (if the student contracts with the school);
- credit FWS wages to a student's account to pay **any** educationally related charges;
- disburse FWS wages by Electronic Funds Transfer (EFT) to a bank account designated by the student or parent;
- hold an FSA credit balance (see the discussion later in this chapter);
- apply FSA funds (including FWS) to prior-year charges other than for tuition, fees, room, and board.

An authorization must explain what FSA funds are covered by the document, and it must specify the time period covered by the authorization. Unless otherwise specified, a student or parent may authorize a school to carry out the allowable activities for a specific period of time such as an academic year or for the entire period the student is enrolled, including multiple academic years.

A school may not require or coerce the student or parent to provide an authorization, and it must clearly explain to the student or parent how to cancel or modify the authorization. The school must also explain that a cancellation is not retroactive.

A student or parent may cancel or modify an authorization at any time. A cancellation or modification is not retroactive—it takes effect on the date that the school receives it from the student or parent. If a student or parent cancels an authorization to use FSA funds to pay for other allowable charges, the school may use FSA funds to pay any authorized charges incurred by the student before the notice was received by the school. If a student or parent cancels an authorization to hold excess funds, the funds must be paid directly to the student or parent as soon as possible but no later than 14 days after the school receives the notice. (See the discussion under *Time frame for paying credit balances* later in this chapter.)

However, regardless of any authorization obtained by a school, the school must pay any remaining balance on FSA loan funds by the end of the loan period and any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.

A school may include two or more of the items that require authorization in one statement. Each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

An authorization must clearly explain how the school will carry out an activity, but it does not need to detail every aspect pertaining to the activity. However, a blanket authorization that only identifies the activities to be performed is not acceptable. For instance, an authorization permitting a school to use an FSA credit balance (discussed later in this chapter) must provide detail that is sufficient to give the student or parent a general idea of what charges the credit balance would be used to pay. A blanket statement that the credit balance would cover any charges is not acceptable.

Using electronic processes for notifications and authorizations

So long as there are no regulations specifically requiring that a notification or authorization be sent via U.S. mail, a school may provide notices or receive authorizations electronically. You may also use an electronic process to provide required notices and make disclosures by directing students to a secure website that contains the required notifications and disclosures.

If you use an electronic process to provide notices, make disclosures, or direct students to a secure website, then every year you must notify each student individually. You may provide the required notice through direct mailing to each individual through the U.S. Postal Service, campus mail, or electronically directly to an email address.

The annual individual notice must —

- identify the information required to be disclosed that year;
- provide the exact internet or intranet address where the information can be found;
- state that, upon request, individuals are entitled to a paper copy, and inform students how to request a paper copy.

A School Must Obtain a Student's Voluntary Consent to Participate in Electronic Transactions

Voluntary consent to participate in electronic transactions is required for all financial information provided or made available to student loan borrowers, and for all notices and authorizations to FSA recipients required under 34 CFR 668.165.

Power of attorney
Perkins: 34 CFR 674.16(h)
FWS: 34 CFR 675.16(a)(8)

Power of attorney in disbursing FWS and Perkins funds

A school may not obtain a student's power of attorney to authorize FWS disbursements unless the Department has granted prior approval (contact your School Participation Team). Your school must be able to demonstrate that there is no one else (such as a relative, landlord, or member of the clergy, for example) who could act on behalf of the student.

Similarly, a school official may not use a student's power of attorney to endorse any Perkins Loan disbursement check or to sign for any Perkins Loan advance unless the Department has granted prior approval. Approval may be granted only if:

- the student is not available to sign the promissory note, and there is no one else (such as a relative, landlord, or member of the clergy) who could act on behalf of the student;
- the school shows that the funds cannot be directly deposited or electronically transferred;
- the power of attorney is not granted to a school official or any other official who has an interest in the loan; and
- the power of attorney meets all legal requirements under the law of the state in which the school is located, and the school retains the original document granting power of attorney in its files.

CHECKING ELIGIBILITY AT THE TIME OF DISBURSEMENT

Before you awarded funds to a student, you confirmed that he or she was an eligible student and was making satisfactory academic progress (See *Volume 2*). However, before disbursing FSA funds, you must determine and document that a student remains eligible to receive them. That is, you must confirm that:

- the student is enrolled in classes for the period;
- a student enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length has completed the previous period (credits and weeks or clock-hours and weeks of instruction);
- if the disbursement occurs on or after the first day of classes, that the student has begun attendance;
- for DL loans, the student is enrolled at least half time;
- first-time FSA borrowers have completed entrance counseling, received the required disclosures, and completed the first 30 days of their academic program (See *Volume 3*.);
- for TEACH Grants, the student has, for that award year –
    a) completed the relevant initial or subsequent counseling;
    b) signed an "Agreement to Serve;" and
    c) the appropriate GPA, has otherwise met the performance standard through testing, or is a retiree or a current or former teacher (See *Volume 2*).

The most common change that would make a student ineligible for a Stafford or PLUS disbursement is if the student has dropped below half time enrollment, so it is important that the financial aid office have a system to check the student's enrollment status at the time of disbursement.

If the student has only temporarily dropped below half time enrollment , you may still make a Stafford or PLUS disbursement after the student resumes at least half-time enrollment.

Liability for incorrect payments

A school is liable for any incorrect payments made to the student due to school error. School officials may be subject to a $10,000 fine, a prison sentence, or both, if they knowingly makes false or misleading statements.

Third-party responsibility for checking eligibility before disbursement
34 CFR 668.25(c)(4)

Interim disbursements to students selected for verification

A school can make an interim disbursement of certain types of FSA funds to a student who is selected for verification (including a student selected for verification by the school rather than the CPS). If the school has any conflicting documentation or other reason to believe that it does not have a valid output document, it may not make such a disbursement. See the current version of the *Application and Verification Guide*, for more details.

TEACH Grant Counseling

A student must complete TEACH Grant initial counseling prior to receiving the first disbursement of the student's first TEACH Grant. See *Volume 6* for information about the required counseling.

Disbursements to students on leave of absence

A school may disburse Pell, TEACH Grant, Iraq & Afghanistan Service Grant, FSEOG, or Perkins Loan funds to a student on a leave of absence. However, a school must not disburse Direct Loan funds to a student on a leave of absence.

Because FSA credit balance funds are funds that have already been disbursed, a school must pay an FSA credit balance to a student on a leave of absence.

Disbursement of funds received under Advanced Payment
34 CFR 668.162(b)

TIME FRAMES FOR PAYING FSA FUNDS

Prompt disbursement (three-day) rules

In general, schools that are not receiving federal cash from the Department through one of the heightened cash monitoring payment methods must make disbursements as soon as administratively feasible but no later than three business days after receiving funds from the Department. The disbursements may be credited to the student's account or made directly to the student or parent, as discussed earlier.

In order to comply with the excess cash regulations (described in *Chapter 2*), when requesting funds with which to make FSA disbursements, schools must ensure they do not draw down more cash than they can disburse over the next three days.

Note that these time frames for disbursing to the student's account (or directly to the student or parent) are different than those for paying FSA credit balances to the student or parent. As we discuss later in this chapter, a school generally has 14 days to pay an FSA credit balance to the student or parent, unless it has written permission to hold the credit balance.

Excess cash is discussed in *Chapter 2*.

Submitting disbursement records

A school must submit Federal Pell Grant, TEACH Grant, and Direct Loan disbursement records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement.

A school's failure to submit disbursement records within the required 30-day time frame may result in an audit or program review finding. In addition, the Department may initiate an adverse action, such as a fine or other penalty for such failure.

Defining the Date of Disbursement (34 CFR 668.164(a)

(***These rules apply to the FWS program as well.***)

It is important to define the date of disbursement because several regulatory requirements are based on that date. For instance, you must disburse an FSA credit balance to a student within 14 days of the date it was created or within 14 days of the first day of class, and you must notify a student of a loan disbursement within a time frame related to the date of that disbursement.

The date of disbursement also determines when the student becomes an FSA recipient and has the rights and responsibilities of an FSA recipient. For example, when FSA loan funds are disbursed to a recipient, the student or parent assumes responsibility for the loan and has the right to cancel the loan.

A disbursement occurs when your school credits a student's account **or** pays a student or parent directly with:

- FSA funds received from the Department; or
- School funds labeled as FSA funds in advance of receiving actual FSA funds (except as noted below[1]).

When using school funds in place of FSA funds, there are two situations where the FSA disbursement is considered to have taken place on the earliest day that the student could have received FSA funds rather than the actual disbursement date.

- If a school credits a student's account with its own funds earlier than 10 days before the first day of classes of a payment period, that credit is not considered an FSA disbursement until the 10th day before the first day of classes (the earliest a school may disburse FSA funds).
- If a student borrower is subject to the 30-day disbursement delay and a school credits the student's account with its own funds before the 30 days have elapsed, this is not counted as an FSA loan disbursement until the 30th day after the beginning of the payment period.

[1] If your school simply makes a memo entry for billing purposes or credits a student's account and does not identify it as an FSA credit (for example, an estimated Federal Pell Grant), it is not a disbursement. For example, some schools prepare billing statements or invoices showing the estimated amount of FSA funds that students are eligible to receive. These estimated amounts are not FSA disbursements.

DISBURSING FWS WAGES

Your school may use any type of payroll period it chooses, provided students are paid at least monthly. It is a good idea to have the FWS payroll correspond to other similar payrolls at the school. Unless you are paying the student with noncash contributions (see sidebar), you must pay the nonfederall share to the student at the same time you pay the federal share.

FWS wages are earned when the student performs the work. A school may pay the student after the last day of attendance for FWS wages earned while he or she was still in school. However, when a student has withdrawn from school and is not planning to return, FWS funds may not be used to pay for work performed after the student withdrew. A correspondence student must submit the first completed lesson before receiving a disbursement under the FWS Program.

For audit and program review purposes, your school must have documentation (e.g., canceled checks, bank statements) showing that students received disbursements in the amount charged to the FWS Program.

Crossover payment periods

When a payment period is in two award years (that is, when it begins before and ends after July 1), the student is paid for compensation earned through June 30 with funds allocated for the first award year and for compensation earned beginning July 1 with funds allocated for the following award year. (See *Volume 7* for a discussion of carrying back funds for summer employment.)

Disbursing to students from the correct award year is important; schools have been held liable when students were paid from the wrong FWS authorization.

Holding FWS funds on behalf of the student

With written authorization from a student, a school may hold, on behalf of the student, FWS funds that would otherwise be paid directly to the student (unless this is prohibited by the terms of a reimbursement payment method). The restrictions for such an authorization are the same as those that apply to written authorizations for disbursements to student accounts. If your school holds FWS funds on behalf of students, it must:

- identify the amount of FWS funds held for each student in a designated subsidiary ledger account;
- maintain cash in its bank account that is always at a minimum equal to the FWS funds being held for students; and
- disburse any remaining balance by the end of the school's final FWS payroll period for the award period.

FWS payments to students
34 CFR 675.16.

Crediting student's account
34 CFR 668.164(b)

Non-cash contribution

Your school also has the option of paying its share of a student's FWS wages in the form of a noncash contribution of services or equipment — for example, tuition and fees, room and board, and books and supplies. However, you may not count forgiveness of a charge such as a parking fine or library fine against a student who is employed under FWS as part of the school's noncash contribution to the student.

Non-cash payments (tuition, fees, services or equipment) must be made before the student's final payroll period of the award period. If the school pays its share for a forthcoming academic period in the form of prepaid tuition, fees, services or equipment, it must give the student—again, before the end of the student's final payroll period—a statement of the amount of the noncash contribution earned.

METHOD OF DISBURSEMENT

There are two ways to disburse FSA funds: by crediting the student's account for allowable charges at your school or by paying the student or parent directly.

Credit to the student's account

When a school disburses FSA funds to a student by crediting a student's account, it may do so only for allowable charges.

Allowable charges include:

- current charges incurred by the student at the school for tuition and fees as defined in *Volume 3*, and room and board if the student contracts with the school (third-party or pass-through charges are not included except in the case of third-party housing contracted by the school);
- if you obtain the student's or parent's (as applicable) written authorization, other educationally related charges incurred by the student at the school; and
- prior-year charges not exceeding $200 (see the discussion under *Paying prior-year charges* later in this chapter).

Direct disbursement to the student

You may also disburse FSA funds directly to the student or parent. Most schools choose to first credit FSA funds to the student's account at the school and then disburse the credit balance to the student or parent.

There are three ways that a school may disburse FSA funds directly to the student or parent.

- **Issuing a check or other instrument** payable to and requiring the endorsement or certification of the student or parent (a check is issued if the school releases or mails the check to a student or parent, or notifies the student or parent that the check is available for immediate pickup).
- **Initiating an electronic funds transfer** (EFT) to a bank account designated by the student or parent, including transferring funds to stored-value cards and debit cards (see the discussion under *Paying FSA Credit Balances* later in this chapter).
- **Disbursing to the student in cash**, provided that your school obtains a signed receipt from the student or parent.

Self-assessment tool for disbursement procedures

You can evaluate your school's procedures by referring to ***Disbursing Aid*** in the ***Fiscal Management*** module of *FSA Assessments.*

http://ifap.ed.gov/qahome/qaassessments/fiscalmanagement.html

Method of disbursement

- Credit to students account: 34 CFR 668.164(a), (b), &(d)(1)
- Direct disbursements: 34 CFR 668.164(d)
- Releasing a Pell check: 34 CFR 690.78(c)
- Cost of attendance: Section 472 of the HEA
- Prior-year charges: 34 CFR 668.164(d)(2)

Tuition and fees

Section 472 of the HEA
34 CFR 668.164(d)

Crediting Direct Loan funds to current charges first

Direct Loan funds credited to a student's account must first be used to pay for current charges.

Disbursements in programs of less than one year where grades are not awarded

Before disbursing funds to students enrolled in programs equal to or less than one year in which students do not receive grades or credits until the end of the program, your school must have a satisfactory academic progress standard as described in ***Volumes 1 and 2*** of the ***Federal Student Aid Handbook,*** and you must–

- measure a student's standing vis-a-vis satisfactory academic progress by the time the student has completed one-half of the program (one payment period). If no grades are given for the first half /payment period, a comparable assessment must be made; and
- not make second disbursements of FSA funds to a student who is not making satisfactory academic progress, except that a student on probation or warning may receive a second disbursement if he or she has completed the clock hours or credit hours associated with

PAYING SCHOOL CHARGES

Paying pass-through charges

The law allows a school to credit a student's account with FSA funds only to pay for institutionally provided housing. However, it is not necessary that the school actually own the student housing. The school may enter into a contract with a third party to provide the institutional housing.

If a school enters into a contract with a third party to provide institutional housing, the school may credit FSA funds to a student's account to pay for housing provided by a third party.

Keep in mind that other FSA requirements apply to both the funds used for the housing payment and to the physical location of the housing. For instance –

- A school must include the cost of housing as an institutional charge in any Return calculation required when an eligible recipient ceases to be enrolled prior to the end of the payment period or period of enrollment. (See *Chapter 6.*)
- The school must include the third-party housing among the locations for which it fulfills the requirements enumerated in *The Handbook for Campus Safety and Security Reporting.*

  http://www2.ed.gov/admins/lead/safety/handbook-2.pdf

  See *Volume 1* for additional information.

Campus security
34 CFR 668.41(e), 668.46, and 668.49

The third party must comply with the civil rights and privacy requirements contained in the school's Program Participation Agreement. (See *Volume 1.*)

Paying prior-year charges

In general, FSA funds may only be used to pay for the student's costs for the period for which the funds are provided. However, a school may use current-year funds to satisfy prior award year charges for tuition and fees, room, or board (and with permission, educationally related charges) for a total of not more than $200. **A school may not pay prior-year charges in excess of $200.**

FSA funds may not be used to repay a student's loan. Loan payments are not part of the cost of attendance for the period of enrollment.

The costs of education and other services a school provides a student are associated with the "year" for which the education and services are provided. **A school has discretion over how it defines a "year."**

- **If a student's aid package includes a Direct Loan, the "year" is the loan period.** In this scenario, costs for the current year are defined as charges for education and services the institution will provide during the current loan period for which the school originates a Direct Loan.
- **If the student does not have a Direct Loan, the "year" is the award year,** and costs for the current year are defined as charges for education and services the school will provide during the current award year.

Prior-year charges
34 CFR 668.164(d)(2)
DCL GEN-09-11

Prior Year

If the student's aid package does not include a Direct loan, *prior year* means **any** award year that ended prior to the start of the current award year.

If the student's aid package includes a Direct Loan, *prior year* means **any** loan period that ended prior to the start of the current loan period.

Apportioning and prorating charges

In most cases, the total charges a school assesses the student in a semester, academic year, or other instructional period are for education and services the institution provides within that period of time. However, some schools charge a student upfront for the total cost of a multiyear program (for example, the student signs an enrollment agreement and is charged for the total costs of an 1,800 clock-hour program at the beginning of the program). In this case, because the charges assessed upfront represent the costs of education and services that will be provided over a two-year period, the institution would, on a program basis, apportion the total charges over the two-year period to determine the amount of charges applicable to each year (each loan period or award year, as appropriate).

Institutional charges (generally speaking, tuition and fees) allocated to each year (or portion of a year) would be based on the education and services the school provides during that period of time, in the same way as they are for schools that charge their students year by year. Charges for books, equipment, supplies, and other materials could be allocated on a pro rata basis, or, alternatively, could be allocated to the period in which they must be purchased. An institution would use the total charges allocated to each year in determining the amount of current-year charges. The amount of current-year charges would then be used for determining whether the student has an FSA credit balance as described later in this chapter.

Note that this procedure for apportioning the costs over the length of the program does not affect how a school maintains or should maintain its accounting records.

Example: Apportioning charges when a school posts all charges to the student's account during the first payment period and the student has an FSA Loan

Katrina Technical Center (KTC) is a nonprofit postsecondary institution located in Houma, Louisiana, offering a program in storm-water abatement. Hanna Galiano entered KTC 's Abatement program on May 4, 2010. KTC posts the charges for the entire (1,500-hour) program at the beginning of the program.

Program Profile

Academic Year/Program	900 hours 30 weeks of instructional time
Program	1,500 hours 50 weeks of instructional time
Program Start Date	May 4, 2010
Program End Date	April 16, 2011
Program Cost	$13,500.00
Pell Award Years Included	July 1, 2009–June 30, 2010 July 1, 2010–June 30, 2011
Payment Period 1 (450 hours)	May 4, 2010, to August 14, 2010
Payment Period 2 (450 hours)	August 17, 2010, to November 27, 2010
Payment Period 3 (300 hours)	November 30, 2010, to February 5, 2011
Payment Period 4 (300 hours)	February 8, 2011, to April 16, 2011
First loan period (900 hours)	May 4, 2010, to November 27, 2011
Second loan period (600 hours)	November 30, 2010, to April 16, 2011

Hanna's Federal Student Aid Information

Hanna was eligible to receive the following Federal Student Aid during her program.

2009–2010 Pell Grant Scheduled Award	$4,800.00
2010–2011 Pell Grant Scheduled Award	$4,800.00
Subsidized Stafford Loan for First Loan Period	$3,500.00
Subsidized Stafford Loan for Second Loan Period	$2,334.00
Unsubsidized Stafford Loan for Second Loan Period	$1,000.00

When a school charges for an entire program at the start of the course (up front), a school may apportion or otherwise assign the total charges for a multiyear program to determine the amount of those charges applicable to each year (loan period or award year as appropriate). **Note that a school must use the same basis to apportion the charges for all students in a program.** For example, KTC could:

- apportion the charges in proportion to the number of clock hours in each loan period (900 hours/$8,100 in the first loan period and 600 hours/$5,400 in the second loan period; or
- increase the charges the school assigned to the first loan period and decrease the charges in the second loan period because the school retained charges for books and materials in the first period; or

Apportioning charges example continued

- apportion the $13,500 equally ($6,750) over each of the two loan periods (four payment periods).

KTC chose to apportion the charges in proportion to the number of clock-hours in each loan period.

Student's Apportioned Charges

First Payment Period (450 hours)	$ 4,050
Second Payment Period (450 hours)	$ 4,050
Third Payment Period (300 hours)	$ 2,700
Fourth Payment Period (300 hours)	$ 2,700

On May 4, 2010, the school credited Hanna's account with $4,150.00 in FSA funds—$2,400 in 2009–2010 Pell Grant funds and $1,750.00 in Stafford Loan funds. When applied against the $4,050.00 in school charges for the first payment period, the FSA funds created an FSA credit balance of $100.00 ($4,150.00 – $4,050.00) that the school electronically transferred to the bank account that Hanna had previously specified be used for that purpose.

On August 17, 2010, the school credited Hanna's account with $4,150.00 in FSA funds—$2,400.00 in 2010–2011 Pell funds and $1,750.00 in Stafford funds. When applied against the $4,050.00 in school charges for the second payment period, the FSA funds created an FSA credit balance of $100.00 ($4,150.00 – $4,050.00) that the school electronically transferred to Hanna's specified bank account.

On November 30, 2010, the school credited Hanna's account with $2,767.00 in FSA funds—$1,600.00 in 2010–2011 Pell funds and $1,167.00 in Stafford funds. When applied against the $2,700.00 in school charges for the third payment period, the FSA funds created an FSA credit balance of $67.00 ($2,767.00 – $2,700.00) that the school electronically transferred to Hanna's specified bank account.

Hanna began the fourth and final payment period on February 8, 2011, and the aid officer posted $1,167.00 in Stafford funds to Hanna's account. When the aid officer looked at Hanna's Pell eligibility, she found that Hanna had already used $4,000.00 of her $4,800.00 scheduled award, so Hanna was eligible for only $800.00 in Pell funds and a total of $1,967.00 in FSA funds ($1,167.00 + $800.00).

When the $1,967.00 in FSA funds was applied against the $2,700.00 in school charges for the fourth payment period, an unpaid balance of $733.00 ($2,700. 00– $1,967.00) remained. Hanna told the aid officer that she was able to meet her living expenses through her part-time job, but needed additional help to pay her tuition. She also said that she could use a little help with other school-related bills.

After discussing the matter, they arrived at the decision that Hanna would use an Unsubsidized Stafford Loan in the amount of $1,000.00 to cover the balance of the tuition, and the aid officer would transfer any credit balance remaining after her tuition was paid to the bank account Hanna had previously identified for that purpose.

Hannah's tuition and fees were now paid in full.

Hanna graduated from KTC and is working for the Army Corps of Engineers helping ensure that the levees in New Orleans never again fail.

Time frame for paying FSA credit balances

An FSA credit balance occurs whenever your school credits FSA program funds to a student's account and the total amount of those FSA funds exceeds the student's allowable charges. Please see *Chapter 6* for a discussion of credit balances when a student withdraws.

Credit balances
34 CFR 668.164(e)

If FSA disbursements to the student's account at the school create an FSA credit balance, you must pay the credit balance directly to the student or parent as soon as possible but no later than 14 days after:

Direct payments to students
34 CFR 668.164(c)

- the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period, or
- the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period.

School responsibility to pay credit balance in time frame
34 CFR 668.164(e)(1)&(2)

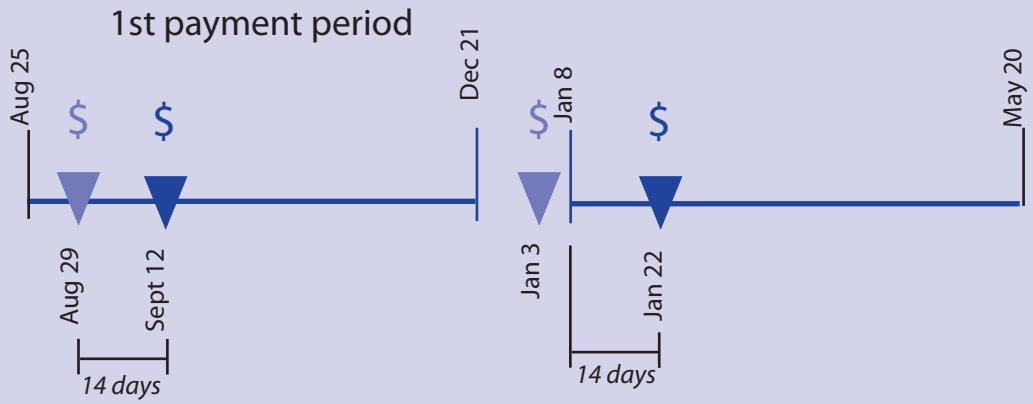
The law requires that any excess PLUS Loan funds be returned to the parent. Therefore, if PLUS Loan funds create a credit balance, the credit balance would have to be given to the parent. However, the parent may authorize your school (in writing or through **StudentLoans.gov**) to transfer the proceeds of a PLUS Loan credit balance directly to the student for whom the loan is made (for example, t**o** a bank account in the student's name). The Department does not specify how a school must determine which FSA funds create an FSA credit balance.

A school may not require a student to take any actions to obtain his or her credit balance. It is the sole responsibility of the school to pay, or make available, any FSA credit balance within the 14-day regulatory time frames.

Notwithstanding any authorization obtained by the school, the school must provide the student with any remaining FSA credit balance resulting from FSA loan funds by the end of the loan period and any other FSA program credit balances by the end of the last payment period in the award year for which the funds were awarded.

School responsibility to pay credit balance by the end of the last payment period
34 CFR 668.165(b)(5)(iii)

Example — 14-Day Time Frame for Paying Credit Balances



In the first payment period above, the school disburses FSA funds to incoming students after the students have started classes, so it has 14 days from that date to pay the credit balance to the student (or parent, in the case of PLUS).

In the second payment period, the school disburses FSA funds before classes start, so the school has 14 days *from the beginning of classes* to pay the credit balance.

FSA credit balances example

An FSA credit balance occurs only if the total amount of FSA program funds exceeds allowable charges.

For example, Ms. Inu Nagar enrolls at Eaglewood Technical Institute as a computer student, and her total allowable charges for the fall term amount to $1,500. ETI credits $2,000 to her account, comprising $1,000 in FSEOG, $500 in private scholarship funds, and $500 in Pell Grant funds.

Although there is an excess of $500 on the account, this does not constitute an FSA credit balance because the total amount of FSA funds ($1,500) does not by itself exceed the amount of allowable charges ($1,500).

If, in this example, ETI credited $600 of Pell Grant funds, rather than $500, an FSA credit balance of $100 would be created because the total FSA funds credited to the account ($1,600) would exceed the allowable charges ($1,500). The order in which these funds were credited does not matter.

PAYING FSA CREDIT BALANCES

Paying FSA credit balances by issuing a check

A school may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. A school is considered to have issued the check on the date that it:

- mails the check to the student or parent; or
- notifies the student that the check is available for immediate pickup and provides the specific location.

A school that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. A school can, within that 14-day period, do a number of things, including sending a notice to the student that his or her money is available. A school that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the school's process complies with the rest of the regulation. That is, **the school must be able to give the student a check when the student comes to the office within the 14-day time frame.**

If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored-value card), and not be told that a check will be mailed to him or her.

A school may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate FSA program.

Paying FSA credit balances by initiating an EFT

A school may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent. Moreover, a school may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of FSA funds to students. Consequently, **if a student does not comply with the school's policy, the school must nevertheless disburse the funds to the student either by dispensing cash, for which the school obtains a signed receipt, or issuing a check. A school must disburse the credit balance within the regulatory time frame.**

Refunds vs. paying credit balances

FSA regulations refer to the amount of aid that exceeds the allowable charges as a credit balance. School administrators sometimes refer to this as a refund; however, it is not the same thing as a refund under the school's refund policy or a post-withdrawal disbursement given to a student under the Return of Title IV Funds rules.

Credit balances under $1

A school is not required to pay a credit balance that is less than $1.

Paying credit balance by check

34 CFR 668.164(c)(1)(i)&(ii)

Delivery of FSA funds must be free

Schools are prohibited from charging students a fee for delivering FSA funds. If a school delivers FSA funds to students by crediting funds to a school-issued debit or smart card, the school may not charge students a fee for making withdrawals of FSA funds from that card. However, the school may charge for a replacement card.

Paying credit balance by EFT

34 CFR 668.164(c)(1)(iii), (c)(2) & (c)(3)

Bank Account

Bank Account means a Federal Deposit Insurance Corporation (FDIC) insured account or a National Credit Union Share Insurance Fund (NCUSIF) account. This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.

Standards for School-Required Bank Accounts (34 CFR 668.164(c)(3))

In cases where a school opens a bank account on behalf of a student or parent, establishes a process the student or parent must follow to open a bank account, or similarly assists the student or parent in opening a bank account, the school must:

1. obtain in writing affirmative consent from the student or parent to open that account. (If a school fails to obtain a student's consent, the school must have an alternative means of ensuring the student has access to his or her FSA credit balance within the time allowed by regulations and at no cost to the student.);
2. before the account is opened, inform the student or parent of the terms and conditions associated with accepting and using the account;
3. not make any claims against the funds in the account without the written permission of the student or parent, except for correcting an error in transferring the funds in accordance with banking protocols;
4. ensure that the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored-value card, other type of automated teller machine (ATM) card, or similar transaction device that is used to access the funds in that account;
5. ensure that the student has convenient access to a branch office of the bank or ATMs of the bank in which the account was opened (or ATMs of another bank), so that the student does not incur any cost in making cash withdrawals from that office or ATMs.

   This branch office or these ATMs must be located on the institution's campus, in institutionally-owned or operated facilities, or consistent with the meaning of the term "Public Property" immediately adjacent to and accessible from the campus.
6. ensure that the debit, stored-value or ATM card, or other device can be convertible to cash, and can be widely used (e.g., the institution may not limit the use of the card or device to particular vendors); and
7. not market or portray the account, card, or device as a credit card or credit instrument, or subsequently convert the account, card, or device to a credit card or credit instrument.

When a school uses third-party servicers to disburse FSA funds

In response to current trends, banks and financial service companies are now offering services that include:

- obtaining a student's authorization to perform electronic transfers;
- transferring Title IV funds electronically to a student's bank account;
- opening a bank account for the student; and
- issuing debit cards in conjunction with a participating bank.

Companies that contract with schools to provide these types of services in some instances become third-party servicers.

So long as a school cannot recall or receive a payment from a student or parent account, the Department considers the electronic transfer of funds to a bank account that a servicer opens on behalf of a student to be the equivalent of a school's transfer of funds to a student's account and the equivalent of making a direct payment to a student.

A school that enters into a contract with a servicer to provide debit, demand, or smart cards through which FSA credit balances are paid to students must have a system to ensure compliance with all regulatory time frames, including students having access to any credit balance within the 14 days and to any FWS wages at least once per month.

School-issued stored-value cards

When a school pays an FSA credit balance to a student by making those funds available through **a school-issued stored-value card over which the school exercises control,** the school is, in effect, holding a student's FSA credit balance. Therefore, **all of the conditions on holding credit balances apply.**

If a student withdraws his or her authorization for the school to hold the credit balance in a school-issued stored-value card, the school must deliver any remaining credit balance within 14 days.

If a student withdraws from school and any of the FSA credit balance in his or her school-issued stored-value card is unclaimed, the school must return to the Department any unclaimed funds within the time frames specified earlier in this volume under *Time frame for returning unclaimed FSA credit balances.*

Third-party servicers

A third-party servicer is an entity that contracts with a school to administer any aspect of its FSA programs, including managing the school's Perkins Loan collections. Thus, if a school contracts with a company to perform activities that are the school's responsibilities under the FSA regulations, the company is a third-party servicer.

In the contract between the school and the servicer, both parties must agree to comply with all statutory and regulatory provisions governing the FSA programs and agree to be jointly and severally liable for any violation by the servicer of these provisions. Also, unless a third-party servicer has only one client, the servicer must submit an annual audit of the activities it performs on behalf of the school to the Department. (See *Volume 1* for more information about Third-Party Servicers.)

Cites
34 CFR 668.25(c)
34 CFR 668.23(a)(3) & (c)

Requirements for Stored-Value and Prepaid Debit Cards

(DCL GEN 05-16 as modified by 34 CFR 668.164(c)(1)(iii)&(iv), (c)(2)&(c)(3))

A stored-value card is a prepaid debit card that can be used to withdraw cash from an automated teller machine (ATM) or to purchase goods from a merchant. We distinguish a stored-value card from a traditional debit card in this discussion by defining a stored-value card as not being linked to a checking or savings account.

Typically, a school enters into an agreement with a bank under which the bank issues stored-value cards directly to students identified by the school. In a payroll or credit balance transaction, the school electronically transfers funds to the bank on behalf of a student, and the bank makes those funds available to the student by increasing the value of the card. Since the funds are transferred from the school's account to the bank, so long as the school cannot recall those funds to pay other charges for the student without the student's written permission, the transaction would be equivalent to paying the funds directly to the student.

Under the following conditions, a school may use stored-value cards as a way to make direct payments to students (such as credit balances and Federal Work-Study (FWS) wages) by following the 10 rules.

1. A school must obtain a student's authorization to use a stored-value card for paying FWS wages.
2. The value of the card must be convertible to cash (e.g., a student must be able to use it at an ATM to make a cash withdrawal). In some cases, the cards are branded such as with the VISA or MasterCard logo, so the card may also be used to buy goods and services. We would not expect a school to limit the use of the card to specific vendors.
3. A student should not incur any fees for using the card to withdraw Title IV funds from ATMs of the issuing bank or credit union, including for failure to maintain a minimum balance. So long as ATMs from the issuing bank are conveniently located, a student may be charged a reasonable fee if the student chooses to use an ATM that is not associated with the issuing bank.
4. A student should not be charged by either the school or the affiliated bank for issuing a stored-value card. However, in the case of a lost or stolen card, a student may be charged a reasonable fee for a replacement card.
5. In order to minimize any risks with disbursing funds to a stored-value card account set up for a student, the account at the bank or credit union must be Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insured. This means that there has to be an individual account for each student that is FDIC or NCUSAIF insured.
6. In order for the disbursements to the stored-value card to be treated as payments made to a student, a school cannot make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
7. Since the stored-value card is being set up to disburse Federal Student Aid funds to a student, the account should not be marketed or portrayed as a credit card account and should not be structured to be converted into a credit card at any time after it is issued.

   A bank may wish to use its relationship with a student to offer other banking services such as checking accounts, savings accounts, or credit cards, but those should not link to the stored-value card account.
8. Prior to the card's activation, a student must be informed of all terms and conditions associated with accepting and using the card.
9. A school must ensure that its stored-value card process meets all regulatory time frames. (For example, a student must have access via the card to any credit balance within the 14-day time frames in 34 CFR 668.164, or to any FWS wages at least once per month.) [1]
10. A student's access to the funds on the stored-value card should not be conditioned upon the student's continued enrollment, academic status, or financial standing with the school.

1. If a school fails to obtain or the student withdraws his or her authorization, the school must have an alternative means of ensuring the student has access to his or her FSA credit balance within the time allowed by regulations and at no cost to the student.

Special provisions for books and supplies

In order to academically succeed in a program, a student must be able to purchase books and supplies at the beginning of the academic period. Therefore, by the seventh day of a payment period, a school must provide a way for a student who is eligible for a Federal Pell Grant to obtain or purchase the books and supplies required for the payment period if:

- ten days before the beginning of the payment period, the school could have disbursed FSA funds to the student; and
- disbursement of those funds would have created an FSA credit balance.

A school must consider all the FSA funds a student is eligible to receive at the time it makes the determination, but the school need not consider aid from non-FSA sources.

A school that includes the costs of books and supplies in the tuition charged and provides all of those materials to the student at the start of his or her classes meets the requirements of these regulations.

The amount a school must provide is the lesser of the presumed credit balance or the amount determined by the school that the student needs to obtain the books and supplies. In determining the required amount, a school may use the actual costs of books and supplies or the allowance for those materials used in estimating the student's cost of attendance for the period.

A school's policy must allow a student to decline to participate in the process the school provides for the student to obtain or purchase books and supplies.

If a school uses a bank-issued stored-value or prepaid debit card that is supported by a federally insured bank account to deliver funds for books and supplies, a student must have access to the funds via the card by the seventh day of his or her payment period. If a bank delays issuing a stored-value or prepaid debit card to the student because it must resolve conflicting identity data under federal law, the Department will not hold the institution accountable as long as the institution exercises reasonable care and diligence in providing in a timely manner any identity information about the student to the bank. Likewise, the school is not responsible if the student provides inaccurate information or delays in responding to a request from the bank to resolve any discrepancies.

Provisions for books and supplies
34 CFR 668.164(i)

Authorization not required
If a Pell eligible student uses the process provided by the school to obtain books or supplies, the student is considered to have authorized the use of the FSA funds, and no written authorization is required.

School options
A school has the flexibility to choose the method or methods to satisfy this provision based on its administrative needs and constraints or an evaluation of the costs and benefits of one or more method. For example, the school may issue a bookstore voucher, make a cash disbursement, issue a stored-value card, or otherwise extend credit to students to make needed purchases.

Schools may apply credit balances early to all students
Although the requirement is about a school providing a way for a student who is eligible for a Federal Pell Grant to obtain books and supplies, a school is not prevented from making credit balance funds available early in the payment period to other students.

Effect of Verification
To be eligible to receive the disbursement for books and supplies, a student must meet all the student eligibility requirements before the start of the student's payment period.

A student who has not completed the verification process, has an unresolved "C" code on the SAR and ISIR, or has unresolved conflicting information is not covered by the special provisions for books and supplies if those issues have not been resolved at least 10 days before the start of the student's payment period.

30-day delay requirement

If the 30-day delayed disbursement provisions for Stafford Loans apply to a student, a school should not consider the amount of any loan disbursement in determining the credit balance because the school may not disburse that loan 10 days before the start of that student's payment period.

Taking attendance

A school may take attendance or use an equivalent method to determine if a student is attending class, but unless the school determines that the student is not attending class, by the seventh day of the payment period, that student must be able to obtain books and supplies.

When a student withdraws

The requirement to provide a way for students to obtain their books and supplies does not change the treatment of FSA funds when a student withdraws discussed in *Chapter 6*.

When a student fails to begin attendance

The requirement to provide a way for students to obtain their books and supplies does not change the treatment of FSA funds when a student fails to begin attendance as discussed in *Chapter 4*.

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

Remember, if a book voucher issued by a school cannot be used to purchase course materials from a **convenient unaffiliated source,** the student does not have a **real and reasonable opportunity** to purchase his or her course materials elsewhere.

In that case, the school must include the cost of books and materials purchased with the voucher as institutional charges in Step 5, Part L of any Return of Title IV funds calculation.

Under a consortium agreement between two eligible schools, if a student is enrolled in a course at the host school and classes start before the payment period begins at the home school that is paying the FSA funds, the regulations require that the student obtain the books and supplies by the seventh day of the start of the payment period of the home school. If the host school is paying the FSA funds, the student must be able to obtain the books and supplies by the seventh day of the start of the payment period of the host school.

A student may decline to participate (opt out) in the way a school provides for obtaining books and supplies. For instance, if a school provides a bookstore voucher, the student may opt out by not using the voucher. If the school provides the funds using a stored-value or prepaid debit card, the school must have a procedure through which the student may opt out. For example, a school may require a student to notify the school by a certain date so that the school does not unnecessarily issue a check to the student or transfer funds to the student's bank account. If a student opts out, the school may, but is not required to, offer the student another way to purchase books and supplies as long as it does not otherwise delay providing funds to the student as a credit balance.

A school is required to provide, in its financial aid information and its notifications provided to students receiving FSA funds, information on the way the school provides for Federal Pell Grant eligible students to obtain or purchase required books and supplies by the seventh day of a payment period under certain conditions and how the student may opt out. The information must indicate whether the school will enter a charge on the student's account at the school for books and supplies or pay funds to the student directly. Also, during the aid counseling process, the school must explain to a student who qualifies for the funds advanced to purchase books and supplies how the method is handled at the school and how a student may opt out.

HOLDING FSA CREDIT BALANCES

A school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS). If your school has the authorization to hold the credit balance, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. Your school also must maintain, at all times, cash in its bank account at least equal to the amount that it holds for students. The school is permitted to retain any interest earned on the student's credit balance funds.

For detailed information and a sample authorization to hold a credit balance, see the discussion on that topic under *Authorizations* earlier in this chapter.

Because FSA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, you must pay:

- any remaining balance on FSA loan funds by the end of the loan period, and
- any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.

If your school has lost contact with a student who is due a credit balance, you must use all reasonable means to locate the student. If you still cannot find the student, your school must return the credit balance to the appropriate FSA program(s) and/or lender. The FSA regulations do not set specific rules for determining which funds created a credit balance. However, we encourage schools to return FSA funds to loan programs first to reduce the borrower's loan balance.

ED may prohibit holding credit balances

If the Department has placed a school on reimbursement or determines that the school has failed to meet financial responsibility standards, it may choose to prohibit the school from holding a credit balance for any student.

Authorization to hold an FSA credit balance

All elements of an authorization to hold an FSA credit balance must be conspicuous. An authorization must include the following elements:

- An authorization must explain what FSA funds are covered by the document, and it must specify the time period covered.
- An authorization must clearly provide the student or parent with the information he or she needs to make an informed decision.
- The student or parent must be informed that he or she may refuse to authorize any individual item, that he or she may cancel such authorization at any time, and that a cancellation is not retroactive.
- A credit-balance authorization must provide detail that is sufficient to give the student or parent an idea of how the credit balance will be used.

Sample Authorization to Hold an FSA Credit Balance

TRISKAIDEKA MARLEY UNIVERSITY
AUTHORIZATION TO HOLD A FEDERAL STUDENT AID CREDIT BALANCE

Through this document, you will tell Triskaideka Marley University (TKMU/the University) how you would like the school to manage the Federal Student Aid (FSA) credit balance on your student account.

An FSA credit balance is created when the total of all FSA funds credited to a student's account exceeds the total of tuition, fees, room, board, and other eligible educational charges on a student's account. Your FSA credit balance of $2,500 was created by funds from the Federal Pell Grant and Federal Direct Loan programs.

Unless a student or parent (in the case of a Parent PLUS loan) authorizes a school to hold a credit balance, the credit balance must be paid to the student or parent as soon as possible but no later than 14 calendar days after the balance is created (or 14 calendar days after the first day of class if the credit balance was created before the first day of class).

This form, if signed by you, authorizes TKMU to retain an FSA credit balance and pay it to you (the student or parent, as applicable) in accordance with ***TKMU'S Procedure for Paying Federal Student Aid Credit Balances***. TKMU will pay credit balances by depositing the funds in a savings or checking account designated by the student or parent or transferring the funds to a "stored-value" or "debit card" designated by the student or parent.

A student or parent has the right to withhold agreement from all or part of this authorization. If you elect not to authorize the University to hold your FSA credit balance, the funds will be paid to you (the student or parent as applicable) within the 14-day period noted above. Note that if you elect not to sign this form or if you later cancel your authorization, you will be required to pay any outstanding charges to the University.

This authorization will remain in effect for each subsequent payment period unless you withdraw it. However, in no case will TKMU hold an FSA credit balance of loan funds beyond the end of the loan period, nor an FSA credit balance of other funds beyond the end of the last payment period in the award year for which the funds were awarded.

This authorization may be withdrawn at any time by providing a written request to the following address:

TKMU Financial Aid Office
Director of Financial Aid
1300 Ted Drive, Suite 1313
Pixie, CA 13013

If you withdraw your authorization, the University will deliver any remaining credit balance to you within 14 days. (Note that your cancellation is not retroactive.)

Authorization

I voluntarily authorize the University to hold and manage my FSA credit balance as described above, and I acknowledge that interest will not be earned on these balances.

.. _____ Signature _____ Date

LATE DISBURSEMENTS

Generally, an otherwise eligible student or parent becomes ineligible to receive FSA funds on the date that the student:

- for the Direct Loan program, is no longer enrolled at least half time; or
- for the FSA Grant, or the Perkins Loan programs, the student is no longer enrolled at the school for the *award year.*

However, if certain conditions are met, students must be considered for a disbursement after the date they became ineligible. These disbursements are called "late disbursements."

Conditions for a late disbursement

A student must be considered for a late disbursement if the Department processed a SAR/ISIR with an official EFC before the student became ineligible. Therefore, a school must review its records to see if a student who did not receive a disbursement of FSA funds before becoming ineligible is eligible for a late disbursement (Check the "processed date" as described in the sidebar.) In addition, for a Direct Loan, the loan must be originated prior to the date the student became ineligible. For an FSEOG or a Federal Perkins Loan, the school must have made the award to the student prior to the date the student became ineligible. For a TEACH Grant, the school must have originated the award.

If a school receives a valid SAR/ISIR for a student who is no longer enrolled, before performing a Return calculation, the school must recalculate the FSA grant eligibility based on the student's enrollment status on the date the student ceased to be enrolled.

Late disbursements that must be made vs. late disbursements that may be made

If a student who qualifies for a late disbursement completes the payment period or period of enrollment, or withdraws during the payment period or period of enrollment, a school **must** make or offer, as appropriate, the late disbursement. A late disbursement for a student who has withdrawn during the payment period or period of enrollment is called a post-withdrawal disbursement (See *Chapter 6.*).

If a student did not withdraw or fail to complete the payment period or period of enrollment but ceased to be enrolled as at least a half-time student, a school **may** make a late disbursement of a Direct Loan. So long as a school has previously confirmed that a student started the loan period enrolled at least half time, a school is not required to reconfirm a student's attendance before making a late disbursement of an FSA loan.

Late disbursements
34 CFR 668.164(g)

Processed Date

For purposes of determining eligibility for a late disbursement, use the processing date on the SAR/ISIR. For an ISIR, use the field labeled ***Processed Date***. For a SAR, use the date above the EFC on the first page. For a SAR Acknowledgment, use the date labeled "transaction process date" in the School Use box.

Obtaining SAR/ISIR with earlier process date

In some cases, a school may have a SAR/ISIR with an official EFC processed while the student was enrolled but before the student listed the school on the FAFSA or ISIR. Subsequently, the school may have received a SAR/ISIR for the student with a processed date after the student ceased to be eligible. In this case, you need to obtain a copy of the earlier SAR/ISIR to document eligibility for the late disbursement.

Pell and Iraq & Afghanistan Service Grant disbursements

If a school receives a valid SAR or ISIR within the applicable deadlines, it must disburse the student's Pell or Iraq & Afghanistan Service Grant.

34 CFR 690.61(a)

Late disbursements may be declined

Though a school must make or offer late disbursements, a student or parent is never required to accept it. For example, a student may decline a late disbursement of a loan to avoid taking on debt.

Post-withdrawal disbursements

A post-withdrawal disbursement, a type of late disbursement, is FSA funds that were not disbursed before a student withdrew but which the student has earned based on a Return of Title IV Funds calculation. The conditions and limitations for a post-withdrawal disbursement are the same as for all other late disbursements. However, there are additional requirements for late disbursements made at post-withdrawal disbursements. A school must follow the rules for paying and/or offering a post-withdrawal disbursement in regulations governing the Return of Title IV Funds (see *Chapter 6*.

34 CFR 668.22(a)(5).

A student who withdraws and subsequently signs a promissory note in time for the school to include the loan funds in the Return of Title IV Aid calculation may receive a late (post-withdrawal) disbursement of the applicable amount of his or her loan funds (see *Chapter 6* for more information). In addition, a student who loses eligibility for a reason other than his or her withdrawal and subsequently signs a promissory note may receive a late disbursement of the applicable amount of his or her loan funds.

Limitations on making a late disbursement

The regulations prohibit a school from making a late disbursement in certain situations, **even if a student otherwise meets the conditions for a late disbursement. A school is prohibited from making:**

- a late second or subsequent disbursement of Direct Loan funds unless the student has graduated or successfully completed the loan period;
- a late disbursement of Direct Loan funds to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (unless the school meets the requirements for a waiver based on low default rates (See *Volume 1*); and
- a late disbursement of Title IV funds to a student for whom the school did not have a valid SAR/ISIR by the deadline established by ED;

In addition, a school may not make a late disbursement later than 180 days after the date the student becomes ineligible.

Paying a late disbursement

If a school chooses to make a late disbursement of a Direct Loan to a student who ceases to be enrolled as at least a half-time student, the school determines the amount of the late disbursement of the Direct Loan it will offer the student by determining the educational costs the student incurred for the period of instruction during which the student was enrolled at least half time.

A school must contact a student prior to making any late disbursement of FSA loan funds and explain to the student his or her obligation to repay the loan funds if they are disbursed. The information provided in this notification must include the information necessary for the student or parent to make an informed decision about whether the student or parent would like to accept any disbursement of the loan funds. In addition, the school must confirm that the loan funds are still needed by the student and that the student wishes the school to make the disbursement.

Your school may credit a student's account with a late disbursement of FSA grant funds without the student's permission for any current allowable charges. A school must obtain a student's authorization to credit a student's account with FSA grant funds for charges other than current charges.

If grant funds remain to be disbursed from a late disbursement after the outstanding charges on the student's account have been satisfied, the school must pay the grant funds directly to the student within 14 days.

If a student had an FSA credit balance before becoming ineligible and that credit balance consists of FSA loan funds, the school must offer the funds in writing to the student and may not disburse the loan funds directly to the student without first having obtained the student's authorization.

Flexibility in contacting students

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

- counsel 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 late disbursement of grant or loan funds for other than institutional charges;
- obtain permission to make a late disbursement of grant or loan funds directly to a student; and
- confirm that a student wishes the school to receive, as a direct disbursement, any grant or loan funds the student is due as a late disbursement.

A student's response to an offer of FSA funds from late disbursement does not have to be in writing. However, a school must document the student's response.

Conditions and Limitations on Late Disbursements

These Conditions Must Be Met Before a Student Loses Eligibility in Order for the Student to Receive a Late Disbursement (34 CFR 668.164(g)(2))

Program		
Pell Grant[1]	For all programs, the Department processed a SAR/ISIR with an official EFC.	No additional requirements.
FSEOG		Student is awarded a grant.
Direct Loans		A loan record is originated.[2]
Perkins Loans		Student is awarded the loan.
TEACH Grants		The grant is originated.

These Additional Limitations Must Be Satisfied Before a School May Make a Late Disbursement (34 CFR 668.164(g)(4))

Program	
Pell Grant[1]	For all Title IV programs. a school received a valid SAR/ISIR by the date established by the Department.
FSEOG	No additional limitations.
Direct Loans	1 For a first-time, first-year borrower, student completed 30 days of the program. (Subject to waivers discussed in *Volume 3*.) 2 For a second disbursement, student graduated or completed the period for which the loan was intended.
Perkins Loans	No additional limitations.
TEACH Grants	School received a valid SAR/ISIR by the date established by the Department.

[1] Within this chart, the rules for a Pell Grant also apply to Iraq and Afghanistan Service Grants.

[2] A school may not originate a Direct Loan for a loan period in which the student is no longer enrolled on at least a half-time basis, even if the student is otherwise still enrolled at the school.

[3] For all programs, the late disbursement is made no later than 180 days after the date of the school's determination that the student withdrew, or, for a student who did not withdraw, 180 days after the student became ineligible.

Overawards and Overpayments

CHAPTER 4

In this chapter, we will discuss a student's and a school's responsibility for resolving overawards and overpayments. This chapter does not cover returning funds when a student withdraws.

Please see Chapter 6 for a discussion of returning funds when a student withdraws.

OVERAWARDS

An overaward exists when a student's aid package exceeds his or her need. While your school must always take care not to overaward a student when packaging his or her aid, circumstances may change after you have packaged the student's aid that result in an overaward. (Please see *Volume 3* for a discussion of avoiding overawards during the packaging process.) For instance, the student may receive a scholarship or grant from an outside organization. When an overaward situation arises, you may be required to adjust the federal student aid (FSA) in the student's package in order to eliminate the overaward.

Overawards only become overpayments if a school cannot correct them before funds are disbursed to a student. That is, an overpayment exists when some or all of the funds that make up an overaward have been disbursed to the student. An overaward exists whenever:

- a school awards aid either to a student who is ineligible for a specific program or to a student who is ineligible for any FSA program assistance;
- a student's award in an individual program exceeds the regulatory maximum, e.g., the annual or aggregate loan limits, the annual limit on Federal Supplementary Educational Opportunity Grant (FSEOG) awards, or a Pell award based on the wrong payment schedule/enrollment status;
- a student's aid package exceeds his or her need (including when the student's Expected Family Contribution [EFC] is revised upward after initial packaging);
- a student's award exceeds his or her cost of attendance (COA); and
- a student is receiving a Pell, or Iraq and Afghanistan Service Grant at multiple schools for the same period.

In general, unless a school is liable, a student is liable for any overpayment made to him or her.

When there are different regulations

When a student's aid package includes assistance from multiple programs and those programs have different overpayment regulations/requirements, a school must **apply the most stringent/restrictive requirements**.

Overpayments
FSA debts 34 CFR 668.35
Pell Grants 34 CFR 690.79
DL 34 CFR 685.303(e)

Overpayments and eligibility
HEA Sec. 484(a)(3)
34 CFR 668.22(h), 668.32(g)(4), 668.35(c)&(e)

Recovery of interim disbursements
34 CFR 668.61

Recovery of loan disbursements to ineligible students
34 CFR 668.139

Pell Grants

A Pell Grant is determined by using the Pell Payment Schedule appropriate for the student's enrollment status, as well as the correct EFC and COA. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. Therefore, if a student's aid package exceeds his or her need, you must attempt to eliminate the overaward by reducing other aid your school controls. A Pell Grant awarded to an ineligible student is an overaward, as is a grant based on an enrollment status greater than that for which the student is enrolled.

Iraq and Afghanistan Service Grants

The following situations are considered Iraq and Afghanistan Service Grant overawards and must be corrected:

- an award made to an ineligible student;
- an award based on a Pell Grant Payment Schedule for an enrollment status greater than that for which the student is enrolled;
- an award that by itself exceeds a student's COA.

Iraq and Afghanistan Service Grants, like Pell Grants, are not adjusted to take into account other forms of aid. So, if a student's aid package includes an Iraq and Afghanistan Service Grant and the aid package exceeds his or her need or cost of attendance, but the Iraq and Afghanistan Service Grant was determined correctly and by itself does not exceed the student's need, you must reduce other aid in your effort to eliminate the overaward.

If an Iraq & Afghanistan Service Grant recipient becomes Pell eligible

If an Iraq & Afghanistan Service Grant recipient becomes eligible for a Pell during award year, then the school must treat the Pell as Estimated Financial Assistance and may need to adjust the student's aid package.

Schools should have a process to identify Iraq & Afghanistan Service Grant recipients who on ISIRS reporting subsequent transactions become Pell eligible during the year.

TEACH Grants

When a student has no need-based aid

TEACH Grants are not considered to be need-based aid. However, a student's **TEACH Grant in combination** with a student's other **non-need-based** estimated financial assistance (EFA) may not exceed the student's COA.

If a student is **not** receiving need-based financial assistance, the EFC is not included in determining whether a student is in an overaward status. If you discover a situation where for a student who is not receiving any need-based financial assistance the TEACH Grant in combination with other **non-need based** EFA exceeds the student's COA, the TEACH Grant must be reduced.

When a student is receiving need-based aid

For a student who is receiving need-based federal student aid, a student's EFC, plus the student's TEACH grant, plus the student's other EFA, may not exceed the student's COA.

As with Unsubsidized Stafford Loans, PLUS Loans, and nonfederall education loans, TEACH Grants may be used to replace a student's EFC. If a TEACH Grant exceeds a student's EFC, the excess TEACH Grant is considered financial assistance for other FSA programs.

If a student's EFC, plus the student's TEACH Grant, plus the student's EFA exceeds the student's COA, the school should first apply the TEACH Grant to finance the EFC. (Remember, any TEACH Grant above the EFC is considered financial assistance for other FSA programs.) If the EFC plus any excess TEACH Grant, plus any other EFA still exceeds the student's COA, the student is in an overaward status that the school must resolve.

Before reducing a student's need-based aid, the school should re-evaluate the student's COA to determine whether the student has increased costs that the school did not anticipate when the school originally awarded aid to the student. If the student's cost have increased and the student's total aid package does not exceed the revised COA, the school is not required to take further action. If the school determines that the student's aid package still exceeds the student's COA, the school must resolve the overpayment.

COA may not be exceeded
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TEACH Grant maximums
34 CFR 686.21(c)

TEACH may replace EFC
34 CFR 686.21(d)

Reminders

1. If a school chooses not to use the TEACH Grant to finance the EFC, then all of the TEACH Grant is considered EFA for the other FSA programs.
2. If a TEACH Grant overpayment exists, beginning with any unsubsidized loans, the school should first reduce a student's level of borrowing. Once a student's loans have been reduced, or if the student has no loans, it may be necessary for the school to reduce the student's TEACH Grant or other aid.
3. If a school fails to follow required procedures, it must repay any FSA overpayment. If the school followed the required procedures and the FSA overpayment is $25.00 or more, the student must repay the overpayment.

TEACH Grant Overpayments – Examples

Example 1

When a student is not receiving need-based aid

Rule: The Teach Grant, in combination with other non-need-based EFA, may not exceed COA, and any EFC is ignored.

COA	$9,000.00	TEACH Grant	$4,000.00
EFC (ignore)	1,000.00	Other non-need-based EFA	6,000.00
		Total EFA	$10,000.00

A student receives a $6,000.00 **non-need-based** scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is not receiving any need-based EFA, and therefore the EFC is ignored. The TEACH Grant plus the other non-need-based EFA exceeds the COA by $1,000.00 ($10,000.00 – $9,000.00). The $1,000.00 is a TEACH Grant overpayment the school must resolve.

Example 2

When a student is receiving need-based aid

Rule: The student's EFC plus the Teach Grant, in combination with any other EFA, may not exceed COA. However, the TEACH Grant may be used to replace the EFC. If a school elects this option, the amount by which the TEACH Grant exceeds the EFC is considered EFA for FSA purposes.

A student receives a $6,000 **need-based** scholarship after beginning class, and after his TEACH Grant has been posted to his account. The student is receiving need-based EFA. Therefore, the EFC must be considered. The total of the EFC ($1,000.00), the TEACH Grant ($4,000.00), and other EFA ($6,000.00), is $11,000.00 and exceeds the COA by $2,000.00 ($11,000.00 – $9,000.00). The $2,000.00 is an overpayment the school must resolve.

COA	$9,000.00	TEACH Grant	$4,000.00
		Need-based EFA	6,000.00
		EFC that must be included	1,000.00
			$11,000.00

If the school elects to use $1,000.00 of the TEACH Grant to *replace* the EFC, only $3,000.00 of the TEACH Grant will be included as financial assistance, and the overpayment that must be resolved by the school will be reduced to $1,000.00 (from $2,000.00 because the total aid will now total only $10.000.00).

Campus-Based programs

If a school learns that a student received financial assistance that was not included in calculating the student's eligibility for aid from the Campus-Based programs and that assistance resulted in the student's total financial assistance exceeding his or her financial need by more than $300, the school must take steps to resolve the overpayment.

Before reducing the student's Campus-Based aid, the school should re-evaluate the student's need to determine whether he or she has increased need that was not anticipated when the school initially awarded aid to the student. If the student's need has increased and if the total financial assistance does not exceed the revised need by more than $300, the school is not required to take further action.

If the school recalculates the student's need and determines that the student's need has not increased, or that his or her need has increased but that the total financial assistance still exceeds his or her need by more than $300, the amount that exceeds the student's need by more than $300 is an overpayment. The school must eliminate the amount of the overpayment that exceeds the $300 threshold.

FWS Program

Because a student can't be required to repay wages earned, you can only adjust FWS by reducing the hours a student can work in the future and thus the student's future earning. You can continue to employ the student, but the student can't be paid from FWS funds. If you've already adjusted all other federal aid and institutional aid, and there's still an overaward, **you must reimburse the FWS program from your school's funds.** You cannot require the student to repay wages earned.

FSEOG Overpayments

For purposes of FSEOG overpayments, when a school awards FSEOG using the individual recipient or aggregate matching share methods, the FSEOG overpayment amount includes only the federal share. When a school uses the fund-specific method of matching, there is no distinction between federal and other funds. As a result, 100 percent of the funds disbursed are considered part of the overpayment.

Campus-Based overawards
34 CFR 673.5(d)

Campus-Based overaward tolerance

The $300 overaward tolerance/threshold for the Campus-Based programs is allowed only if an overaward occurs after Campus-Based aid has been packaged.

The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other, exceeds the student's financial need.

Overaward tolerance for Stafford Loans

In general, there is no tolerance when determining an overaward in the Direct Loan program. However, if a student's financial aid package contains a Direct Loan and an FWS award, a $300 tolerance can be applied to eliminate the overaward.

If an overpayment occurs for a student who has a Direct Loan and Campus-Based awards, unless the Direct loan has been fully disbursed, the Direct Loan must be reduced before the Campus-Based awards are adjusted or canceled.

Overaward and unsubsidized loan example

Hector's EFC is 4,000. His cost of attendance is $12,000. He is supposed to receive a subsidized Stafford Loan of $5,000 and an unsubsidized Stafford Loan of $3,000, which completely meets his need. Before he receives his first loan disbursement, Guerrero University also gives him a $2,000 scholarship. If Hector's entire loan amount of $8,000 had been subsidized, Guerrero would have to send some of the loan back. But because part of the loan amount is unsubsidized, Guerrero simply considers that $2,000 of the unsubsidized loan that applied to Hector's financial need is now being used to replace part of his EFC.

Direct Loans

If you discover that a student has been overawarded and your school has already received and disbursed Direct Stafford or PLUS loan funds, you have a number of options:

- If the package includes an Unsubsidized Direct Stafford Loan, a Direct PLUS Loan, or a nonfederall education loan and the aid package doesn't already apply these loans to finance the EFC, and the school so chooses, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.
- The second or subsequent disbursement of a Direct Stafford Loan, a Direct PLUS Loan, or a nonfederall education loan can be canceled or reduced.
- If the aforementioned adjustments have been made and an overaward still exists for a Direct Loan borrower, you must withhold and promptly return to the Department any funds that have not yet been disbursed to the borrower.

  If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, you must return all of the loan proceeds. Note that Direct Loan overawards must be repaid before adjusting or cancelling Campus-Based funds.
- If a student becomes ineligible for only a part of a Direct Loan, you can reduce the loan to eliminate the amount for which the student is ineligible.

If the overaward situation occurs after Direct Loan funds have been fully disbursed, you do not need to adjust it. However, you might have to adjust the aid package to prevent an overaward of Campus-Based funds.

Although a school isn't required to return Direct Stafford Loan, Direct PLUS Loan, or nonfederall education loan funds that were disbursed to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent your school from returning funds that were applied to the student account if you choose to do so. A borrower who receives a direct payment of loan funds is not required to repay an overawarded amount, unless the overaward was caused by his or her misreporting or withholding information.

A resolved overaward may become an overpayment

TIP

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

If the school is responsible for repaying the overpayment, the school must repay the overpayment **before** completing any required Return calculation as described in *Chapter 6*.

If a student is responsible for repaying the overpayment, and the student withdrew after the 60 percent point in the payment period or period of attendance, as applicable, the school should try to collect the overpayment from the student, and if it is unable to do so, should refer the student to the Department's Debt Resolution Services.

If the student is responsible for repaying the overpayment and the student withdrew before the 60 percent point in the payment period or period of attendance, as applicable, the school should not take any action until it has completed the required Return calculation.

However, when performing the Return calculation, the school should not include the amount of the overpayment for which the student is responsible as *Aid that was or could have been disbursed (See Chapter 6.)*. Then, when the school has completed the Return calculation, it should document the amount of the overpayment and, as applicable, reduce any post-withdrawal disbursement or increase any amount the student must return by the amount of the overpayment owed by the student.

WHEN A STUDENT FAILS TO BEGIN ATTENDANCE

A student is considered not to have begun attendance if a school is unable to document the student's attendance in any class.

If your school disburses Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan or FSEOG funds but the student never begins attending classes, you must return the disbursed funds to the respective programs even if those funds were disbursed directly to the student.[1] If the student begins attending some but not all of his or her classes, you will have to recalculate the student's Pell or Iraq and Afghanistan Service Grant award based on the student's actual enrollment status—see *Volume 3*.

Returning funds for students who do not register or fail to begin attendance
34 CFR 668.21
34 CFR 674.16(f)
34 CFR 676.16(d)
34 CFR 685.303(b)(3).

If a school disburses Direct Loan funds but the student does not begin attendance, the school must return all Direct Loan funds that were credited to the student's account at the institution for the payment period or period of enrollment. In addition, a school must return the amount of any payments made directly by or on behalf of the student to the school for the payment period or period of enrollment, up to the total amount of the loan funds disbursed.

Time frame for returning funds for students who fail to begin attendance
34 CFR 668.21(b)

In addition, a school must return any Direct Loan funds that it disbursed directly to a student if the school knew prior to disbursing the funds directly to the student that the student would not begin attendance. (for example, if a student notified the school that he or she would not be attending or if the school expelled the student prior to directly disbursing the funds.)

Recalculating Pell eligibility when a student's enrollment status changes
34 CFR 690.80(b)(ii)

For any remaining loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student. To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. Click on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on IFAP under the "Help" menu ("Contact Information" / "Service Centers for Schools," / "Loan Service Centers for Schools."

When a student withdraws after starting classes but before a school's census date

A student begins earning FSA funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation described in *Chapter 6*.

A school may not ignore information available to any office at the school indicating that a student failed to begin attendance.

1. A school may satisfy this requirement either by redepositing the funds in its federal funds account and disbursing them within three days to another eligible student or by returning them to the appropriate FSA program using the refund function in G5.

Schools must return funds disbursed to students who failed to begin attendance as soon as possible, but no later than 30 days after the date that the institution becomes aware that a student will not or has not begun attendance.

At a school that is not required to take attendance but that has a census date on which it reports its enrollment levels to a state, local jurisdiction, or outside agency, it is reasonable to expect the school to return funds as soon as possible, but no later than 30 days after the census date.

A school that draws down FSA grant or Direct Loan funds under the advanced payment method must disburse those funds no later than three business days following the date the school receives them. If after a school draws down FSA grant or Direct Loan funds, but before the school disburses them, the school discovers that it cannot disburse all the funds because one of the students for whom the funds were intended has not begun classes, the school must return those funds within the three-day period unless it can disburse them to another eligible borrower or as described under *Excess Cash* in *Chapter 2*.

After the start of classes, FSA funds should not be disbursed without schools confirming that recipients have begun attendance.

When funds are considered to have been returned for a student who fails to begin attendance

The Department considers a school to have returned FSA funds timely if the school:

1. deposits or transfers the funds into its federal funds account no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance;
2. initiates an electronic funds transfer (EFT) no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance; or
3. issues a check no later than 30 days after the date the school becomes aware that a student will not or has not begun attendance. An institution does not satisfy this requirement if –
    - the school's records show that the check was issued more than 30 days after the date that the school becomes aware that the student will not or has not begun attendance; or
    - the date on the cancelled check shows that the bank used by the Department endorsed that check more than 45 days after the date that the school becomes aware that the student will not or has not begun attendance.

TREATMENT OF OVERPAYMENTS

Overpayments for which the school is responsible

Please also see the discussion later in this chapter under "Overpayments for which the student is responsible."

Examples of overpayments due to school error

Allen received a Pell at Sarven Technical Institute. Although Sarven had the correct EFC on Allen's ISIR, the school looked at the wrong chart and used a different EFC in the Pell calculation. So, Allen received too much money. Because the overpayment is due to a school error, Sarven is liable for the overpayment.

Owen received an outside scholarship to attend Guerrero University. The bursar's office was notified of the scholarship so that it would apply the payments properly but didn't notify the financial aid office. Owen received a Perkins Loan, but the financial aid office didn't take the scholarship into account when awarding the loan because it didn't know about the scholarship. When the financial aid office later found out about the scholarship, it discovered that Owen received too much aid and had a $600 Perkins overpayment. Because the school had information about the scholarship (even though the financial aid office didn't), the overpayment is due to a school error.

Your school is liable for any amount of a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan or FSEOG overpayment (including amounts under $25) that occurred because your school failed to follow the requirements in 34 CFR parts 668, 673, 674, 676, 690, or 691, as applicable. If your school makes a Perkins Loan or FSEOG overpayment in any amount for which it is liable, you must immediately restore (to your Perkins loan fund or FSEOG account, as applicable) an amount equal to the overpayment plus any administrative cost allowance claimed on the overpayment. When returning Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant overpayments, you must make a downward adjustment to the student's award in COD, and either return the funds through G5 or disburse them to another eligible student. For a description of overpayments for which students are responsible, see the discussion later in this chapter.

A school may attempt to collect from a student funds it has returned. However, this is not an FSA debt because an overpayment for which a school is responsible can never become an FSA debt for a student. Therefore, **an overpayment for which a school is responsible can never result in a student's losing FSA eligibility and should never be reported to NSLDS or referred to ED for collection.**

Recovery of funds from interim disbursements
34 CFR 668.61

If an overpayment is the result of an interim disbursement of Pell, Perkins Loan, or FSEOG funds (see the ***AVG***) to the extent that the overpayment is not recovered by reducing subsequent disbursements to the student for the award year or by a payment made by the student, the school must eliminate the overpayment by reimbursing the appropriate account by:

- requiring the student to return the overpayment; or
- making restitution from its own funds

by the earlier of 60 days after the applicant's last day of attendance, or the last day of the award year.

If an overpayment is the result of an interim disbursement of FWS Program funds, the school must eliminate the FWS overpayment by adjusting the applicant's other financial aid or reimbursing the FWS Program account from its own funds. If the school cannot correct the overpayment by adjusting the student's other financial assistance, the student must still be paid for all work performed.

Because the interim disbursement was made at the school's discretion, the school is ultimately responsible for repaying it. Moreover, because the student does not owe an FSA overpayment, the student should not be reported to NSLDS or referred to ED for collection.

Prohibition on receiving funds for enrollment at more than one institution

A student may not receive Federal Pell Grant or Iraq and Afghanistan Service Grant funds for concurrent enrollment at more than one institution (nor both at the same institution). **The COD system will identify students who have been reported as Pell Grant recipients by multiple institutions as potential overawards (POP files).** The schools that awarded the student Pell Grant funds for the period must coordinate their response so that the student is receiving Pell Grant funds for attendance at only one school during the period. If after 30 days the schools have not resolved the overpayment, the COD system will reduce both schools' authorization for this student to zero, and the issue will have to be addressed with ED's involvement.

Note: COD will not automatically notify schools if a student is receiving an Iraq and Afghanistan Service Grant at multiple institutions. Rather, the Department will monitor Iraq and Afghanistan Service Grants, and inform schools of students who are overawarded or incorrectly awarded.

Overpayments for which the student is responsible

In some instances, a student rather than the school is responsible for repaying the overpayment.

If a student has received more Pell or Iraq and Afghanistan Service Grant funds than the student was eligible to receive because the student's eligibility for a Pell or Iraq and Afghanistan Service Grant decreased, you can try to eliminate the Pell or Iraq and Afghanistan Service Grant overpayment by adjusting later disbursements for the award year. **You may not reduce a student's correctly awarded and disbursed Pell or Iraq and Afghanistan Service Grant to address overpayments in other programs.**

For TEACH Grant, FSEOG, and Perkins Loan overpayments, you can adjust subsequent disbursements.

If that is not possible, you must promptly attempt to recover the overpayment by notifying the student (by paper or electronically) and requesting full payment. The notice must state that if the student fails to repay the overpayment or to make satisfactory arrangements for repayment, he or she will be ineligible for FSA funds until the overpayment is resolved.

If the student claims that your school made a mistake in determining the overpayment, you must consider any information he or she provides and judge whether the objection is warranted.

If, after notification to the student and consideration of possible objections, an overpayment remains and the student has not repaid or made satisfactory arrangements to repay the overpayment, you must take further action.

For TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant, and Pell Grant funds, you must refer the overpayment to the Department with the required information (see *Referring overpayments to Debt Resolution Services* later in this chapter), and you must report to NSLDS the unresolved overpayment. After that, you are not required to make any further attempt to collect the TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant, or Pell Grant overpayment.

Examples of overpayments due to student error

When Chavo applied, he didn't have his tax returns, so he estimated his income and said that he wasn't going to file a tax return. After he received his aid from Sarven Technical Institute in June, he told the aid office that he'd underestimated his income and had to file a tax return. When Chavo submitted the corrections, his EFC increased, and Sarven determined that he'd received a Pell overpayment. Sarven canceled his second Pell disbursement, but he still owed $100. Sarven allowed Chavo to make an agreement to repay $25 a month for four months so that he'd still be eligible for other aid for the rest of the year.

Meurig has to report financial information about his father on the application although he's living with his stepfather. On the 2010–2011 application, he didn't report any assets for his father, and Brust Conservatory used the information from that application to award FSA aid. However, his 2010–2011 application is selected for verification, and during the verification process Brust discovers that Meurig's father has a business that should have been reported as an asset. Brust asks for tax information for the previous year and determines that Meurig should also have reported the business as an asset on the 2010–2011 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2010-2011 award year. Because he's already received all his aid for the year, he has to either pay the overpayment or negotiate a satisfactory repayment agreement.

For Perkins Loans, you are not required to refer overpayments to Debt Resolution Services, but you must report them to NSLDS because the student is required to repay the overpayment to your school's revolving loan fund.

TIP

A student is not liable for an overpayment when the original amount of the overpayment is less than $25. A student is liable for an overpayment of less than $25 when that $25 is a remaining balance. That is, when the overpayment amount was originally $25 or more but is now less than $25 because the student has made payments.

A student is also liable for overpayments of less than $25 when that amount is the result of applying the $300 Campus-Based overaward threshold/tolerance. For example, if a school discovers that after a student's Campus-Based aid was disbursed, the student received additional aid that resulted in the aid the student received exceeding his or her need by $314, the $314 is an overaward. When the school applies the $300 overaward tolerance, the student only has a Campus-Based overpayment of $14. The student is responsible for repaying the $14 because the initial amount of the overpayment (before the $300 tolerance was applied) was $314 (which is in excess of the less than $25 *de minimus* amount).

Your school may decide to pay a student's obligation by returning to the appropriate FSA program account the amount overpaid to the student. Once your school makes the appropriate return, the student will no longer owe an FSA debt, but rather a debt to your school that you can collect according to your procedures. The student's eligibility for FSA funds is restored as long as the student meets other FSA eligibility criteria.

A student who receives an overpayment of an FSA program loan or an FSA program grant, may re-establish eligibility for FSA program assistance by repaying the excess amount or by making arrangements satisfactory to the holder of the overpayment debt to pay the excess amount.

TIP

When a student takes action with a school to restore the student's eligibility

If a student (through the school) or a school (with its own funds) satisfies the student's overpayment, the school must update the student's overpayment information in NSLDS as discussed in later in this chapter under ***Reporting Overpayments to NSLDS***.

Though the *de minimus* threshold for overpayments due to withdrawal has increased, the *de minimus* amount for all other overpayments remains less than $25.

Exceptions to student liability

There are some exceptions to holding a student liable for a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan, or FSEOG overpayment.

Generally, a student is liable for any Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or Perkins Loan overpayment he or she receives unless the school is liable for it. However, as noted previously, the student is not liable for the overpayment if it is less than $25 and is not a remaining balance or, in the case of a Perkins Loan or FSEOG, is the result of the application of the $300 overaward threshold.

Such overpayments do not affect the student's FSA eligibility. Therefore, your school need not –

- attempt recovery of such overpayments,
- report such overpayments to NSLDS, or
- refer such overpayments to the Department for collection.

Overpayments created by inadvertent overborrowing

Another kind of overpayment occurs when a student inadvertently has received FSA loan funds in excess of annual **or** aggregate loan limits and is no longer eligible for FSA funds. A student who is not in default on an FSA program loan but who has inadvertently obtained FSA program loan funds in an amount that exceeds the annual or aggregate loan limits is ineligible for any further FSA program assistance until the student (1) repays in full the excess loan amount; or (2) makes arrangements, satisfactory to the holder of the loan, to repay that excess loan amount.

Satisfactory repayment arrangements are determined by the Department but may involve having the borrower sign an agreement acknowledging the debt and affirming the borrower's intention to repay the excess amount as part of the normal repayment process.

If a student has inadvertently exceeded the subsidized annual or aggregate loan limit, it may be possible in some cases to eliminate the excess subsidized amount by changing it to an unsubsidized loan.

If a student has consolidated the loan(s) that exceeded the annual or aggregate loan limit, he or she is considered to have made satisfactory arrangements to repay the debt, and no additional action on the part of the student is required. This is true regardless of the type of loan (FFEL or Direct) consolidated and no matter the type of consolidated loan the student obtained. Note that a student who lost eligibility because he or she exceeded the undergraduate aggregate maximum loan limit does not automatically regain eligibility if he or she advances to the graduate level. Rather, the student must resolve the previous overpayment in order to regain eligibility for FSA funds.

Once you have documented that the inadvertent overborrowing has been resolved (through repayment in full, making satisfactory arrangements to repay the debt, replacement of an excess subsidized loan with an unsubsidized loan, or consolidation of the excess loan amount), you may award additional FSA funds to the student. Keep in mind, however, that the student may have no remaining loan eligibility or may be eligible only for unsubsidized loans.

Because you're responsible for knowing about the student's prior FSA loans before disbursing additional loan funds to the student, inadvertent overborrowing shouldn't occur often. Excess borrowing might occur if a school is unaware of loans a student received at another school. This might happen if the student received the loans under a different name or SSN. (See *Volume 2* for a description of how the NSLDS postscreening and transfer monitoring processes can help prevent these kinds of overpayments.)

Satisfactory repayment arrangements

We require a borrower who does not repay the excess loan amount in full to make satisfactory repayment arrangements in order to ensure that the borrower acknowledges a debt in excess of the regulatory maximum.

For defaulted loans, the law and regulations specify what constitutes a satisfactory repayment agreement. For students who have exceeded loan limits or owe an overpayment of an FSA grant, the law and regulations do not specify what makes a repayment agreement satisfactory. The Department or the school determines whether the repayment arrangement is satisfactory.

Resolving an overpayment

Through the process of a borrower replacing an excess subsidized loan with an unsubsidized loan or consolidating the excess loan amount, the borrower has either eliminated the overpayment or reaffirmed his or her debt and intent to repay the funds. Therefore, the borrower is eligible to receive additional FSA aid.

Recording student payments and reductions in the Direct Loan Program

If, through its Return calculation, a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD website at:

https://cod.ed.gov

Returning Direct Loan funds

If a school is required to return DL 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 DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

If a school needs to process data after closeout, extended processing is available on a limited basis for authorized reasons. A school that needs to request extended processing should contact COD School Relations at 800-848-0978 or CODSupport@acs-inc.com

For more information on returning FSA funds, see *chapters 5 and 6*.

Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant programs

For reductions and payments to awards, schools should record reductions and payments by entering a replacement value in the COD system. **The replacement value will be the original value less only the amount the school has returned** (the sum of: (a) that amount the school is responsible for returning + (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 + (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 to the school).**

If a school receives a payment for a current-year overpayment that has not been referred to Debt Resolution Services, the school should NOT send the payment to Debt Resolution Services. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

- If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant account and make the appropriate entry in the COD system.
- If a student makes a payment on any previous year's FSA Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. 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.

If, through its Return 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). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its ***federal funds account*** and award the funds to other needy students.

If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

Importance of Making Timely Adjustments

Since each disbursement transaction (positive or negative) to a student's Pell Grant in COD affects a student's lifetime eligibility for Pell funds, schools should ensure that adjustments are made in a timely manner.

See *Volume 6* for a discussion of the Pell Lifetime Eligibility.

REPORTING OVERPAYMENTS TO NSLDS

You must report overpayments or changes to previously submitted information to NSLDS within 30 days of the date you learn of the overpayment or change.

If a grant overpayment is the result of the student's withdrawal and a return to Title IV calculation, you must contact the student within 30 days of determining that the student withdrew (see *Chapter 6*).

You only report unresolved overpayments if they're due to student error; don't report overpayments that are a result of school error. Instead, as discussed previously, you must use school funds to repay the overpayment.

You must use the NSLDS Professional Access website to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (PDPA) must have signed up at least one user for Overpayment Updates for NSLDS online services at **https://fsawebenroll.ed.gov**.

Once the overpayment is reported to NSLDS, the student's future output documents will show that she has an overpayment (see "NSLDS Match"). The Financial Aid History section of the SAR and ISIR will have information on the overpayment, including whether the student has made satisfactory repayment arrangements.

Reporting overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins, Pell Grant, Iraq & Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which an NSLDS data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available at:

ifap.ed.gov/ifap/byYear.jsp?type=nslds materials&set=archive

REFERRING OVERPAYMENTS

Referring overpayments to Debt Resolution Services

If you have tried but not succeeded in collecting a Pell Grant, Iraq and Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA's Debt Resolution Services. To be referred, the **initial amount** of the overpayment must be at least $25.

Note: For an FSEOG overpayment, when a school uses the individual recipient or aggregate matching methods, the overpayment includes only the federal share. When the school uses the fund-specific method of matching, the overpayment includes both the federal and nonfederall shares. See *Volume 7* for more information.

You would still refer a student debt of less than $25 to Debt Resolution Services when the amount due is a remaining balance or when the amount is the result of the application of the Campus-Based overaward threshold/tolerance. You must make this referral in addition to reporting the overpayment to NSLDS. If your school elects not to refer an overpayment to Debt Resolution Services, then your school is liable for the overpayment. In that case, the school must repay the overpayment from its own funds.

To refer student overpayments for collection, schools should use a format similar to the one found at the end of this chapter and send the data to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.

In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form: Dates of Disbursement with the exact same dates the school used when it created the NSLDS record. In addition, a school must ensure that it enters the year the disbursement was made in the award year field.

In addition, when you refer the overpayment, you should update the overpayment information previously reported to NSLDS by changing the "Source" field from SCH-SCHOOL to TRF-TRANSFER. Once Debt Resolution Services has accepted a referred student overpayment, Debt Resolution Services will transmit the information to NSLDS and "ED Region" will replace "School" as the appropriate contact source for information about the overpayment.

On its Overpayment Referral, schools must provide their school's Pell Identification Number. Schools should NOT enter their Routing Identifier.

Schools must resolve student concerns

If a student claims that a school's overpayment determination is erroneous, the school must consider any information the student provides and determine whether the objection is warranted before referring the case to Collections.

School responsibility after referral

Once you have referred the account to Debt Resolution Services, you have no further responsibility in the collection of the debt unless the student contacts your school to make a payment or Debt Resolution Services sends the referral back because it is incomplete. If Debt Resolution Services sends the referral back to you because it is incomplete, you'll need to supply additional information and resend the referral.

If a student wishes to make a payment, you may (but are not required to) accept it on behalf of the Department and forward it to Debt Resolution Services.

A school that accepts a check made out to the Department on an overpayment that has been referred to Borrower Services must –

1. note the student's name and SSN on the check;
2. indicate that the payment is for an overpayment of an FSA grant; and
3. forward the payment to Debt Resolution Services at:

National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028

If you want a payment to be applied to a specific overpayment (by program and award year) you must include a memorandum on school letterhead. The memorandum must include the award year and program award number of the award you want credited, and your DUNS number.

If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact Debt Resolution Services by calling:

1-800-621-3115

A student can contact us by going to: **www.myeddebt.com, and** selecting the ***Borrower*** tab, ***Contact Us***, and ***Secure email.***

Accepting payments on referred overpayments

A school may continue to accept payments on FSA grant overpayments after those overpayments have been referred to the Department. A school that accepts a check on an overpayment that has been referred to Debt Resolution Services must:

1. note the student's name and SSN on the check;
2. indicate that the payment is for an overpayment of an FSA grant; and
3. forward the payment to Debt Resolution Services at:

National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Debt Resolution Services, the school should write its own check to the Department and attach a letter indicating that the check is for an FSA grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student's name, social security number, and amount paid.

If a school receives a payment for an overpayment **previously referred to** Debt Resolution Services and if –

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

the school must:

1. deposit the payment in its appropriate institutionally maintained federal funds account;
2. for Federal Pell Grant overpayments, make the appropriate entry in the student's record on the COD system (either on COD or via Common Record) and
3. send a letter or fax to Debt Resolution Services identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the Debt Resolution Services system and NSLDS.

   The fax number for this purpose and school use only is –

   (903) 454-5398

   Note: This process cannot be performed via email.

Payment in full

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

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

1. award year of the overpayment (current award year only);
2. student's social security number;
3. student's last name, first name, and middle initial;
4. student's date of birth;
5. type of overpayment—Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, ACG, National SMART Grant, or TEACH Grant; and
6. the disbursement date the institution used to create the overpayment record in NSLDS.

Responsibilities of Debt Resolution Services

Upon receipt of an overpayment referral, the Department will determine if enough information has been provided to start collection activity; any referral lacking information will be returned to your school to be completed.

Debt Resolution Services will then try via letters and telephone to establish a repayment schedule or to secure payment in full. Debt Resolution Services will also update the NSLDS information that you've already reported to show that the Department now holds the overpayment. Any future SARs or ISIRs for the student will show that he or she owes an overpayment and will direct the student to contact Debt Resolution Services instead of the school. Finally, Debt Resolution Services also communicates Pell Grant overpayment referrals to the COD system. COD will then alert a school of a student's Pell Grant overpayment status if the student submits a FAFSA in the future. A student's Iraq and Afghanistan Service overpayment status will be tracked and reported manually.

Information Required when Referring Student Overpayments to Debt Resolution Services

Student Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____ _____

Social Security Number: _____ Date of Birth: _____

If the overpayment includes an Academic Competitiveness, National Smart Grant, or TEACH Grant, enter the Award Identifier (**ID**) used when the award was created in COD.

ACG Award ID: _____ National Smart Grant Award ID: _____

TEACH Award ID: _____

Parent/Spouse Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____ _____

School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: _____ Attending School's Pell ID Number: _____

If your school does not have a Pell ID, Enter your OPE ID: _____

Name of Contact: _____ Telephone Number: _____

Disbursements and Repayments

	Pell Grant	ACG or National Smart Grant (Specify)	Iraq Afghanistan Service Grant	FSEOG [1]	TEACH Grant
Award year in which overpayment was disbursed:					
Total grant disbursed:					
Dates of disbursement: **(Must match NSLDS overpayment record)**					
Overpayment amount owed by student *					
Total grant repaid by student to school, if any:					
Date of last payment to school, if any:					
				[1]	

[1] If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

* If the overpayment is the result of a withdrawal, provide the date of the withdrawal [/ /]

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

_____

_____

SEND INFORMATION TO ⇛ Student Loan Processing Center-Overpayments
P.O. Box 4157
Greenville, Texas 75403

(903) 454-5398 ⇚ FAX

Returning FSA Funds

CHAPTER 5

Here we provide instructions for returning FSA funds.

RETURNING FUNDS

There are a number of reasons why a school may have to return funds to the Department, including:

- the return of FSA funds required when a school must correct an overaward or an overpayment, and the return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment (the return of funds when a student withdraws or otherwise ceases attendance is discussed in *Chapter 6.*);
- having FSA funds on hand with no expectation they can be disbursed to other eligible students within three days (excess cash);
- owing the Department for expenditures disallowed during a program review or audit;
- having earned interest on its federal funds (other than in its Perkins account) in excess of $250: and
- holding large Federal Perkins Loan cash balances on hand (COH) (on the FISAP).

Schools can return money to the Department (including excess interest) using the **electronic refund functionality in G5**. For questions or more information on returning funds through G5, please contact the G5 help desk at 888-336-8930.

Only in exceptional circumstances should a school return funds by sending a check instead of using the electronic refund functionality in G5.

Returning Funds by Check

(These instructions do not apply to returning funds from an audit or program review.)

If **exceptional circumstances** require that you return FSA funds by check, you must:

1. make the check payable to the U.S. Department of Education;
2. use a separate check for each award year; and
3. note the school's D-U-N-S number and the appropriate Program Award Number (Pell Grant Award Number) on the check.

The G5 lockbox address for FSA (excepting Direct Loan) funds is:

U.S. Department of Education
P.O. Box 979053
St. Louis, Missouri 63197-9000

If **exceptional circumstances** require that you return Direct Loan funds by check, you must:

1. make the check payable to the U.S. Department of Education;
2. use a separate check for each award year;
3. note the school's D-U-N-S number, Direct Loan school code, and award year on each check; and
4. provide the information included on the ***Direct Loans Refunds of Cash*** (found at the end of this chapter) with each check.

The address for returning Direct Loan funds by check is:

U.S. Department of Education
Attention Direct Loans
Refunds of Cash
P.O. Box 9001
Niagara Falls, New York 14302

The address for returning Direct Loan funds by check overnight requiring signature is:

U.S. Department of Education
Attention Direct Loans
Refunds of Cash
2429 Military Road, Suite 200
Niagara Falls, New York 14304

Phone number for tracking form only:
716-284-2225

For questions about this announcement or returning Direct Loan funds via a paper check, contact the COD School Relations Center at **800-848-0978.**

RETURNING FUNDS BY DEPOSITING THEM IN A SCHOOL ACCOUNT

Returning funds in a timely manner is one of the factors examined by the Department in evaluating a school's financial responsibility. In addition to the general requirement for schools to return funds, the Department sets specific time frames for students who do not begin attendance and those who begin attendance but cease attendance before completing the period for which they have received Title IV funds. One way for schools to satisfy the requirement is to deposit the funds in the account in which the school keeps its federal funds.

Returning funds by depositing them in a federal funds account

For funds obtained from the Department, a school meets the Return requirement if it deposits or transfers the funds into its federal account no later than 45 days after the school determined that a student withdrew or received an overpayment the school was responsible for returning. (Also see *Chapter 6.*)

If a school has not drawn down federal funds or has made disbursements that exceed the amount the school has drawn, the school does not need to deposit funds in its federal account. Of course, the school's accounting records must show that school 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 FSA 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:

- 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 FSA program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of FSA 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 an FSA 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.

When funds are considered to have been returned

The Department considers a school to have returned FSA funds when the school has–

1. deposited or transferred the funds into its Federal funds account;
2. initiated an electronic funds transfer (EFT) to the Department; or
3. issued a check. A school has not satisfied this requirement until the bank used by the Department has endorsed and cancelled that check (processed it for deposit).

Returning funds from an audit or program review

If, as a result of a program review or audit, a school is required to repay FSA funds, a copy of its Final Audit Determination Letter (FADL) or Final Program Review Determination (FPRD) letter is sent to he Department's Receivables and Cash Receipts Team (RCRT), where an account receivable is established for the school. The Department will then, through its billing agent, bill the school for the disallowed expenditures, accrued interest, and penalties, if any. Payment instructions will be included with the bill.

- If a school owes he Department $100,000 or more, it must remit payment through its financial institution by FEDWIRE.
- If a school owes he Department less than $100,000, it must remit payment by check to he Department's billing agent.

A school may not reduce amounts reported as net drawdowns on its G5 Activity Reports to account for expenditures disallowed as a result of an audit or program review. Any FSA funds returned for this purpose will not be credited to a school's G5 account.

Unless otherwise directed by the FADL or FPRD letter, a school may not adjust its prior-year FISAPs or Federal Pell Grant/Iraq and Afghanistan Service Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review. Also, unless specifically instructed by the Department, a school should always repay funds using the appropriate function in G5.

Recommendation

We strongly recommended returning funds electronically because this method is faster and more secure than manual/paper processing and less likely to result in errors. Note that refunds of cash greater than $100,000 must be returned electronically via G5.

For additional information on returning funds via G5, refer to the G5 website at **www.g5.gov,** or call the G5 Hotline at **888-336-8930** for assistance.

When funds are considered to have been returned for a student who fails to begin attendance

The Department considers a school to have returned FSA funds timely if the school–

1. deposits or transfers the funds into its federal funds account no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance;
2. initiates an electronic funds transfer (EFT) no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance; or
3. issues a check no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance. An institution does not satisfy this requirement if :

- the school's records show that the check was issued more than 30 days after the date that the school becomes aware that the student will not or has not begun attendance; or
- the date on the cancelled check shows that the bank used by the Department endorsed that check more than 45 days after the date that the school becomes aware that the student will not or has not begun attendance.

Direct Loan funds may be reawarded

Direct Loan funds are not student-specific; they are program year-specific. This means that when all or a portion of a loan for a student is cancelled, the cancelled loan funds can be disbursed to another eligible student who is receiving a loan for that same Direct Loan program year.

If the funds cannot be disbursed within the regulatory time frames, they must be returned to the Department via G5.

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

Returns of FSA Grants funds (except FSEOG and Iraq and Afghanistan Service Grants), other than funds that are being returned to stay in compliance with the excess cash requirements, must be offset by downward reductions in students records in COD. Likewise, all returns of Direct Loan funds must be offset by downward reductions in students records 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 records in COD.

All returns of FSA Grants and Direct Loan funds previously disbursed (unclaimed credit balances) should be made through the G5 system.

Returning DL funds that can't be disbursed within three days

A school that has drawn down more funds than it can disburse due to changes in students' status between the drawdown and disbursement date would need to return the funds if they could not disburse them within the allowed time frame. However, such returns would not be offset by reductions in the students' records in COD.

Returning Direct Loan funds

If a school is required to return DL 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 DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

Returning funds after 240 days

In all cases, a school will have to request permission to make a change to the FISAP after December 15 following the close of the award year.

If FSA Grant funds (other than FSEOG and Iraq and Afghanistan Service Grants) must be returned after 240 days, a school must:

- enter the student's revised Pell Grant award in COD;
- return the funds to the Department through G5, if applicable; and
- make the appropriate change to the FISAP (see sidebar).

Note that for Pell funds from a prior award year, a school may not use the funds for an eligible student in the current year.

If FSEOG funds must be returned after 240 days, a school must:

- enter the student's revised FSEOG award both in the individual student's account and the school's FSEOG ledger;
- either return the funds to the Department through G5 **OR** carry them forward to the next award year; and
- make the appropriate change to the FISAP (see sidebar).

If Perkins Loan funds from a prior award year must be returned after 240 days, a school must:

- reimburse its Perkins Loan fund;
- report those funds as income in Part III, Section A of the FISAP; and
- reduce the student's Perkins Loan balance and make an accounting entry to tie that reduction to the journal entry for the aforementioned reimbursement of its Perkins Loan fund.

The school should not make any changes to the student's Perkins promissory note.

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school's FWS account. If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

Amending a FISAP after the close of an award year or after a school has submitted a final FISAP for an award year

To amend its FISAP, a school logs in to eCB for the appropriate FISAP year and selects the appropriate Campus-Based Program from the menu on the left. After the school has made the appropriate changes, updated the totals, and saved the data, the school selects the "Submit" link on the left. The phrase "Change Request" then appears below "Submit." The school must select "Change Request," in order to move to the next prompt. After the school selects "Change Request" the system will prompt the school to explain what changes the school is making and why. The school then must provide:

- the FISAP – part, section number, and line number(s) on which the changes were made;
- the amount of the change; and
- a description of the conditions that require the revision (e.g. to comply with the requirements of 34 CFR 668.22).

After providing all of the required information, the school clicks the "Submit Button" and then affirms that it wants to "Continue to Submit."

The Campus-Based staff will evaluate the school's submission. If a school's request is denied, the Campus-Based staff will inform the school why its request was denied. If the school's request is approved, the Campus-Based staff will notify the school by sending an email to the individual on record as the school's financial aid director (in Field 19) that the school's FISAP has been unlocked and that the school has five days to submit the revised working copy as the final copy.

For assistance with amending a previous year's FISAP, schools should call the Campus-Based Call Center at **877-801-7168.**

Information required when returning loan funds to a servicer by check

If a school cannot use the electronic process preferred by the loan's servicer and must return the funds with a paper check, together with the check for the funds the school is returning, the school must include, **on school letterhead**, the following information:

1. The borrower's name
2. The borrower's social security number
3. The loan's unique CommonLine ID
4. The type of loan (subsidized unsubsidized, PLUS, etc.)
5. The period for which the loan was certified
6. The scheduled and actual date of the disbursement
7. The amount of the disbursement
8. The amount being returned
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class),
10. The school OPE ID
11. The name and phone number of the school official returning the funds

Returning funds from FFEL loans purchased/serviced by the Department

The Department has purchased many Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with several organizations to provide loan services on these purchased FFEL loans.

If a school is required to return any portion of a FFEL Program loan that has been purchased by the Department, the money would be returned to the appropriate federal servicer for that loan.

To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. "Click" on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on IFAP under the "Help" menu ("Contact Information" / "Service Centers for Schools," / "Loan Service Centers for Schools."

Federal Loan Servicer NSLDS Identification Information (August 20, 2012)

Attachment to August 2012 Electronic Announcement

The following table comprehensively identifies the current Servicer Name, National Student Loan Data System (NSLDS) Name, and NSLDS ED Servicer Code for all federal loan servicers. The servicers are listed in alphabetical order.

Servicer Name	***NSLDS Name***	***NSLDS ED Servicer Code***
Aspire Resources Inc.	DEPT OF ED/ASPIRE RESOURCES INC.-ISL	503
CornerStone	DEPT OF ED/CORNERSTONE-UHEAA	502
Department of Education Student Loan Servicing Center (ACS)	DEPT OF ED/ACS	577
Direct Loan Servicing Center (ACS)	DIRECT LOAN SERVICING CENTER (ACS)	583
EdManage	DEPT OF ED/EDMANAGE	505
ESA/Edfinancial	DEPT OF ED/ESA-EDFINANCIAL	501
FedLoan Servicing (PHEAA)	DEPT OF ED/FEDLOAN SERVICING (PHEAA)	579
Granite State – GSMR	DEPT OF ED/GRANITE STATE-GSMR-NH	504
Great Lakes Educational Loan Services, Inc.	DEPT OF ED/GREAT LAKES	581
MOHELA	DEPT OF ED/MOHELA	500
Nelnet	DEPT OF ED/NELNET	580
OSLA Servicing	DEPT OF ED/OSLA SERVICING	506
Sallie Mae	DEPT OF ED/SALLIE MAE	578

Both borrowers and schools are able to view the federal loan servicer code and name associated with each federally-owned loan via the NSLDS Student Access Web site and the NSLDS Professional Access Web site, respectively.

Borrower and school contact information for all federal loan servicers is also available on the Information for Financial Aid Professionals (IFAP) Web site's Loan Servicing Centers for Students page and Loan Servicing Centers for Schools page, respectively.

START HERE GO FURTHER FEDERAL STUDENT AID

Direct Loan Refunds of Cash

1. Enter the information below. Missing information may prevent your check (or checks) from being processed correctly.

School Name: _____Direct Loan Code or OPE ID: _____

Name/Title: _____ Telephone #: _____

E-mail Address: _____ Servicer (if applicable): _____

Check Date: _____ Check #: _____ Amount: _____

2. Check (✔) the award year for which you are returning Direct Loan Refunds of Cash. If you are returning funds for more than one award year, you must enclose a separate transmittal sheet and a separate check for each award year.

2012/2013 _____
2011/2012 _____
2010/2011 _____
2009/2010 _____
OTHER (specify year) _____

3. Sign and date below.

Contact's Signature: _____ Date: _____

4. Mail completed transmittal sheets and Direct Loan Refunds of Cash checks to:

Regular Mail/No Signature Required	Overnight Address/Requiring Signature
U.S. Department of Education Attention: Direct Loan Refunds of Cash P.O. Box 9001 Niagara Falls, NY 14302	U.S. Department of Education Attention: Direct Loan Refunds of Cash 2429 Military Rd, Suite 200 Niagara Falls, NY 14304 (Phone number for tracking form only: 716/284-2225)

Revised March 2012

Withdrawals and the Return of Title IV Funds

CHAPTER 6

This chapter will discuss the general requirements for the treatment of federal student aid funds when a student withdraws and will then discuss the principles applicable to the worksheets.

WITHDRAWALS

This chapter explains how federal student aid (FSA) (Title IV) funds are handled when a recipient of those funds ceases to be enrolled (100% withdrawal) prior to the end of a payment period or period of enrollment. These requirements do not apply to a student who does not actually cease attendance at the school. For example, when a student reduces his or her course load from 12 credits to 9 credits, the reduction represents a change in enrollment status, not a withdrawal. Therefore, no Return calculation is required.

The Return of Title IV Funds (Return) regulations do not dictate an institutional refund policy. Instead, a school is required to determine the earned and unearned portions of Title IV aid as of the date the student ceased attendance based on the amount of time the student spent in attendance or, in the case of a clock-hour program, was scheduled to be in attendance. Up **through the 60% point** in each payment period or period of enrollment, a pro rata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal. **After the 60% point** in the payment period or period of enrollment, a student has earned 100% of the Title IV funds he or she was scheduled to receive during the period.

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

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

Reporting required

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.

34 CFR 685.309 (b) and 34 CFR 682.610 (c))

When a student withdraws before a school's census date

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation using the number of days the student attended, or the number of scheduled clock hours the student attended class as the numerator in Step 2, Part H.

Return of Funds

HEA, Section 484B
34 CFR 668.22
DCL GEN-11-14, July 2011

The FSA Assessment module

that can assist you in understanding and assessing your compliance with the provisions of this chapter is "Return of Title IV Funds," at:

http://ifap.ed.gov/qahome/qaassessments/returntivfunds.html

Clarification

If a student remains enrolled only in non Title IV eligible courses.

A student's schedule sometimes includes courses the student is taking for credit and for which he or she may receive Title IV funds and courses for which the student may not receive FSA funds—courses the student is auditing, completing (courses in which they previously received an "Incomplete"), or repeating (see Volume 2 for a discussion of when a student may and may not receive Title IV funds for retaking a course).

If a student ceases attendance (drops or withdraws) from all his or her Title IV eligible courses in a payment period or period of enrollment, the student must be considered a withdrawal for Title IV purposes. Regardless of the student's continued attendance in courses for which the student may not receive Title IV, program assistance during that period, the student is, for Title IV purposes, no longer attending an eligible program.

The principle is the same for programs offered in modules. Consider a student who is scheduled to attend one course in each of five modules during a semester. The student receives an incomplete for course number two in the second module. Because the student may not progress to course number three until course number two is completed, the student completes the remaining portion of course number two during the period he or she was scheduled to be in the third module. While the student completes the portion of course number two in the third module, he or she is not considered to be enrolled in the course for Title IV purposes. Therefore, attendance in just that course does not count as attendance for purposes of the Return of Title IV Funds requirements.

For the student not to be considered a withdrawal for Title IV purposes, in accordance with the requirements for the treatment of students in program offered in modules, the school would need to either: (1) obtain written confirmation of future attendance in a Title IV eligible course later in the semester; or (2) put the student on an approved leave of absence. Of course, if the student subsequently returns and begins attending a Title IV eligible course later in the period, the student's Return of Title IV Funds calculation would be undone in accordance with 34 CFR 668.22(a)(2)(iii).

General requirements

Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive.

If a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the amount of Title IV grant or loan assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the student earned, the unearned funds must be returned. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, he or she is eligible to receive a post-withdrawal disbursement of the earned aid that was not received.

When a student is considered withdrawn

A student is considered to have withdrawn from a payment period or period of enrollment if: –

- in the case of a program that is measured in credit hours, the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete;
- in the case of a program that is measured in clock hours, the student does not complete all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete; or
- for a student in a non-term or nonstandard-term program, the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence, as defined later in this chapter.

Please see ***Withdrawals from programs offered in modules*** later in this chapter for more information about withdrawals from modular programs.

When a student who fails to begin attendance in all the courses he or she was scheduled to attend withdraws

Anytime a student begins attendance in at least one course but does not begin attendance in all the courses he or she was scheduled to attend, regardless of whether the student is a withdrawal, the school must check to see if it is necessary to recalculate the student's eligibility for Pell Grant and Campus-Based funds based on a revised enrollment status and cost of education.

If the student is a withdrawal, this recalculation must be done before performing a Return of Title IV Funds calculation, and the school must use the recalculated amounts of aid in the Return calculation.

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

Worksheets and the Return of Title IV funds Web product

The Department (ED) has developed worksheets and software to assist schools in implementing the Return regulations (you can find blank worksheets at the end of this chapter). There is one worksheet for students who withdraw from credit-hour programs and one for students who withdraw from clock-hour programs. These worksheets are also in portable document file (PDF) format on the Department's Information for Financial Aid Professionals website at:

http://www.ifap.ed.gov/ifap/wst.jsp

The Department has developed a Return of Title IV Aid Web product. It is accessible via the main menu of the FAA Access at the CPS Online website:

https://faaaccess.ed.gov/FOTWWebApp/faa/faa.jsp.

The Return of Title IV Funds on the Web (R2T4) in FAA Access to CPS Online has not been updated to include Iraq and Afghanistan Service Grants. If schools need to complete an R2T4 calculation for a student who received the Iraq and Afghanistan Service Grant, they should use the worksheets described above.

The use of the Department's worksheets and the Web Product is optional.

Recalculation for students withdrawing from non-term programs offered in modules

Any time a student enrolled in a non-term program offered in modules changes his or her enrollment status, the school must recalculate the student's Cost of Attendance (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.

When a student enrolled in a non-term program withdraws, a school that calculates Returns on a period of enrollment basis may not include in the COA costs associated with any future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45-days.

Technical questions

Technical questions on the Return of Title IV funds Web product are handled by the CPS at:

800-330-5947

or via email at

cpssaig@ed.gov

Access to R2T4 Web Product via CPS Online

Individual staff members must be enrolled in the SAIG in order to have access to the Return Web product.

Your school's SAIG Destination Point Administrator (DPA) can enroll the selected staff members via the SAIG Enrollment website at:

http://www.fsawebenroll.ed.gov

Consumer information
Section 485(a)(1)(F), 34 CFR 668.43

For more information, see chart on "Institutional and Financial Assistance Information for Students" in ***Volume 2.***

Sample summary provided

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

Changing the basis of the calculation

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

Consumer information

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

- any refund policy with which the school must comply;
- the requirements for the treatment of Title IV funds when a student withdraws, and
- the requirements and procedures for officially withdrawing from the school.

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

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

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

Definition of a Title IV recipient

The requirements for the treatment of Title IV funds when a student withdraws apply to any recipient of Title IV grant or loan funds who ceases all attendance. For purposes of these requirements, a recipient of grant or loan assistance is a student who has actually received Title IV funds or has met the conditions that entitled the student to a late disbursement. These conditions are listed in a chart on Late Disbursements in *Chapter 3*. The return requirements apply only to the receipt of or qualification for aid that can be included in the calculation. For example, the requirements of 34 CFR 668.22 do not apply to Federal Work-Study (FWS) funds. Therefore, the Return requirements do not apply to a student if the only Title IV program assistance that the student has received or could have received was FWS funds.

Please note that if the student never actually began attendance for the payment period or period of enrollment, 34 CFR 668.22 does not apply. Likewise, if a student began attendance, but was not and could not have been disbursed Title IV grant or loan funds prior to withdrawal, the student is not considered to have been a Title IV recipient and the requirements of 34 CFR 668.22 do not apply. In these cases, Title IV funds would be handled in accordance with other Title IV regulations (see sidebar).

Verification

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

The Department establishes deadlines for the submission of required verification documents that apply to all Title IV programs.

For Campus-Based program funds and subsidized Direct Loan program funds, an institution may establish an institutional verification deadline that may be earlier than the date established by ED. The institution must include its verification deadlines in the consumer materials it provides to students.

The following rules apply when a school is completing a Return calculation for a student subject to verification.

Title IV Recipient

In determining whether the requirements of 34 CFR 668.22 apply, a school must first determine whether a student was eligible to receive any Title IV funds.

If a student withdraws before Title IV funds are disbursed

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

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

34 CFR 668.21
34 CFR 668.167
34 CFR 674.16(f)(1)&(2)
34 CFR 676.16(d)(1)&(2)
34 CFR 685.303(b)(3).
34 CFR 690.78(b)(1)&(2)

No earlier deadline for Pell

For the Pell and Iraq & Afghanistan Service Grant programs, a school may not establish an earlier deadline than that established by the Department in its annual notice. Therefore, if a Pell-eligible student submits the documents required for verification no later than 120 days after the student's last day of attendance or the deadline established each year by the Department, **whichever is earlier,** a school must make any applicable post-withdrawal disbursement of the student's Pell Grant.

- A school must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew, and offer any post-withdrawal disbursement of loan funds within 30 days of that date.
- A school must disburse any Title IV grant funds a student is due as part of a post-withdrawal disbursement within 45 days of the date the school determined the student withdrew, and disburse any loan funds a student accepts within 180 days of that date.
- Unless a student subject to verification has provided all required verification documents in time for the school to meet the Return deadlines, the school includes as Aid Disbursed or Aid That Could Have Been Disbursed in the Return calculation only those Title IV funds **not** subject to verification.
- If a student who failed to provide all required verification documents in time for the school to meet the Return deadline later provides those documents prior to the applicable verification deadline, the school must perform a new Return calculation on all of the aid the student qualified for based on the completed verification documents and make the appropriate adjustments.

When verification is completed before the Return deadlines

A school must offer any post-withdrawal disbursement of loan funds within 30 days of the date of the school's determination that the student withdrew, and return any unearned funds and make a post-withdrawal of grant funds within 45 days of that date. If a student provides all documents required for verification after withdrawing but before the verification submission deadline, and in time for the institution to meet the 30-day Return deadline, the institution performs the Return calculation including all Title IV aid for which the student has established eligibility as a result of verification and for which the conditions of a late disbursement had been met prior to the student's loss of eligibility due to withdrawal. (See *Chapter 3* and 34 CFR 668.164(g)(2).)

When verification is not completed before the Return deadlines

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

If a school has made an interim disbursement to a student who has failed to provide all the documents required for verification in time for the school to meet the 45-day Return deadline, at that point in time the student has failed to establish eligibility for those Title IV funds affected by verification. Therefore, the institution must return any Title IV funds subject to verification that were disbursed to the student on an interim basis, and may not include any of those funds as aid that was or could have been disbursed in the Return calculation.

When verification is completed after the Return deadlines

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

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

Verification and the 30-day deadline

If, because verification is not complete, a school is unable to meet the requirement to offer a post-withdrawal disbursement directly to a student (or parent for a PLUS Loan) within 30 days of the date of the school's determination that the student withdrew, once verification is complete, the school must perform a new Return calculation. The school must offer the funds as soon as possible and should provide the student or parent with the minimum 14-day (or longer as a result of HERA) response period whenever possible.

A school must make any post-withdrawal disbursement that results from the new Return calculation as soon as possible but no later than the applicable 180-day late disbursement deadline.

Maximum Time-frame or LOA

When calculating the maximum time-frame for a student's approved LOA, the school must ensure that it accounts for all periods of nonattendance (including weekends and scheduled breaks).

Thus, since an approved LOA may not be more than 180 days, a school might have to reduce the length of a student's LOA if the 180th day is scheduled to fall on a day the school would be closed.

Reminder

Full tuition credit

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

Disbursement rules for students on leave of absence (LOA)

You may NOT make a disbursement of the proceeds of a Direct Loan to a student on an LOA (34 CFR 682.604(c)(4)).

You may disburse Pell Grant, Iraq & Afghanistan Service Grant, FSEOG, and Perkins Loan funds to a student on an LOA.

You may pay any funds that are part of a Title IV credit balance (and therefore are funds that have already been disbursed) to a student on an LOA.

Approved leave of absence

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

An LOA must meet certain conditions to be counted as a temporary interruption in a student's education instead of being counted as a withdrawal requiring a school to perform a Return calculation. If an LOA does not meet the conditions in 34 CFR 668.22(d), the student is considered to have ceased attendance and to have withdrawn from the school, and the school is required to perform a Return calculation.

For an LOA to qualify as an approved LOA:

- the school must have a formal written policy regarding leaves of absence requiring that all requests for leaves of absence be submitted in writing and include the reason for the student's request;
- the student must follow the school's policy in requesting the LOA;
- there must be a reasonable expectation that the student will return from the LOA;
- the school must approve the student's request for an LOA in accordance with the school's policy;
- the institution may not assess the student any additional institutional charges, the student's need may not increase, and therefore, the student is not eligible for any additional federal student aid;
- the LOA, together with any additional leaves of absence, must not exceed a total of 180 days in any 12-month period;
- except in a clock-hour or non-term credit-hour program, a student returning from an LOA must resume training at the same point in the academic program that he or she began the LOA, and
- if the student is a Title IV loan recipient, the school must explain to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan repayment terms, including the expiration of the student's grace period.

A student granted an LOA that meets the criteria in this section is not considered to have withdrawn, and no Return calculation is required. Upon the student's return from the leave, he or she continues to earn the federal student aid previously awarded for the period.

Written formal policy required

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

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

A school's policy must require a student to apply in advance for an LOA unless unforeseen circumstances prevent the student from doing so. For example, if a student were injured in a car accident and needed a few weeks to recover before returning to school, the student would not have been able to request the LOA in advance. A school may grant an LOA to a student who did not provide the request prior to the LOA due to unforeseen circumstances if the school documents the reason for its decision and collects the request from the student at a later date. In this example, the beginning date of the approved LOA would be determined by the school to be the date the student was unable to attend school because of the accident.

A school must publicize its LOA policy. The school may do this by including that policy in the consumer information the school makes available to students (see *Volume 1*).

Reasonable expectation of return

This condition is specified to make clear that a school may not grant a student an LOA merely to delay the return of unearned Title IV funds.

Completion of coursework upon return in term-based credit-hour programs

Approved leaves of absence are viewed as temporary interruptions in a student's attendance. **For term-based programs, a student returning from an LOA must complete the term to be eligible to receive a second or subsequent disbursement.**

Therefore, for students enrolled in credit-hour term programs, for an LOA to be an official LOA, a school must allow a student returning from an LOA to complete the coursework that he or she began prior to the LOA. In addition, the institution may not impose additional charges and may not award the student additional Title IV assistance.

Completion of coursework upon return in clock-hour and credit-hour non-term programs

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

For clock-hour programs and non-term credit-hour programs, upon returning from an LOA, a student need not complete the same coursework he or she began prior to the leave. For a non-term program, once the student has earned half the required credits and completed half the number of weeks in the period and half the weeks of instructional time, the student has earned the Title IV funds he or she was previously paid. For a clock-hour program, once the student has completed half the number of clock hours, the student has earned the Title IV funds he or she was previously paid. At that point, if otherwise eligible, the student may receive a second or subsequent disbursement of Title IV program funds.

A student may return early from a leave of absence

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

If a student returns early, the days the student spends in class before the course reaches the point at which the student began his or her LOA must be counted in the 180 days maximum for an approved leave of absence. That is, a student repeating coursework while on LOA must reach the point at which he or she interrupted training within the 180 days of the start of the student's LOA.

The requirement that an institution not impose additional charges when an approved LOA ends and the student resumes his or her program of study applies when a student returns to repeat prior coursework. Moreover, even if the student enters at the beginning of the module or course from which he or she took the leave of absence, a student is not eligible for any additional Title IV program assistance for this preparatory phase.

Since a student is still considered to be on an LOA while repeating prior coursework, if the student fails to resume attendance at the point in the academic program where he or she interrupted training at the beginning of the LOA, the student must be treated as a withdrawal. In that case, at an institution that is not required to take attendance, the date of the student's withdrawal that must be used in the Return calculation is the date the student began the LOA.

At an institution that is required to take attendance, the Last Date of Attendance (LDA) is used as the withdrawal date for a student that does not return from an LOA.

Leaves of absence versus the grade of incomplete

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

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

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

No additional charges for students on LOA

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

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

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

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

Institutions, at their discretion, may grant a student multiple leaves of absence as long as the total number of days for all leaves does not exceed 180 days within a 12-month period. **This 12-month period begins on the first day of the student's initial LOA**.

When a student fails to return from a leave of absence

At an institution not required to take attendance, if a student does not return to the school at the expiration of an approved LOA (or a student takes an unapproved LOA), the student's withdrawal date is the date the student began the LOA. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

Explanation of consequences of withdrawal to loan recipients granted an LOA

A student who is granted an approved LOA remains in an **in-school status** for Title IV loan repayment purposes. If a student on an approved LOA fails to return, the school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

Deferment or Forbearance

A student who has exhausted his or her grace period and is unable to begin repayment of a loan may apply for a deferment or forbearance of payment

One possible consequence of not returning from an LOA is that a student's grace period for a Title IV program loan might be exhausted. Therefore, in order for an LOA to be an approved LOA, prior to granting a leave of absence, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms, including the exhaustion of the student's grace period.

Unapproved leaves of absence

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

An unapproved LOA may not be treated as an unofficial withdrawal. An unofficial withdrawal is one where the school has not received notice from the student that the student has ceased or will cease attending the school. If a school has granted a student an unapproved LOA, the school would know immediately that the student had ceased attendance for Title IV purposes, and must use the specified withdrawal date in the Return calculation.

INSTITUTIONAL CHARGES

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

Institutional charges
34 CFR 668.22(g)(1)(ii)
34 CFR 668.22(g)(2)
DCL-GEN-00-24

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

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

The institutional charges used in the calculation usually are the charges that were initially assessed the student for the entire payment period or period of enrollment as applicable. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal). If, after a student withdraws, the institution changes the amount of institutional charges it is assessing a student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. (Please see Step 3 — Amount of Title IV aid earned by the student, for a further discussion of aid earned and institutional charges.)

If an institution enters into a contract with a third party to provide institutional housing, the institution has to include the cost of housing as an institutional charge in a Return calculation.

The return regulations presume that Title IV program funds are used to pay institutional charges ahead of all other sources of aid. **Institutional charges may not be reduced even if other sources of aid are used to pay those charges**. For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition.

Prorating charges
34 CFR 668.22(g)(3)

When to prorate charges

When a school chooses to calculate the treatment of Title IV, HEA program assistance on a payment period basis for a non-term credit-hour or clock-hour program, but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. (Again, institutional charges incurred by the student are charges for which the student was responsible that were initially assessed by the institution for the payment period or period of enrollment.)

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period generally are a prorated amount of institutional charges for the longer period. However, if a school has retained federal student aid funds in excess of the prorated amount to cover institutional charges, then **the institutional charges for the payment period are the amount retained.**

A school that charges by the period of enrollment but performs its Return calculation on a payment period basis before entering data in Step 5, Part L, of the Return calculation must determine whether it must enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, first, the school prorates **all institutional charges.** Then, the school determines the amount actually retained. The school compares the two results and enters in Step 5, Part L the greater of the two amounts.

For example, institutional charges are $8,000 for a non-term-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of federal student aid funds on a payment period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is $4,000. However, the school has retained $5,000 of the federal student aid funds for institutional charges ($4,000 for the prorated portion of the tuition and $1,000 for books and supplies for the entire period of enrollment) for the payment period. Therefore, the institutional charges the school must use in the Return calculation for the payment period are $5,000.

Effects of waivers on institutional charges

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

Waiver Example

An institution charges state residents $900 per semester. Out-of-state students are charged an additional $2,000 for a total of $2,900. However, the institution grants waivers of the out-of-state charges to out-of-state athletes. The waiver is considered a payment to those charges (estimated financial assistance), and the full $2,900 would need to be included in any Return calculation.

Institutional versus noninstitutional charges

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

The following educational expenses must be considered institutional charges:

- all charges for tuition, fees, and room and board (if contracted with the school); and
- expenses for required course materials (books, kits, tools, supplies, etc.) if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school.

  Exceptions: Excludable costs are costs a school may exclude from the total amount of institutional costs, such as the documented cost of unreturnable equipment and documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Noninstitutional charges (not included in a Return calculation) include:

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

Returning equipment

If a school can substantiate that its return policies are reasonable, consistent, and fair to all students, and students are notified in writing of those policies when they enroll, the school may exclude documented costs for nonreturnable equipment and returnable equipment if not returned in good condition within 20 days of withdrawal. A policy that classifies all used books or equipment as nonreturnable is not reasonable or fair. An acceptable policy must specify the specific circumstances that would prevent the school from selling the books or equipment to other students.

Three principles associated with institutional charges

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

Principle 1: Most costs charged by the school are institutional charges.

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

Principle 2: An institutional charge does not need to be assessed to all students.

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

Principle 3: Charges on a student's account are not always school charges; school charges do not always appear on a student's account.

With the student's authorization, a school may credit a student's account with Title IV funds to pay for noninstitutional charges. If a student withdraws from the school with debits for noninstitutional charges on his or her account, the school should exclude those charges from the Return calculation.

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

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

If a book voucher issued by a school cannot be used to purchase course materials from a **convenient unaffiliated source,** the student does not have a **real and reasonable opportunity** to purchase his or her course materials elsewhere. In that case, the school must include the cost of books and materials purchased with the voucher as institutional charges in Step 5, Part L of the Return calculation. **Please review the NEW requirement to provide funds for books and supplies in *Chapter 3*.**

Demonstrating a real and reasonable opportunity

A school may treat charges for books, supplies, equipment, and materials as noninstitutional charges if the school can substantiate that its students have the option of obtaining the required course materials from an alternative source. The school must be able to document that (1) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school, and (2) the school provided financial aid funds in a way and at a time that made it possible for the student to purchase the materials in a timely manner. A signed statement by a student that he or she had the option to purchase the materials from an alternative source is not sufficient documentation.

Example of school charges versus non-school charges

Aerospace Tech requires its students to purchase a titanium-plated tool set by the first day of class. Aerospace's enrollment agreement does not contain a charge for the tools, and it does not say that the student is required to purchase the tools from Aerospace or a vendor affiliated with Aerospace. As it happens, the required tools are available for purchase from Aerospace and from a retailer across the street. As a routine practice, Aerospace gets written authorization from its students to credit all financial aid to their school accounts, hold any credit balances, and establish a line of credit for students at the campus store so they can purchase the required tools by the first day of class. Most students buy the tools at the campus store and charge the purchase to their school accounts.

Although the cost of the tools is not listed as a charge in the student's enrollment agreement, Aerospace requires that the tools be purchased by everyone in the program of study. Therefore, as a general rule, the tool charges would be considered school charges. However, under the exceptions rule, the tool charges do not have to be considered school charges if Aerospace can demonstrate that (1) the tools were available for purchase elsewhere, (2) Aerospace made financial aid available to students in time to purchase the tools from another vendor before the first day of class; and (3) Aerospace's practices provide students with an equal opportunity to purchase tools from the campus bookstore or the retailer across the street.

In this case, the school meets the first criterion, the tools are available at the store across the street, so an opportunity could exist. However, the school fails to satisfy the second and third criteria because the school's routine practice of crediting students' accounts with all financial aid and extending lines of credit for purchases at the campus bookstore discourages students from purchasing the required tools from another vendor. Unless a student specifically requests that Aerospace not hold his or her credit balance, a student whose education is funded primarily through financial assistance has to purchase the tools at the campus store. As a result, the cost of the tools must be classified as school charges.

Treatment of Title IV credit balances when a student withdraws

This treatment applies only to the handling of Title IV credit balances when a student withdraws. For a discussion of credit balances in other circumstances, please see *Chapter 3*.

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

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

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

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

      - in accordance with the cash management regulations to pay authorized charges at the institution (including previously paid charges that now are unpaid due to a return of Title IV funds by the institution);

Treatment of credit balance when a student withdraws
DCL GEN 04-03, February 2004

New 14-day deadline

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

For this reason, the existing 14-day payment requirement is placed on hold in order to determine the final amount of any Title IV credit balance. Your school does not need to obtain a student's or parent's authorization to hold a Title IV credit balance that existed prior to the Return calculation (beyond the original 14-day deadline) while you determine the final amount of the credit balance.

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

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

A school may not use a Title IV credit balance to return funds for which it is responsible as a result of a Return calculation (Step 5, item O).

- **with the student's authorization**, to reduce the student's Title IV loan debt (not limited to loan debt for the period of withdrawal); or
- to the student (or parent for a PLUS Loan).

If the institution cannot locate the student (or parent) to whom a Title IV credit balance must be paid, it must return the credit balance to the Title IV programs. The Department does not specify the order of return to the Title IV programs for a credit balance. We encourage institutions to make determinations that are in the best interest of the individual student.

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

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

For the treatment of credit balances when a student dies, see the discussion under ***When a student who has died is due a post-withdrawal disbursement*** later in this chapter.

Time-frame for returning an unclaimed Title IV credit balance

If a school attempts to disburse the credit balance by check and the check is not cashed, the school must return the funds no later than 240 days after the date the school issued the check.

If a check is returned to a school or an EFT is rejected, the school may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. When a check is returned or EFT is rejected and the school does not make another attempt to disburse the funds, the funds must be returned before the end of the initial 45-day period.

The school must cease all attempts to disburse the funds and return them no later than 240 days after the date it issued the first check.

Example of a school performing a Return calculation for a student whose account has a Title IV credit balance

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

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

The school performs the required Return calculation on October 20 and determines that the ***Amount of unearned funds due from the school*** is $375.00, and that the initial amount of unearned funds due from the student is $1,125.00. Since the $1,125 is composed entirely of grant funds, after applying the 50% grant protection (see *Step 9* later in this chapter), the ***Amount for the student to return*** is a grant overpayment of $125.00.

Before Legolas withdrew, the Title IV funds on his account totaled $2,000.00, and $500.00 of that $2,000.00 was used to cover the existing charges. There were no charges due the school, and the Title IV credit balance was $1,500.00. After the school returned the $375.00 it is required to return, the new total of Title IV funds on the student's account was $1,625.00 ($2,000.00 – $375.00), and the new Title IV credit balance was $1,125.00.

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

Because Legolas has a Title IV credit balance on his account, NMCC has 14 days from October 20 (the date they performed the Return calculation) to return the student's grant overpayment (it can use its own funds or Title IV funds) from the student. After the school returns the $125.00 grant overpayment, the Title IV credit balance of the student's account is $1,400.00 ($1,525.00 – $125.00). The school must pay those funds to the student within 14 days of October 20.

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

PRINCIPLES WITH UNIQUE APPLICATIONS IN THE RETURN OF TITLE IV AID

Date of the institution's determination that the student withdrew

Date of determination that a student has withdrawn
34 CFR 668.22(l)(3)

The date of the institution's determination that the student withdrew varies depending on the type of withdrawal. For example, if a student begins the official withdrawal process or provides official notification to the school of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date the student began the official withdrawal process or the date of the student's notification, whichever is later. If a student did not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student ceased attendance. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on Withdrawal Dates near the end of this chapter.

For a student who withdraws from a school that is not required to take attendance without providing notification, the school must determine the withdrawal date **no later than 30 days after the end of the earlier of** (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

Example of making a determination at a school required to take attendance

Consider a school that makes a determination on September 10 that a student has not been in attendance since September 1. The school contacts the student who tells the school he's been ill but plans on coming back during the next week (and this falls within the time period for excused absences and absences allowed by state, accrediting agency, and other applicable policies). For the moment, the school may delay taking any action. However, if the student does not return, the school must complete a Return calculation using September 1 as the student's last day of attendance and September 15 as the date of the institution's determination that the student withdrew. The school must return any

Date of determination at institutions that are required to take attendance

Date of determination at an institution required to take attendance
34 CFR 668.22(b)(1)
DCL GEN 04-03, February 2004
DCL GEN 04-12, November 2004
DCL GEN-11-14, July 2011

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

Date by which funds must be returned
34 CFR 668.22(j)

If a student provides notification to the school of his or her withdrawal prior to the date that the school normally would determine that the student withdrew, the date of determination is the date of the student's notification. The school is NOT required to administratively withdraw a student who has been absent for 14 days (or less if applicable). However, after 14 days, it is expected to have determined whether the student intends to return to classes or to withdraw. If the student is eventually determined to be a withdrawal, the end of the 14-day period begins the time frame for completing a Return of Title IV Funds calculation.

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

When a student is not treated as a withdrawal from a program offered in modules at a school that is required to take attendance because the student has confirmed attendance in a module that begins later in the payment period or period of enrollment, no action is required by the school unless the student does not return as scheduled.

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

If a school has a policy that states the maximum number of excused absences that can occur after which a student will be administratively withdrawn, it may delay contacting the student until that date. However if the student eventually is determined to be withdrawn, the date of determination of the student's withdrawal remains 14 days from the student's last day of attendance. If the number of days in the school's policy is less than 14 days, then the date of the school's determination that the student withdrew is the date the school's policy indicates that the student will be administratively withdrawn. A school must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after it determines or should have determined that the student withdrew. In addition, if a student is due a post-withdrawal disbursement, then the date of the school's determination must allow for the school to meet the 30-day post-withdrawal disbursement notification requirement.

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

A student who ceases attendance during a payment period or period of enrollment is a withdrawal for Title IV purposes unless the student is on an approved LOA. Therefore, for a student who has ceased attendance, the institution must either:

- place the student on an approved LOA (provided that the conditions for an approved LOA are met); or
- withdraw the student and, if the student returns, treat the student as a re-entry if permitted under the regulations.

As noted, the date of the institution's determination that the student withdrew is not necessarily the same as a student's withdrawal date. A student's withdrawal date is used to determine the percentage of the payment period or period of enrollment completed and, therefore, the amount of aid a student has earned. The date of the institution's determination that the student withdrew is used in the following circumstances:

- A school must offer any amount of a post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of determination.
- If the student or parent submits a timely response that instructs the school to make all or a portion of the post-withdrawal disbursement, the school must normally disburse the funds within 180 days of the date of determination.
- A school must document a student's withdrawal date and maintain the documentation as of the date of determination.
- Within 30 days of the date of determination, a school must notify a student if a grant overpayment is due.
- A school that is collecting an overpayment must require repayment of the full amount of the overpayment within two years of the date of determination.
- The school must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of determination.
- The amount of aid disbursed as of the date of determination is used to determine the amount of unearned aid that must be returned.

USE OF PAYMENT PERIOD OR PERIOD OF ENROLLMENT

The worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or on the basis of a period of enrollment. For students who withdraw from semester, trimester, or quarter programs, a school must perform the Return calculation on a payment period basis. For students who withdraw from a nonstandard term-based or non-term-based educational program, the school has the choice of performing the Return calculation on either basis. The institution must use the same basis (payment period or period of enrollment) in its calculations for all students within a program who cease attendance.

An exception is allowed for students who transfer to or reenter a school that offers non-term-based or nonstandard term-based educational programs. For students who transfer to or reenter a non-term-based or nonstandard term-based educational program, a school may make a separate selection of payment period or period of enrollment to use in calculating their Return of Title IV funds for everyone within the group that transfers or reenters.

The periods used for transfer and re-entry students do not have to be the same. A school may choose to use payment period for transfer students and period of enrollment for re-entry students.

Payment period

The definition of a payment period is the same definition used for other Title IV program purposes. This definition is found in 34 CFR 668.4 (see *Volume 3*). Schools that use payment periods as the basis for their Return calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period.

Period of enrollment

Period of enrollment
34 CFR 668.22(l)(2)

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

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

Applicability

The use of a payment period or period of enrollment is important for many aspects of the Return calculation. For example, if a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance to be used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period. Also, the institutional charges used in the calculation generally have to reflect the charges for the payment period.

Generally, the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school (see Step 4). In some cases, this mitigates against a school using the period of enrollment as the basis for the Return to Title IV funds calculation. An institution must prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment period rather than period of enrollment basis for the Return calculations.

If, for a non-term or nonstandard term program, a school chooses to calculate Returns on a payment period basis but the school charges for a period longer than a payment period (e.g., period of enrollment), total institutional charges for the period will be the greater of the:

- prorated institutional charges for the period, or
- the amount of Title IV assistance retained for institutional charges as of the student's date of withdrawal.

Rounding

Enter dollars and cents using standard rounding rules to round to the nearest penny. Final repayment amounts that the school and student are each responsible for returning may be rounded to the nearest dollar.

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

The **one exception** to the rounding rule occurs in determining the percentage of Title IV program assistance earned. Students who withdraw at any point **after the 60% point** in the payment period or period of enrollment have earned 100% of their Title IV funds. If the standard rounding rules were used in this situation, a quotient of .6001 through .6004, which is greater than 60%, would be rounded down to .600 (60%), and the student would not have earned 100% of his or her

Federal Student Aid. In order to recognize that students completing more than 60% of the period (by any amount) earn 100% of their Federal Student Aid, **amounts of .6001 through .6004 are not rounded** for the purpose of determining whether a student has earned 100% of the Title IV funds for the term.

Funds to include in a Return calculation

Funds to include in a Return calculation
34 CFR 668.22(a)(2)

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

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

Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds are excluded under certain circumstances. Federal Work-Study (FWS) funds are **not** included in the calculation.

FSEOG Program funds

The nonfederall share of FSEOG Program funds is excluded when a school meets its FSEOG matching share by either the individual recipient method or the aggregate method. If a school meets its matching share requirement through the use of a fund-specific match, 100% of the FSEOG award (both the federal and nonfederall shares) must be included in the Return calculation. Otherwise, the nonfederall share of FSEOG awards is excluded from the calculation. For more information on types of FSEOG matching funds see *Volume 7*.

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

If, for a student enrolled in a crossover period, a school had a second SAR/ISIR with an official EFC, (reflecting eligibility for more Pell funds) before the student lost eligibility but the school had failed to disburse the additional funds before the student withdrew, the school must include the additional funds in the Return calculation as ***Aid that could have been disbursed***.

The school must do the following:

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

A resolved overaward may become an overpayment

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

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

If the student is responsible for repaying the overpayment, and the student withdrew during the payment period or period of enrollment, as applicable, the school should try to collect the overpayment from the student and, if it is unable to do so, should refer the student to ED's Debt Resolution Services.

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

SPECIAL TREATMENT OF STUDENTS WHO WITHDRAW AND THEN TRANSFER OR REENTER A CREDIT-HOUR, NON-TERM-BASED PROGRAM OR A PROGRAM THAT MEASURES PROGRESS IN CLOCK HOURS

Re-entry within 180 days

A student who reenters within 180 days is treated as if he or she did not cease attendance for purposes of determining the student's aid awards for the period.

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

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

- redisbursing aid that had been disbursed and then returned under the Return of Title IV Aid provisions;
- disbursing aid the student was otherwise eligible for that had not yet been disbursed at the time the student withdrew;and
- canceling any overpayments assessed the student as a result of the prior withdrawal that were disbursed upon re-entry.

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

There are limitations on redisbursing and making second disbursements of Direct Loan funds when a student reenters. If the date of a student's return is outside of the period for which the loan was certified/originated, the school must agree to extend the loan period. (The school may originate a new loan as explained later.) Likewise, if the date scheduled for a second disbursement is outside of the period for which the loan was originated, the school must extend the loan period and the date(s) for the second and any subsequent disbursement. For more information on this topic, please see the chart ***Loan Principles Applicable to Transfer and Re-entry at Non-term Schools*** later in this chapter.

Re-entry within 180 days
34 CFR 668.4(e)

Consistent with leave of absence

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

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

Costs upon re-entry

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

Deferment status for loan funds

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

New Minimum Loan Period
34 CFR 685.301(a)(9)

Note: For a student who completed more than 60% of his or her training before ceasing attendance, the school would not have returned any Title IV aid. If that student were to reenter training within 180 days, because the student had received 100% of his or her aid for the period, the student would not be eligible to receive additional Title IV aid until he or she has completed the weeks of instructional time and hours or credits (as applicable) in the academic year.

For a treatment of the re-admission requirements for members of the uniformed services, see *Volume 2*.

When a student reenters within 180 days

The return regulations require a school to return unearned funds for which it is responsible as soon as possible but no later than 45 days after the date of the school's determination that the student withdrew. If a student returns to the institution before the Title IV funds are returned, the institution is not required to return the funds.

An institution may not delay its Return of Title IV funds.

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

Requesting administrative relief by email

A school can also request administrative relief by sending an email directly to:

fsa.administrative.relief@ed.gov

The request must include the
- reason (re-entry within 180 days);
- school's Pell ID number;
- name of the person to contact;
- the contact's phone number; and
- the contact's email address.

Limits on requesting administrative relief

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

What to do when a student whose overpayment has been referred to Debt Resolution Services reenters within 180 days

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

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

Fax Number: (319) 665-7646

Note: This process cannot be performed via email.

In the fax, the school must include the:

- award year of the overpayment;
- student's Social Security number;
- student's last name, first name, and middle initial;
- student's date of birth;
- type of overpayment—Federal Pell Grant, TEACH Grant, Iraq and Afghanistan Service Grant, or FSEOG;
- the disbursement date the institution used to create the overpayment record in NSLDS;
- a letter that includes the following:

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

The maximum loan period

The regulations allow schools to certify loans for students in non-term and nonstandard term programs that are less than an academic year in length, and give schools flexibility in rescheduling disbursements to students who cease attendance and then return to school.

For a student who withdraws and returns within 180 days, a school may extend the original loan period and schedule new disbursement dates for second or subsequent disbursements. Note that this does not mean an increase in the loan amount the student may receive for the period. Cites: 685.301(a)(10)(ii)(A) and 685.301((a)(9)(i).

Re-entry within 180 days, example

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

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

If the student returns to the same program at the same school within 180 days of the withdrawal, the student would be considered to be in the same payment period, and the student's eligibility for Title IV aid should be the same as if the student had not left. If the student is returning within the original loan period, the school redisburses the $500 the school had returned. If the date of a student's return is outside of the period for which the loan was originated, the funds the school must extend the loan period and set new dates for any second disbursement or additional disbursements. In addition, the institution would schedule additional Title IV disbursements for the day after the student is expected to complete the remainder of the payment period.

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

When a student reenters in a new award year

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

Consider a student who received Pell Grant funds and ceased attendance in one award year who then reenters training within 180 days, but in a new award year. If the school returned funds after a Return calculation, the student might be due Pell funds from an award year that is over.

In order to request these funds, the school will have to go to the COD website at

https://cod.ed.gov/cod

Log in under the "**School"** tab using the school's user name and password (available from the school's system administrator), select **"Post Deadline System Processing"** on the left side, and request administrative relief with **"Re-entry within 180 days"** as the reason.

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

Re-entry after 180 days, transfer into a new program at the same institution, or transfer to a new institution

Re-entry after 180 days
34 CFR 668.4(f)

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

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

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

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

A school may consider a student who transfers into another program at the same school to remain in the same payment period if five conditions are met:.

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

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

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

If a student for whom this approach is taken later withdraws from the institution, the start and end dates used in Step 2 of the Return calculation will be the start of the first program and the end of the second. The charges used in Step 5 will be the total charged the student for the two programs.

When a student who withdraws from a term-based, credit-hour program offered in modules returns within a payment period or period of enrollment

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

Eligibility of transfer students for additional Title IV funds

Generally, at a clock-hour or non-term credit-hour school, a student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and reenrolls to take that program again or to take another program. In addition, when a student reenters a clock-hour or credit-hour non-term-based program after 180 days, the student may be paid for repeated courses.

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

However, a transfer student's eligibility for additional Title IV funds may be subject to a variety of limitations associated with the aid the student received during the student's most recent period of attendance. For example, in the Pell Grant Program, a student may never receive more than his or her Pell scheduled award for an award year. In the Federal Direct Loan program, the application of the annual loan limits imposes additional limitations on a borrower's eligibility for funds when the borrower transfers (see chart).

LOAN PRINCIPLES
APPLICABLE TO TRANSFER AND RE-ENTRY AT Non-term SCHOOLS

1. For non-term programs, a Borrower–Based Academic Year (BBAY) must be used to monitor annual loan limits. For a student who transfers or reenters a program, the loan period certified must be the lesser of the:
   - academic year,
   - program, or
   - remaining balance of a program of study.
2. A school may certify or originate a loan for a period that exceeds 12 months.
3. When we say balance, we mean the borrower's annual loan limit, less any amount previously borrowed for the same academic year, plus any amount returned per 34 CFR 668.22.

   For a transfer student, when an overlap exists between the borrower's original loan period and the borrower's new period of attendance, or the academic years of the two schools, the borrower is eligible to receive a loan for an amount that does not exceed the remaining balance of the student's annual loan limit. The new school may certify or originate the loan for the remaining portion of the program or academic year. **The borrower is not eligible for a new loan**
   until the original loan period and original academic year have ended.

   Note that if the original academic year is unknown, a school must assume the previous school had an academic year of 30 weeks.

   A receiving school that accepts fewer credits or clock hours than the student successfully completed at his or her prior school may, if it can document that the student successfully completed additional credits or clock hours, count those hours as completed hours in the student's loan period.

   Note that when we say ***successfully completes***, we mean that the student earns a passing grade or otherwise receives credit for the course.

   If there is no overlap, the borrower is immediately eligible for a new annual loan limit. The receiving school can certify the borrower for a loan period that corresponds to its academic year or the entire balance of the program. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

5. When certifying a loan for returning student for a new BBAY, the Cost of Attendance may include only those costs associated with the period for which the loan is certified. It may not include any costs used in certifying the previous loan unless those costs represent charges for which funds were returned to the Department or refunded to the student, subsequent to the previous withdrawal.

Loan Principles, continued

6. When a student reenters the same program within 180 days and before the end of the student's initial loan period, a school can ask the lender to establish a new end date for the loan period and reschedule any second or subsequent disbursements. Similarly, a Direct Loan school could change the original loan period end date and reschedule the second disbursement. In this case, the student is held to the same disbursement requirements that applied initially (e.g., for one additional disbursement, they must successfully complete one-half the coursework and one-half the weeks of instructional time in the loan period before they can receive the second disbursement).
7. When a student reenters the same program within 180 days and before the end of the student's initial loan period, if the lender declines to adjust the loan period and reschedule the second disbursement, the school can ask the lender to approve a loan with a new loan period that begins on the date the borrower returns to school and extends to either the balance of the original loan period or balance of the program, whichever is shorter. The student is eligible to receive only the balance of the loan, and it must be made in multiple disbursements.

   The borrower is not eligible for a new loan until the original loan period and original academic year have ended. If some portion of the program remains after the completion of the new loan period, the school could certify a new loan for that portion of the program. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.
8. If a student reenters a program after the end date of the initial loan period or BBAY, a school may certify a new loan for either the balance of the program or academic year, whichever is shorter. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

DIRECTIONS FOR ADJUSTING DIRECT LOANS

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

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

If a school needs to submit a change record after the closeout date for an award year (the last processing day in July of the year following the award year of which the loan was originated), the school will need to request "extended processing," as explained in the "Closeout Letter" for the appropriate award year.

Transfer Students

Example 1

Consider an academic program that consists of 1,500 clock hours that students are expected to complete over 50 weeks of instructional time. The program has a defined academic year of 900 hours and 30 weeks of instructional time. For students who enter at the beginning of the program, initially there would be four payment periods.

1. the first 450 hours of the first academic year and 15 weeks of instructional time;
2. the next 450 hours of the first academic year and 15 weeks additional weeks of instructional time;
3. the first 300 hours of the 600 hours remaining in the program and 10 weeks of instructional time; and
4. the final 300 hours of the 600 hours remaining in the program and 10 weeks of instructional time.

If the school accepts a transfer student and grants the student 300 hours of credit toward the completion of its 1,500-hour program, the school would subtract the 300 hours and 10 weeks of instructional time from the 1,500 hours and 50 weeks of instructional time in the student's program, and determine that the student needs to complete 1,200 hours and 40 weeks of instructional time at the new institution in order to complete the program.

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

1. the first 450 hours after the student transfers and 15 weeks of instructional time;
2. the next 450 hours in the academic year following the student's transfer and 15 weeks additional weeks of instructional time;
3. the 300 hours remaining in the program and 10 weeks of instructional time (since this balance is less than one-half of an academic year). However, the school must make two disbursements of any FSA loan awarded for this period—the second when the student has completed 150 hours and 5 weeks of instructional time.

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

Transfer Student, Example 2

On August 1, 2010, David Allen enrolled at Penny's Hair Academy (PHA). After completing 400 of the 900 clock hours in his program, David had to relocate, and he withdrew from school.

On February 1, 2011, having settled into his new home, David enrolled at Marion's Esthetics Institute (MEI) as a transfer student. David was awarded 400 clock hours of transfer credit in MEI's 1,000 clock-hour program (the program definition of an academic year is 900 clock hours and 30 weeks of instructional time). David's program is 600 clock hours and 20 weeks of instructional time.

When the financial aid officer (FAO) at MEI examined David's 2010–2011 ISIR, he found the following entry:

%Sch. Used: 50.0 As Of: 01/28/2010 Pell Verification EFC: 0

The FAO subtracted the 50% used previously from 100% and found that the percentage of David's scheduled award that remained unused was 50%. Therefore, David was eligible to receive 50% of his scheduled Pell award of $4,731 during the balance of the award year. In addition, the FAO used the 600 hours and 20 weeks of instructional time remaining in David's program to establish the appropriate two payment periods (per 34 CFR 668.4(b)) each of 300 clock hours and 10 weeks of instructional time.

The aid officer performed the required multiplication and determined that David could receive as much as $2,365 (.50 X $4,731 = $2,365) if he remained enrolled at MEI for the balance of the year.

During the first payment period, David received $1,577 ($4,731 X 300 hours in the period ÷ 900 hours in the academic year) in Pell funds.

However, in the second payment period, David could only receive funds until his total Pell at EIA reached $2,365 (his total for the year reached $4,731). Therefore, for the second payment period at MEI, David could only receive $788 ($2,365 – $1,577 = $788).

On February 5, 2011, David came to the FAO at MEI and inquired about a loan like the one he had at PHA. The FAO examined David's ISIR and his record in NSLDS and determined that David had received $1,750 in loan funds (from his first-year loan of $3,500) while attending PHA.

The FAO tells David that because there is an overlap of the two school's academic years, David is only eligible to receive a loan for the balance of his eligibility as a first-year student—$1,750. In addition, the FAO tells David that the one-half of his loan will be disbursed within a few days and the balance when David has successfully completed 300 clock hours (half of the hours in the remainder of his program) and half the weeks of instructional time in the loan period.

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

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

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

A student who has completed the credits for which aid was awarded does not have to be considered a withdrawal or placed on LOA if he or she takes a break before enrolling in additional courses.

CHANGING OR CORRECTING A RETURN CALCULATION

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

A change is not a correction if a calculation (Return/post-withdrawal disbursement) was correct at the time it was processed. For example, a school that used the midpoint as the withdrawal date may want to go back and revise an already processed Return of Title IV Funds calculation to use a last date of attendance at an academically related activity past the midpoint. Such a change is not a correction because the use of the midpoint was not a mistake—as would be using the wrong amount of a Pell Grant disbursement. Similarly, the signing of a promissory note after a calculation is processed is not a correction because failing to sign a promissory note is not a mistake.

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

APPLICABLE DEADLINES

Two main deadlines impact most Return of Title IV Funds calculations—the 45-day time frame for the Return of Funds (also see the discussion under *Time frame for the return of Title IV funds* later in this chapter), or the 30-day required notification of the need for authorization to make a post-withdrawal disbursement of Title IV loan funds (also see the discussion under *post-withdrawal disbursement of Title IV Loan* funds later in this chapter). Any action taken after a deadline, even a correction, is a violation of the deadline requirement. So, when an institution corrects a Return of Title IV Funds calculation and, as a result, returns funds after the 45-day deadline, it is a late return. When the school makes a correction and notifies the student or parent later than 30 days of the date of the institution's determination that the student withdrew of the need for authorization to make any loan post-withdrawal disbursement of Title IV loan funds, the school has violated that deadline.

In the next section, we will discuss the data elements in the order in which they occur on the worksheets. The discussion that follows 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 disbursed and 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 *Chapter 3*.

A student's aid is counted as aid disbursed in the calculation if it is disbursed as of the date of the institution's determination that the student withdrew (see the discussion previously under *Date of the institution's determination that the student withdrew*).

Inadvertent overpayments
DCL GEN 04-03, February 2004

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 a Return calculation as "Aid that could have been disbursed" rather than "Aid that was 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 Return calculation.

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 Return 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(g)(2) **were met prior to the date the student became ineligible,** any undisbursed Title IV aid for the period for which the return 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 because of the limitations in 34 CFR 668.164(g)(4) or elsewhere).

PLUS Loan denied

If a PLUS Loan is included in a Return calculation and later the loan is denied by the lender, the school should revise its Return calculation. If there has been a change in the amount the student or school must return, the school must make the appropriate adjustments to its records and the COD systems. If the denied PLUS Loan was the only Title IV assistance for which the student was eligible, no Return calculation would have been required.

Conditions for late disbursement
34 CFR 668.164(g)(2)

Limitations on making a late disbursement
34 CFR 668.164(g)(4)

Official EFC

An "*official EFC*" is an EFC calculated by the Department and provided on a SAR or ISIR. It may or may not be a valid EFC (defined as an EFC based on information that is correct and complete).

When a student drops below half time before withdrawing

If a student who is otherwise eligible for a late first disbursement drops below half-time enrollment and then withdraws, the institution would include any undisbursed Stafford Loan funds in the Return calculation as "aid that could have been disbursed." However, an institution may never make a post-withdrawal disbursement of Stafford funds a student could not have received if he or she had remained in school.

Any undisbursed Title IV aid for the period that the school uses as the basis for the Return 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;
- for an FSEOG award, the institution made the award to the student;
- for a Direct Loan, the institution certified or originated the loan, as applicable; and
- for a Federal Perkins Loan, the institution made the award to the student.

A promissory note must be signed for a loan to be included as "Aid that could have been disbursed" in a Return calculation. The signature may be obtained after the student withdraws. However, in order for the loan to be included as "Aid that could have been disbursed," the promissory note must be signed before the school performs the Return calculation.

Of course, a school can only include aid (e.g., the loan funds) for the period for which the institution does the Return 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 the period of enrollment basis (e.g., the academic year basis), the loan funds counted are those for the entire period of enrollment.

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 Return 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 non-term programs, and clock-hour programs, a second disbursement of Direct Loan funds where the student has not reached the later of the calendar midpoint of the loan period or the date that the student completes half of the academic coursework or clock hours (as applicable) in the loan period (34 CFR 685.301(b)(5), or (6));

- a second or subsequent disbursement of Direct Loan funds unless the student has graduated or successfully completed the loan period (34 CFR 668.164(g)(4)(ii));
- a disbursement of Direct Loan or Perkins Loan funds for which the borrower has not signed a promissory note;
- for clock-hour or credit-hour non-term programs, a disbursement of a Federal Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant or, for a subsequent payment period when the student has not completed the earlier payment period for which the student has already been paid (34 CFR 690.75(a)(3) and 34 CFR 691.75(a)(3)&(4));
- 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(g)(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, TEACH Grant or, to a student for whom the institution did not have a valid SAR/ISIR by the deadline established by ED (34 CFR 668.164(g)(4)(iv)) annually in the public deadline notice, 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, in order 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.**

Making a separate determination of eligibility for a post-withdrawal disbursement

Consider a student enrolled at a school that is not required to take attendance by an outside entity. The student registers for and on September 1, begins attendance in 12 credits. On September 15, the student drops classes worth seven credits, and his enrollment status changes to less than half time. On December 1, the school receives $2,000 in Stafford loan funds for the student.

In reviewing its records, the school determines that the student 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 Stafford 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 Stafford loan funds.

Example of prohibited disbursement

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—that is, he or she will not begin attendance in six credit hours, the school's minimum half-time enrollment status, until he or she begins 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 he or she 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 at this point.

Treatment of inadvertent overpayments

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, February 2004

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 Return calculations as ***Aid that could have been disbursed*** rather than ***Aid that was disbursed.***

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 a Return calculation. Rather, it is permitted only 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*** and may result in a student being able to retain more grant funds.

In order to be consistent with the aforementioned second principle, an institution must now 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.

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.

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(g)(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, HEA program funds—for example, a process by which withdrawals are reported immediately to those individuals at the institution who are responsible for making Title IV, HEA program disbursements. During a program review, we would question a pattern or practice of making these inadvertent overpayments.

Late arriving aid

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

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

TIP

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

Examples of second or subsequent DL disbursements and an example of a second payment period Pell disbursement

Example 1

Consider a student who withdrew after completing 400 clock hours in a 900 clock-hour program and before passing the midpoint in calendar time of the loan period. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The Return calculation is done on a period of enrollment basis. Half of the Direct Stafford 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 completed half of the clock hours and, for the loan, half of the time in the loan period, the student was not eligible to receive the second installment of the loan and the Federal Pell Grant. Therefore, the second disbursements were not made before the student withdrew.

Under current guidance, the second disbursements of both the Pell Grant and the loan are included as ***Aid that could have been disbursed*** in the calculation of earned Title IV aid so that the amount of Title IV aid used in the calculation (and earned by the student) will be larger.

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

Example 2

Consider a student who completed 500 clock hours in a 900 clock-hour program and passed the midpoint in calendar time of the loan period at an institution that uses the period of enrollment as the basis for its Return calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. Half of the Stafford loan was disbursed at the beginning of the first payment period, and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and passed the midpoint in calendar time of the loan period, and was otherwise eligible to receive the second installment of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the Department had processed a SAR/ISIR, and the institution previously had certified or originated the loan before the student lost eligibility, the second disbursement of the loan is included as aid that could have been disbursed in the calculation of earned Title IV aid.

However, the late disbursement regulations prohibit an institution from making a second or subsequent disbursement of a Direct Stafford Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The Return 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 Return calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Stafford loan for the first quarter (225 hours) of the period of enrollment has been disbursed. The student is scheduled to receive the second quarter of the loan in the second half of the first 450-hour payment period. The student withdraws during the first payment period after receiving only the first disbursement of the loan. The second, third, and fourth scheduled disbursements of the loan are included in the calculation as ***Aid that could have been disbursed***, because the school has chosen to perform the Return 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 second or subsequent disbursements of Direct Stafford Loans when a student has not completed the period for which the loan was intended.

STEP 2: PERCENTAGE OF TITLE IV AID EARNED

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

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

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 Department if Direct Loan Program funds were received. A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

The definition of a withdrawal date is used in determining the amount of aid a student has earned. Do not confuse it with the ***date of the institution's determination that the student withdrew***, discussed previously and used for other purposes in the Return of funds process.

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

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

The goal of the Return provisions is to identify the date that most accurately reflects the point when a student ceases academic attendance, not the date that will maximize Federal Student 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.

Example of taking attendance

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

Schools required to take attendance

In October 2010, the Department issued regulations that modified the definition of *schools required to take attendance*. The Department now considers that a school is required to take attendance not only when a 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, but also when:

- 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.

These 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. Again, a school is considered to be required to take attendance only when a school either requires the taking of attendance or is required by an outside entity 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' benefits requirement that benefit recipients self-report attendance would not result in a school requirement to take attendance of those students unless the school is required to verify the student's self-certification.

A school requirement for taking attendance

If a school does not require faculty to take attendance but a faculty member chooses to take attendance, then the school is not considered a school required to take attendance. If, however, 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 date of withdrawal.

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 school's attendance-taking policy. For students enrolled in classes taught by faculty who fail to take attendance, a student's withdrawal date will be the last date of academic attendance from the attendance records taken by the faculty that did take attendance. If no records of a student's academic attendance exist, the student is considered not to have begun attendance for Title IV program purposes and never to have established eligibility for the Title IV program funds. Title IV program funds received by a student who failed to establish eligibility must be handled by the school in accordance with the procedures described previously under ***When a student who fails to begin attendance in all the courses he or she was scheduled to attend withdraws***.

When a school requires faculty to provide an LDA for students who receive all "F" grades

NEW

A requirement that faculty provide a last date of attendance for students who receive all "F" grades in order to determine whether a student with failing grades has unofficially withdrawn does not make the school one that is required to take attendance.

Only if the school requires its faculty to collect or record information about whether a student was in attendance is the school considered to be one that is required to take attendance.

Monitoring students logging in to online classes

The monitoring of whether online students log into classes does not by itself result in a school being a school 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 a school that is required to take attendance for Title IV purposes.

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 should be used to determine if the student ceased attendance during that period.

For schools that are required to measure the clock hours a student completes in a program, the Department believes that this is, in substance, a requirement for those schools to take attendance for those programs since they satisfy both the requirement of determining that a student is present and that the student is participating in a core academic activity.

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, the school is required to use those attendance records to determine a student's withdrawal date (the last date of academic attendance) for those students. The school would not be required to take attendance for any of its other students or to use attendance records to determine any of its other students' withdrawal dates unless the school is required to take attendance for those students by another outside entity.

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

The October 29, 2010, final regulations added to the regulations' two long-standing policies: First, 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, the school is not one required to take attendance. Second, 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 a student. Students in attendance the last time attendance is required to be taken during the limited period who subsequently stop attending during the payment period will be treated as students for whom the school was not required to take attendance.

Census dates in programs offered in modules

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.

Taking attendance for one day as opposed to a limited period

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 in order to determine when students are and are not present, then the school is taking attendance for a limited period, and the school is one that is required to take attendance for Title IV program purposes for that limited 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.

If the school demonstrates that the student attended past the end of the limited period, the student's withdrawal date is determined in accordance with the requirements for a school that is not required to take attendance. So, for a student the school has determined attended past the limited period and has unofficially withdrawn, the student's withdrawal date is the midpoint of the payment period or period of enrollment unless the school uses a last date of attendance at an academically related activity. The school, therefore, has the option to document a student's last date of attendance at an academically related activity, but a school is not required to take attendance past the end of the limited period of attendance taking.

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.

When a student officially withdraws after the end of a limited period of required attendance taking

Consider a student who is not in attendance in her classes on the last day of a two-week period of required attendance taking. The student begins the school's official withdrawal process two weeks after the end of the two-week period of required attendance taking. The school must demonstrate that the student was in attendance after the two-week attendance taking period in order to use the date the student begins the school's official withdrawal process as the withdrawal date. 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.

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

If a school is not required to take attendance, the determination of a withdrawal date varies with the type of withdrawal. The chart on ***Withdrawal Dates*** near the end of this chapter lists the withdrawal date for the various types of withdrawals, as well as the date of the institution's determination that the student withdrew for each type of withdrawal.

Official notification
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)

Official notification

A student may provide official notification of his or her intent to withdraw by following the school's withdrawal process. In this case, the withdrawal date is the date the student begins the school's withdrawal process. A student may also provide official notification in other ways. If a student otherwise provides official notification (as explained later), the withdrawal date is the date notification was provided.

Notification example

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

These withdrawal dates apply even if a student begins the school's withdrawal process or otherwise notifies the school of his or her intent to withdraw and projects a future last date of attendance. 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 notifies the school of his or her intent to withdraw.

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.**

Consumer Information on Withdrawing

A school is expected to identify the beginning of its process as a part of the school's consumer information regarding withdrawal (see *Volume 1*). A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

While the institution's officially defined withdrawal process might include a number of required steps, and though the institution might not recognize the student's withdrawal (for purposes of determining an institutional refund) until the student has completed all the required steps, for the purpose of calculating the Return of Title IV funds, the date the student began the institution's withdrawal process is the withdrawal date for Title IV purposes.

Otherwise provides official notification

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

Otherwise provides official notification
34 CFR 668.22(c)(5)

Official notification from the student is any official notification that is provided in writing or orally to a designated campus official acting in his or her official capacity in the withdrawal process. Acceptable official notification includes notification by a student via telephone, through a designated 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 academic-ally related activity as long as that participation is documented by a campus official.

Informal contact with a school employee

If the student provides notification to an employee of a designated office while that person is not acting in his or her official capacity (for example, the student runs into her financial aid officer at the grocery store), we would expect the employee to inform the student of the appropriate means for providing official notification of his or her intent to withdraw.

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

When a student triggers both dates
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, November 1 in this case, is the student's withdrawal date.**

Remember that a **school that is not required to take attendance is always permitted to use *the last date of 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 Return calculation.

Official notification not provided by the student

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of this calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines that the student ceased attendance because of the aforementioned applicable event.

The second category of unofficial withdrawals encompasses all other withdrawals where official notification is not provided to the school. This rule applies only to schools that are not required to take attendance. For these withdrawals, commonly known as dropouts, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable, or the last date of an academically related activity in which the student participated.

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

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

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

If a school administratively withdraws a student (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. However, an institution 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. Of course, if the school can document that the student continued his or her attendance past the midpoint, the school may use a later date.

All other withdrawals without student notification

For all other withdrawals without notification, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable at an institution not required to take attendance by an outside entity.

Withdrawal due to circumstances beyond the student's control
34 CFR 668.22(c)(1)(iv)

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 can document that it 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 normally use as the withdrawal date.

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 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.

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/her enrollment (but still before the school withdrew the student), the school could use the date of the academically related activity as the last date of attendance.

Time frame for the determination
34 CFR 668.22(j)(2)

All other withdrawals
34 CFR 668.22(c)(1)(iii)

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 the school checks its records at the end of an academic period. However, to ensure that Title IV funds are returned within a reasonable period of time, a school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.

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

- the payment period or period of enrollment, as applicable;
- the academic year; or
- the program.

When students fail to earn a passing grade in any class

When a student fails to earn a passing grade
DCL GEN-04-03, February 2004

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. We do not require that an institution use 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, for that class, 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.

Testing the use of a grading policy

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.

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.

Example, 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 (Unauthorized Incomplete) 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 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 (in the example above), to students who failed to complete the course. 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

Last date of attendance at an academically related activity
34 CFR 668.22(c)(3)

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. So, if a student begins the school's withdrawal process or otherwise provides official notification of his or her intent to withdraw and then attends an academically related activity after that date, the school would have the option of using that last actual attendance date as the student's withdrawal date, provided the school documents the student's attendance at the activity. Similarly, a school could choose to use an earlier date if it believes the last documented date of attendance at an academically related activity more accurately reflects the student's withdrawal date than the date the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw. Please note that a school is not required to take class attendance in order 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

Withdrawals after rescission of official notification
34 CFR 668.22(c)(2)(i)

A student may provide official notification to the school of the intent to withdraw and then change his or her mind. To allow a student to rescind his or her intent to withdraw for purposes of this calculation, the school must obtain a written statement from the student stating his or her intent to remain in academic attendance through the end of the payment period or period of enrollment. If the student subsequently withdraws 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 withdrawing and actually does. The school has a record of an exam that Dave took on February 9. The school may use February 9 as Dave's withdrawal date.

If the school could not or did not choose to document a last date of 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

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, an interactive tutorial, or 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.

A school that is required to take attendance may use the school's records of attendance at these activities as evidence of attendance, provided there is no conflict with the requirements of an outside entity that requires the school to take attendance or, if applicable, the school's own requirements.

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; or
- participating in academic counseling or advisement.

Participation in academic counseling and advising are no longer considered to be academic attendance or attendance at an academically related activity.

Counting excused absences as days in attendance

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

In a distance education context, documenting that a student has logged into an online class is not sufficient, by itself, 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, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question.

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. A school must determine the attendance records that most accurately support its determination of a student's withdrawal date and the school's use of one date over another if the school has conflicting information. The determination of a student's withdrawal date is the responsibility of the school. 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).

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)

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 if the school has conflicting information.

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.

Withdrawals from programs offered in modules

Previously, under guidance provided in Dear Colleague Letter GEN-00-24, if a student attending a standard, term-based program offered in modules ceased attendance after completing one module, the student was not considered to have withdrawn, and the school was not required to perform a Return calculation. This is no longer the case. Under the October 29, 2010, final regulations, for all programs offered in modules, a student is a withdrawal 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 withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment.

In addition, for a student in a non-term 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 non-term or nonstandard term program offered in modules who ceases attendance, the student is a withdrawal 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 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 students last day of attendance (those that would have applied if the student had not provided written confirmation of future attendance).

As discussed earlier in this chapter under ***Re-entry within 180 days***, if a student who withdraws from a clock-hour or non-term 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, under the October 29, 2010, final regulations, if a student enrolled in a term-based, credit-hour program offered in modules who withdrew without confirming an intent to return to a module later in the payment period or period of enrollment reenters the same program prior to the end of the payment period or period of enrollment, the student is treated as if he or she did not cease attendance.

Withdrawal from programs offered in modules
DCL-GEN-11-14 July 2011

Administrative withdrawals mandated by school policy

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 the student's withdrawal date in accordance with the requirements for administrative withdrawals.

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. At a school that is not required to take attendance, an administrative withdrawal is considered to be a withdrawal without student notification due to circumstances beyond the student's control, and the withdrawal date is the date that the school determines is related to that circumstance (34 CFR 668.22 (c)(1)(iv)).

The last possible date of withdrawal for a student that is administratively withdrawn due to a period of nonattendance for a specified period is the date that started the period of nonattendance (i.e., the beginning of the period of nonattendance that triggered the administrative withdrawal).

Determining if a program is offered in modules

A program is offered in modules if, for a payment period or period of enrollment, a course or courses in the program do not span the entire length of the payment period or period of enrollment. The determination of whether a program is offered in modules is made on a payment period-by-payment period or period of enrollment-by-period of enrollment basis, as appropriate, and is student specific. So, while some payment periods or periods of enrollment in a student's program may be considered to be offered in modules, others may not. If all the courses in a program for a particular payment period or period of enrollment, as applicable, span the entire length of the period, the program is never considered to be offered in modules for that period for any student who withdraws during the period.

Conversely, if none of the courses in a program for a particular payment period or period of enrollment span the entire length of the period, the program is always considered to be offered in modules for that period for a student who withdraws during the period. If some courses in the program for a particular payment period or period of enrollment span the entire length of the period but some do not, the program is considered to be offered in modules only for a student who is scheduled to attend at least one course that does not span the entire length of the 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 these 14-week long courses, the program would not be considered to be offered in modules for purposes of determining the applicability of the Return of Title IV Funds requirements to that student's withdrawal.

A specific program might be classified as one that a school offers in standard terms, nonstandard terms, or even as a non-term program. However, determinations about which format a student is attending are made on a student-by-student and semester-by-semester basis.

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.

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 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 non-term 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.

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 confirm that he 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). Of course, the student's eligibility must be recalculated.

Scenario 3

If the student completes both courses in module one but officially drops both courses in module two while still attending the courses in module one, the student is not a withdrawal. Because the student officially dropped both courses in module two before they began, 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.

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 for a clock-hour or non-term credit-hour program, the student is treated as though he or she did not cease attendance and the school must "undo" the Return of Title IV Funds calculation.

As with a student who reenters a clock hour or non-term 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 award 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.

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 Return of Title IV funds 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 a Return calculation to see if the student will return later in the payment period or period of enrollment.

For further treatment of this topic, please see the discussion under *Special treatment of students who withdraw and then transfer or reenter a credit-hour, non-term-based program or a program that measures progress in clock hours* earlier in this chapter.

Online confirmation of attendance

An online confirmation of future attendance from a student may constitute written confirmation that the student will attend a module that begins later, provided that the confirmation is a timely positive confirmation of future attendance. 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. Rather, the school must ensure that the online confirmation requires the student to reaffirm attendance in a module that begins later in the period if that attendance is the basis for the future attendance. Of course, 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, HEA program purposes.

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 that would have been a 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 Return of Title IV Funds requirements. Without confirmation of future attendance, a school must assume a student who has ceased attendance is a withdrawal and begin the Return of Title IV Funds process. A school is expected to begin the Return of Title IV Funds 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 Return of Title IV Funds process in case 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.

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

When a student ceases attendance 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 a Return of Title IV Funds calculation is required.

Adjustment to a student's enrollment status made after a student has ceased attendance have no bearing on the Return of Title IV Funds requirements. Therefore, if a student who is scheduled to attend all three modules in a payment period or period of enrollment drops all future classes (the two remaining modules) during the period between the first and second module (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.

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).

When a student drops classes on the same day the student 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 Return of Title IV Funds purposes.

Classes dropped on the same day that the student withdraws have no bearing on the Return of Title IV Funds requirements. A school must perform a Return calculation that includes those classes in the days in all modules the student was scheduled to attend.

Why a student ceases attendance between modules is considered withdrawn

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 complete, but did not complete, the days in the second module. Under the new regulations, completion of one course in one module in a term-based, credit-hour program no longer results in a student not being counted as a withdrawal; therefore, the institution would make a determination that the student earned 50 percent of his or her Title IV, HEA program funds (35 days / 70 days = 50 percent).

Withdrawal date from a program offered in modules

The October, 2010, regulations do not change the definition of a student's withdrawal date under §668.22.

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).

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 percent point) of the payment period or period of enrollment.

To determine the midpoint of the payment period or period of enrollment for a student who withdraws from a program offered in modules, a school must first determine the length of the payment period or period of enrollment (i.e., the total number of calendar days in the period) for Return of Title IV Funds purposes as discussed under ***Determining the percentage of the payment period or period of enrollment completed for a student who withdraws from a program offered in modules*** later in this chapter.

Consider a student who, after completing the first module, withdraws on day 20 of the second module of a period comprising two eight-week modules with a four-day break in between. The total number of calendar days in the payment period or period of enrollment includes all days in the payment period or period of enrollment, excluding days in which the student was on an approved leave of absence and 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. Because there are no scheduled breaks of at least five consecutive days during or between the modules, the total number of calendar days in the period would be the total number of days in each module (8 weeks x 7 days=56 days in each module; 56 days x 2 modules=112 days in the modules) plus the four days between the modules (112 days in the modules + 4 days between modules) for a total of 116 calendar days in the period). Therefore, the midpoint and, thus, the withdrawal date, would be day 58.

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

NEW

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 **prior to ceasing attendance**, excluding days in which the student was on an approved leave of absence and 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.

For non-term 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 non-term 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 Return requirements. Thus, if a student enrolled in three modules completes one module and drops the two remaining modules **after ceasing attendance**, the total number of calendar days in this 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 (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 the Return 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 Return calculation, a school must recalculate the student's eligibility for Pell and Campus-Based funds based on a revised cost of education and enrollment status (34 CFR 690.80(b)(2)(ii)). The school then performs a Return 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 a 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.)

A school may not disburse the proceeds of a Direct Loan to an ineligible borrower. Therefore, 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.

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(g)(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.

Recalculation for students withdrawing from non-term programs offered in modules

Any time a student enrolled in a non-term program offered in modules changes his or her enrollment status, 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.

When a student enrolled in a non-term program withdraws, a school that calculates Returns on a period of enrollment basis may not include in the COA costs associated with any future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days.

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 at this point (although the loan would be included as *Aid that could have been disbursed*).

Withdrawal date when a student dies

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

The withdrawal date can be no later than the date of the student's death. For an institution that is required to take attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the institution's attendance records. In all cases, the **institution should maintain the documentation it received that the student has died** and determine an appropriate withdrawal date. (For more information on how the death of a student affects the Return process, see the discussion under ***When a student who has died is due a post-withdrawal disbursement*** later in this chapter.)

Part 2 – Percentage of Aid Earned

Percentage of payment period or period of enrollment completed

Percentage of payment period or period of enrollment completed
34 CFR (f)

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

Scheduled breaks

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

Institutionally scheduled breaks of five or more consecutive days are excluded from the Return calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of federal student aid earned. This provides for more equitable treatment of students who officially withdraw near either end of a scheduled break. In those instances, at institutions not required to take attendance, a student who withdrew after the break would not be given credit for earning an additional week of funds during the scheduled break but would instead earn funds only for the day or two of training the student completed after the break. 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 a student officially withdraws while on a scheduled break of less than five days, the actual date of the student's notification to the institution is the student's withdrawal date. (If the withdrawal occurs prior to a scheduled break, the days in the break are excluded only from the denominator.)

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 a Return calculation.

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 Return calculation. (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 for the programs that were subject to the scheduled break, those days would be included rather than excluded.

Weekend classes and scheduled breaks

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.

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 will not be returning from the institution's Spring break, the student's withdrawal date is Friday, March 7, which was the institution's last day of scheduled class attendance.

However, the date of the institution's determination that the student withdrew is March 12, the date the student actually informed the institution that he would not be returning. The date of the institution's determination that the student withdrew is used as the starting date for institutional action, such as the requirement that an institution return Title IV funds for which it is responsible no later than 45 days after this date.

TIP

Institutionally scheduled breaks of at least five consecutive days between courses/modules in the same payment period or period of enrollment are excluded from a Return 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 earlier under "Breaks in attendance for students enrolled in programs measured in credit hours without academic terms."

The length of a payment period can never be less than the original 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 Return calculation.

Credit-hour programs
34 CFR 668.22(f)(1)(i)

Credit-hour programs

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

The 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**. Days in which the student was on an approved leave of absence would also be excluded. The day the student withdrew is counted as a completed day.

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

Percentage of Title IV aid earned for withdrawal from a credit-hour non-term program
DCL GEN-04-03, February 2004

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

The regulations provide that the percentage of Title IV aid earned by a student is equal to the percentage of the period completed by the student (except if that percentage is more than 60%, the student is considered to have earned 100% of the Title IV aid). For any credit-hour program, term-based or non-term-based, the percentage of the period completed is calculated as follows.

Scheduled breaks of at least five consecutive days and days in which the student was on an approved LOA are excluded from this calculation (34 CFR 668.22(f)(1)(i) and (2)).

In a credit-hour, non-term program, the ending date for a period and, therefore, the total number of calendar days in the period, may be dependent on the pace at which an individual student progresses through the program. Therefore, for a student who withdraws from a credit-hour, non-term program in which the completion date of the period is dependent 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 example that follows.)

If a student withdraws from a self-paced non-term 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 on the following pages).

For a school that offers credit-hour, non-term 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 is not dependent 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 non-term 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 Return calculation) will be the number of days between the start of the first module and the originally scheduled end of the last module.

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 Return 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) the student did not successfully complete.

Examples Of Calculating A Completion Date For A Student Who Withdraws From A Credit-Hour, Non-Term Program

Example 1, lessons completed

David enrolled in a program offered in a credit-hour non-term format and withdrew before earning any credits, but has completed two lessons. 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. The institution uses the same number of days in the denominator of the Return calculation for David.

Example 2, nothing completed

Danny enrolls in a program offered in a credit-hour non-term 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 to determine the number of days it took that student to complete the period. The institution uses the same number of days in the denominator of the Return calculation for Danny.

Continued on next page

Calculating A Completion Date for A Student Who Withdraws From A Credit-Hour, Non-term Program

Example 3, percentage completed

Barbara is enrolled in a 24 credit-hour non-term program at an institution that calculates Returns on a payment period basis. Students in the program are expected to complete 12 credit hours each payment period in 15 weeks (105 days).

When Barbara began classes, she received a Federal Pell Grant and a Stafford Loan. She completed the 12 credit hours in the first payment period (the first half of the program) in 120 days (past the calendar midpoint of the original program length of 210 days). When Barbara completed the first half of her program, she became eligible for the second disbursements of both her Federal Pell Grant and Stafford 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 Return 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 Return calculation.

Example 4, projecting a completion date for a withdrawal from a self-paced, non-term program

Pixie is enrolled in a self-paced, 30 credit-hour, non-term program in pet grooming offered over 30 weeks at an institution that calculates Returns on a payment period basis. Students in the program are expected to complete three modules of five credits 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 [35 days] time.)

It takes Pixie 7 weeks (49 days) to complete 100% of the lessons in the first module, and she did not earn a passing grade (the lack of opposable thumbs was a disadvantage she could not overcome). Pixie decides to withdraw from school in order to accept a position as a cohost of the annual AKC show at Madison Square Garden.

Because Pixie is a withdrawal, the school must perform a Return 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 Return 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.

Project the time it would have taken Pixie to complete the first module by dividing the number of days attended (28) by the percentage of the lessons completed.

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

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.

Number of days it takes a student to complete a module (49) X {Number of modules in payment period (3) + a makeup module (1)} = 4 = 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 Return calculation.

Clock-hour programs

Only scheduled hours are now 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 60 percent 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.

Clock-hour programs
34 CFR 668.22(f)(ii)

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

No attribution necessary

If a student who withdraws from a nonstandard term credit-hour program with terms that are not substantially equal in length is disbursed aid or could have been disbursed aid 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.

Nonstandard term, credit-hour programs with terms that are not substantially equal in length have two defined payment periods: one for Title IV grant and Perkins Loan 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 now specify the payment period a school must use in the Return calculation, that is, the payment period that ends later.

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.

Example, Performing a Return Calculation for a Student Receiving Aid Under Two Payment Period Definitions

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

Pixie Marley 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, Pixie decides that she could make a greater contribution if she studied home health care. Subsequently, she withdraws from TAI.

TAI's Academic Year = 24 credits 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.

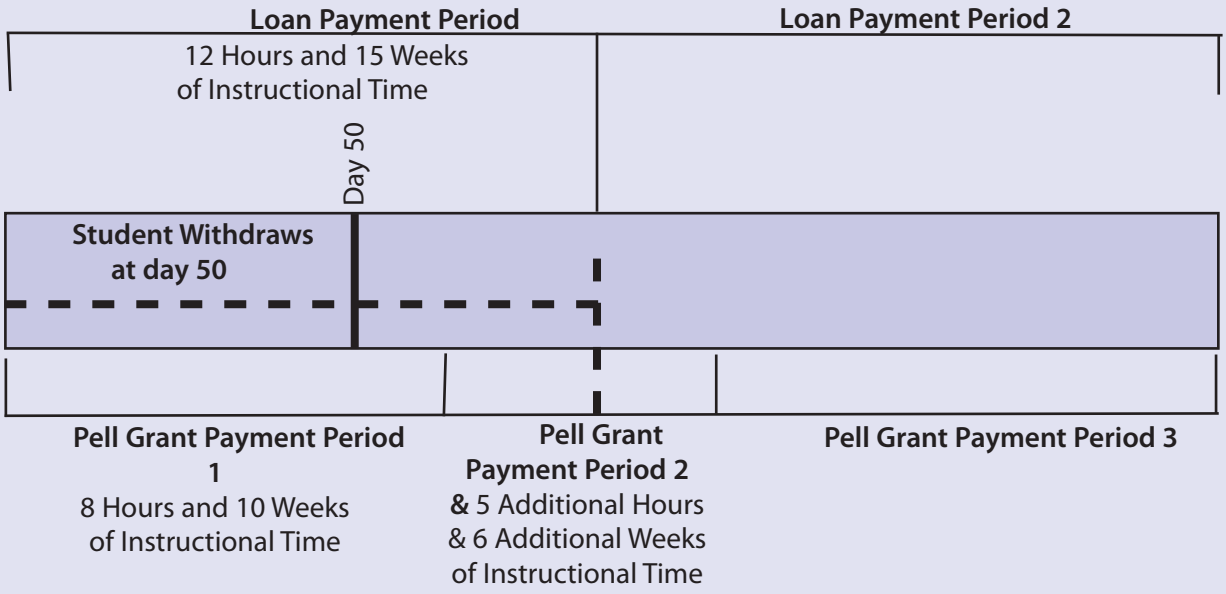
Each scheduled payment period for Pixie's Stafford loans was one-half of the program's academic year or 12 credits and 15 weeks.

Pixie was scheduled to receive three disbursements (one in each payment period [PP]) of her Pell Grant as follows:
PP1 - at day 1
PP2 - at the completion of 8 hours and 10 weeks of instructional time
PP3 - at the completion of 13 hours and 16 weeks of instructional time

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

1

Performing a Return Calculation For a Student Receiving Aid Under Two Payment Period Definitions, continued



Pixie withdrew on the 50th day after the start of classes. Her Direct Loan funds were disbursed for loan payment period 1 (the first half of the academic year). Her Pell Grant funds were disbursed for Pell Grant payment period 1 (the first term, which is 10 weeks in length).

Loan payment period 1 (the Direct Loan payment period), the payment period during which the student withdrew, ends later, so that is the payment period the school is required to use for the Return of Title IV Funds calculation.

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

All of Pell Grant payment period 1 falls within 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 of six weeks overlaps with loan payment period 1 for five of those weeks. (The loan period is 15 weeks; Pell Grant payment period 1 is 10 weeks and five additional weeks from Pell Grant payment period 2 bring the Pell Grant payment period used in the calculation up to 15 weeks.)

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 that could have been disbursed for Pell Grant payment period 2, and multiply it by five-sixths.

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

Amount of Title IV aid earned by the student
34 CFR 668.22(e)(1)

The amount of Title IV aid earned by the student is determined by multiplying the percentage of Title IV aid earned (Box 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).

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

Title IV aid to be disbursed or returned
34 CFR 668.22(a)(2) or (3)

If the student receives less federal student 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. 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

Post-withdrawal disbursements
34 CFR 668.22(a)(3) & (4)

If a post-withdrawal disbursement is due, a school stops at Step 4, Box J on the worksheet. A school may use the Post-Withdrawal Disbursement Tracking Sheet to track the handling of the post-withdrawal disbursement, or it may use a form developed by someone other than the Department. A school must maintain written records of its post-withdrawal disbursements.

Return calculation required

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

The requirements for a post-withdrawal disbursement are similar in many areas to the requirements under Subpart K – Cash Management of the Student Assistance General Provisions regulations. However, in some cases, the post-withdrawal disbursement requirements differ from the cash management requirements.

Any post-withdrawal disbursement due must meet the current required conditions for late disbursements. For example, ED must have processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) prior to the student's loss of eligibility. These conditions are listed in a chart on Late Disbursements in *Chapter 3*. 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.

Disburse grant before loan

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

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

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 parent PLUS Loan, before making any disbursement of loan funds from a post-withdrawal disbursement.

Without obtaining a student's permission, Title IV grant funds from a post-withdrawal disbursement are credited to a student's account to pay for tuition, fees and room and board (if the student contracts with the school) or disbursed directly to a student. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.

Disburse grant before loan
34 CFR 668.22(5)(i)

Disburse grant before loan example

If a student is due a post-withdrawal disbursement of $500 and the student has received $400 of $1,000 in Federal Pell Grant funds that could have been disbursed, and $1,200 of the $2,000 in Federal Stafford Loan funds that could have been disbursed the available undisbursed funds are $600 in Federal Pell Grant funds and $800 in Federal Stafford Loan funds.

Any portion of the $500 post-withdrawal disbursement that the school makes must be from the $600 in available Federal Pell Grant funds.

Post-withdrawal disbursement of Title IV grant funds

Timeframe for post-withdrawal disbursement of grant funds
34 CFR 668.22(a)(5)(ii)(B)(1)

A school is permitted to credit a student's account with the post-withdrawal disbursement of Title IV grant funds without the student's permission for current charges for tuition, fees, and room and board (if the student contracts with the school) up to the amount of outstanding charges. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.

A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges **or** for educationally related activities. (See *Chapter 3* for more information on student and parent authorizations.)

A school must credit the student's account with the post-withdrawal disbursement for current charges within 180 days of the date of determination.

A school must disburse any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. Moreover, 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**.

Post-withdrawal disbursement of Title IV Loan funds

A school must notify a student, or parent for a 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 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 it wishes to credit to the student's account or disburse directly to the student or parent, explain that a student, or parent for a 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 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 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 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 information a school provides to a student when the school informs the student that he or she is due a post-withdrawal disbursement of loan funds, the school should include information about the advantages of keeping loan debt to a minimum. If a post-withdrawal disbursement includes loan proceeds, unless the recipient needs the funds to pay educational costs, the school might want to suggest that the student cancel the loan. With a student's permission, Title IV grant funds due a student in a post-withdrawal disbursement can be used to pay down a Title IV loan, thereby reducing any post-withdrawal disbursement made directly to 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.

Timeframe for notification of eligibility for post-withdrawal disbursement of loan funds
34 CFR 668.22(a)(5)(iii)(A)

School activity between performing a Return calculation and making a PWD

An institution **may not delay its disbursement processes** in order to ascertain whether a student wishes to receive the grant funds the student is entitled to. However, while the institution is processing the disbursement or notifying the student about his or her eligibility for a post-withdrawal disbursement of loan 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 his or her grant eligibility for attendance at another institution.

Of course, if a student should independently contact the institution and state that he or she does not wish to receive a grant disbursement, the institution is not required to make the disbursement.

Cash management requirements for student and parent authorizations
34 CFR 668.165(b)

If a school has completed post-withdrawal loan notification (described previously) and confirmed a student's desire for any 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 PLUS Loan) for current 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 case of a 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 *Chapter 3* for more information on student and parent authorizations.)

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 non-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 non-educational charges, the school may only credit $600 to institutional charges, and must offer $200 to the student.

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 reflect the cash management requirements for disbursing Title IV funds. An institution must obtain a student's 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 *Chapter 3* and the chart on "Institutional and Financial Assistance Information for Students" in *Volume 1*.

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

A school may credit a student's account for **minor prior award year charges** in accordance with the cash management requirements (see *Chapter 3*). 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.

Notice to a student offering a post-withdrawal disbursement – Flexibility in notifying students

In order to avoid having to contact a student a 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**.

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 received after school's deadline.

Student's Response to an Offer of a PWD

A student's or parent's response to an offer of a direct disbursement of Title IV loan funds from a post-withdrawal disbursement does not have to be in writing. However, a school must document the response.

Deadline for responding to an offer of a post-withdrawal disbursement of loan funds
34 CFR 668.22(a)(6)(iii)(A)(5)

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 would return any earned funds that the school was holding to the Title IV programs.

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal disbursement, per the student's or parent's instructions, the school must disburse the 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*** earlier in this chapter.) Note that the date of the institution's determination that the student withdrew is the same date that triggers the 30-day period that the school has for notifying the student or parent of any post-withdrawal disbursement available for direct disbursement. Consequently, the sooner a school sends the notification to a student or parent, the more time the school has to make any accepted post-withdrawal disbursement.

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

Example of the Post-Withdrawal Disbursement Requirements

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has ceased attending. The school determines that because Michael has earned $900 in Title IV Program assistance that he has not received, he is due a post-withdrawal disbursement of $900. When Michael withdrew, only $600 of the $1,000 in Federal Pell Grant funds that could have been disbursed had been disbursed. Of the $500 in Federal Stafford Loan funds that could have been disbursed, none had been disbursed. The school determines that Michael has $50 in outstanding tuition charges and $100 in outstanding parking fines for the payment period. The school 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 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 Michael's Federal Pell Grant funds. On November 12 (the last date school could have sent the funds was December 24th—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 9th—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 Federal Stafford Loan funds to be disbursed directly to him.
2. Michael may accept all, a portion, or none of the $500 in Federal Stafford Loan funds.
3. Any 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 25, 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 Federal Stafford Loan funds. The school has until June 9 (180 days after November 10—the date the school determined that the student withdrew) to make the disbursement (34 CFR 668.22(a)(6)(iii)(C)). The school must document the notification and the final determination pursuant to it (whether the student accepts a partial or full disbursement or declines the entire disbursement (34 CFR 668.22(a)(6)(iv)).

When a student who has died is due 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.

If a school is informed that a student has died during a period, it must perform a Return calculation. If the Return 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. Therefore, an institution should neither report a grant overpayment for a deceased student to NSLDS, nor refer a grant overpayment for a deceased student to Debt Resolution Services. If an institution had previously reported a grant overpayment for a student who is deceased to Debt Resolution Services, it should inform Debt Resolution Services that it has received notification that the student is deceased.

The regulations governing the Direct and Federal Perkins Loan programs provide for a discharge of a borrower's obligation to repay a Federal Direct or Federal Perkins Loan if the borrower dies (including a PLUS Loan borrower'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 Return calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance as follows:

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

   If the institution has previously referred the grant overpayment to Debt Resolution Services, the institution should provide Debt Resolution Services with documentation that the student has died so that Debt Resolution Services can delete the overpayment from its records.
3, returning any remaining credit balance to the Title IV programs.

Part 2 – Title IV aid to be returned

If the student receives more federal student aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. The amount of federal student 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)(2)

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

Step 5: Amount of unearned Title IV aid due from the school
34 CFR 668.22(g)

When a Return of Title IV funds is due, the school and the student may both have a responsibility for returning funds. Funds that are not the responsibility of the school to return must be returned by the student. Although these requirements talk in terms of returning funds, a school is not required to actually return its share before the student. Rather, it is the Return 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; or
- the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned.

The percentage **not** earned (Box M) is determined by subtracting the percentage of Title IV aid earned (Box H) from 100%.

Disbursement Prohibited

A school may not disburse the proceeds of a Title IV loan when it knows that the repayment of the loan will devolve or pass to the Department. Therefore, a school may not disburse the proceeds of a PLUS Loan taken out by a parent who has died, even though the student for whose benefit the loan was intended remains alive and otherwise eligible.

If a school receives the proceeds of a PLUS Loan made to a parent who has died, it must return the funds to the lender, together with a letter explaining the reason it is returning the funds.

Aid disbursed to the student before institutional charges are paid

Consider a case in which, in order to assist a student with living expenses, a school elects to 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 anticipated aid from all the Title IV programs. The Return calculations indicate the school must return funds, but the school had passed through all funds to the student. **The school still must return the funds it is responsible for returning as a result of the Return calculation.**

A school's policy and the Return requirements

Title IV funds are provided under the assumption that they are used to pay institutional charges ahead of all other aid.

Institutional charges
34 CFR 668.22(g)(1)(ii)
34 CFR 668.22(g)(2)
DCL GEN-00-24 December 2000

Determining charges
34 CFR 668.22(a),
34 CFR 668.22(g)(2)(ii) and
DCL GEN-00-24 December 2000

Treatment of Work-Study funds

Federal Work-Study funds are not included in the calculation of earned Title IV funds when a student withdraws. This remains the case even if a student has granted permission for a percentage of the student's Federal Work-Study earnings to be credited to his or her account to pay educational charges.

Fees as noninstitutional charges
Application fees are excluded from institutional charges because they are not an educational cost. (Federal Register, Volume 59, No. 82, April 29, 1994, page 22356).

Effect of other assistance
Federal Register, Volume 64, No. 210, November 1, 1999, page 59032

Administrative fees

The $100 or 5% administrative fee (whichever is less) that was excludable under the former Refund and Repayment regulations is not excluded in Return of Title IV Funds calculations.

Institutional charges

Institutional charges are used to determine the portion of unearned federal student 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 Return calculation. (See ***Institutional versus noninstitutional charges*** earlier in this chapter.) Institutional charges do not affect the amount of federal student aid that a student earns when he or she withdraws.

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 a Return calculation if a student living in the third-party housing withdraws.

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

The institutional charges used in the calculation are always the charges that were 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 institution made prior to the student's withdrawal (e.g., for dropping or adding a class or changing enrollment status). If, after a student withdraws, the institution changes the amount of institutional charges it assessed a student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. (Please see *Step 3 — Amount of Title IV Aid Earned by the Student,* for a further discussion of aid earned and institutional charges.)

Institutional charges may not be reduced even if other sources of aid are used to pay those charges. For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition. The Return 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 non-term, 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 Return 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 Return 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 applicability of the requirements in 34 CFR 668.22. Moreover, the charges used in the Return calculation are always the charges on the student's account prior to withdrawal. However, if a student's enrollment status changed prior to and unrelated to the withdrawal, the effect of that change on institutional charges appropriately should be reflected in any Return calculation.

When to prorate charges

As stated previously, for students who withdraw from a non-term-based educational program, the school has the choice of performing the Return calculation on either a payment period basis or a period of enrollment basis. If a school with a non-term program chooses to base the
Return calculation on a payment period but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. In this situation, the student's institutional charges for the payment period are the prorated amount of institutional charges for the longer period. However, if a school has retained Title IV funds in excess of the institutional charges prorated amount, including allocating costs for equipment and supplies to the beginning of the program, the funds retained by the school are attributed to that payment period because they are a better measure of the student's institutional charges for that period.

Prorated charges example

Institutional charges are $8,000 for a non-term-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of Title IV funds on a payment period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is $4,000. However, because of the $1,000 in fees charged at the beginning of the period, the school has retained $5,000 of the Title IV funds for institutional charges for the payment period. Therefore, the institutional charges for the payment period are $5,000—the greater of the two elements from the proration calculation.

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 Return calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the Return calculation. (See DCL GEN 00-24, December 2000, for a further discussion of waivers and the Return calculation.)

Waiver Example

An institution charges state residents $900 per semester. Out-of-state students are charged an additional $2,000 for a total of $2,900. However, the institution grants waivers of the out-of-state charges to out-of-state athletes. The waiver is considered a payment to those charges and the full $2,900 would need to be included in any Return calculation.

Order of return of Title IV funds
34 CFR 668.22(i)

Time-frame for return of Title IV funds
34 CFR 668.22(j)(1)

If a school has not drawn federal funds

If a school has not drawn down federal funds or has made disbursements that exceed the amount the school has drawn, the school does not need to deposit 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:

- 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.

STEP 6: RETURN OF FUNDS BY THE SCHOOL

Order of return of Title IV funds

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

- Unsubsidized Direct Stafford loans (other than PLUS Loans
- Subsidized Direct Stafford loans
- Federal Perkins Loans
- Federal PLUS Loans
- Direct PLUS Loans
- Federal Pell Grants for which a Return is required
- Federal Supplemental Educational Opportunity Grants (FSEOG) for which a return of funds is required
- Federal TEACH Grants for which a Return is required
- Iraq and Afghanistan Service Grant for which a Return 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 from the 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, and then awards and disburses the funds to another eligible student;
- returns the funds to ED 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.

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), other than funds that are being returned to stay in compliance with the excess cash requirements, must be offset by downward reductions in students records in COD. Likewise, all returns of Direct Loan funds must be offset by downward reductions in students records 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 records in COD.

All returns of FSA Grants and Direct Loan funds previously disbursed (unclaimed credit balances) should be made through the G5 system.

Returning Direct Loan funds

If a school is required to return DL 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 DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

Returning funds from FFEL loans purchased/serviced by the Department

From August 2008 through September 2010, The Department purchased Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with several organizations to provide loan services on these purchased FFEL loans.

If a school is required to return any portion of a FFEL Program loan that has been purchased by the Department, the money would be returned to the appropriate federal servicer for that loan.

To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Enter the student identifiers and select "Retrieve." Under Loan History, the current loan will be listed at the top. Scroll through the loans to identify the loan for which the return is to be made, and click on the Servicer list for the loan. Contact information will display. Additional contact information for the loan servicers is available on IFAP under the Help menu (Contact Information / Service Centers for Schools, / Loan Service Centers for Schools.

TIP

The de minimus 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.

Information required when returning funds from loans purchased by the Department to a servicer by check

If you cannot use the electronic process preferred by a loan's servicer and must return the funds with a paper check, together with your check for the funds you are returning, you must include, on school letterhead, all of the following information:

1. The borrower's name,
2. The borrower's social security number,
3. The loan's unique CommonLine ID,
4. The type of loan (subsidized, unsubsidized, PLUS, etc.),
5. The period for which the loan was certified,
6. The scheduled and actual date of the disbursement,
7. The amount of the disbursement,
8. The amount being returned,
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class),
10. The school OPEID,
11. The name and phone number of the school official returning the funds.

Returning funds after 240 days

In all cases, a school will have to request permission to make a change to the FISAP after December 15 following the close of the award year.

If FSA Grant funds (other than FSEOG and Iraq and Afghanistan Service Grants) must be returned after 240 days, a school must:

- enter the student's revised Pell Grant award in COD;
- return the funds to the Department through G5, if applicable; and
- make the appropriate change to the FISAP (see sidebar).

Note that for Pell funds from a prior award year, a school may not use the funds for an eligible student in the current year.

If FSEOG funds must be returned after 240 days, a school must:

- enter the student's revised FSEOG award both in the individual student's account and the school's FSEOG ledger;
- either return the funds to the Department through G5 **OR** carry them forward to the next award year; and
- make the appropriate change to the FISAP (see sidebar).

If Perkins Loan funds from a prior award year must be returned after 240 days, a school must:

- reimburse its Perkins Loan fund;
- report those funds as income in Part III, Section A of the FISAP; and
- reduce the student's Perkins Loan balance and make an accounting entry to tie that reduction to the journal entry for the aforementioned reimbursement of its Perkins Loan fund.

The school should not make any changes to the student's Perkins promissory note.

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school's FWS account. If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

Amending a FISAP after the close of an award year or after a school has submitted a final FISAP for an award year

To amend its FISAP, a school logs in to eCB for the appropriate FISAP year and selects the appropriate Campus-Based program from the menu on the left. After the school has made the appropriate changes, updated the totals, and saved the data, the school selects the **Submit** link on the left. The phrase **Change Request** then appears below **Submit**. The school must select **Change Request** in order to move to the next prompt. After the school selects **Change Request** the system will prompt the school to explain what changes the school is making and why. The school then must provide:

- the FISAP – part, section number, and line number(s) on which the changes were made;
- the amount of the change; and
- a description of the conditions that require the revision (e.g. to comply with the requirements of 34 CFR 668.22).

After providing all of the required information, the school clicks the **Submit** button and then affirms that it wants to **Continue to Submit**.

The Campus-Based staff will evaluate the school's submission. If a school's request is denied, the Campus-Based staff will inform the school why its request was denied. If the school's request is approved, the Campus-Based staff will notify the school by sending an email to the individual on record as the school's financial aid director (in Field 19) that the school's FISAP has been unlocked and that school has five days to submit the revised working copy as the final copy.

For assistance with amending a previous year's FISAP, schools should call the Campus-Based Call Center at **877-801-7168.**

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 federal student aid due from the student (or parent, for 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 return 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, Block P. These outstanding loans are repaid by the student according to the terms of the student's promissory notes.

STEP 9: 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 percent of the total grant funds **disbursed or could have been disbursed** by 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 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 F).

STEP 10: RETURN OF GRANT FUNDS BY THE STUDENT

Initial amount due from student
34 CFR 668.22(h)

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

Return of funds by the student
34 CFR 668.22(h)(3)(i) and (ii)

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 Debt Resolution Services.

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

A school has responsibilities that continue beyond completing the Return calculation and returning the funds for which it is responsible. Here we discuss the institution's participation in the return of funds by the student.

Grant overpayments

Grant overpayments
34 CFR 668.22(h)(4)

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:

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.

   Note: Two years is the maximum time a school may allow for repayment.

   c) The student may sign a repayment agreement with the Department.

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

4. If the student fails to take one of the positive actions during the 45-day period, the student's overpayment immediately must be reported to the NSLDS and referred to the Debt Resolution Services for collection.

5. The student should contact the school to discuss his or her options.

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

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

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

45-day period example

On October 30th, 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.

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. Any Title IV program funds received by the student between the time the student negotiated the repayment arrangement and the time the student violated the agreement were received while the student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who violates the terms of a repayment agreement 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 Return requirements.

Student overpayments of $50 or less

Student overpayments less than $50
34 CFR 668.22(h)(3)(ii)---

A student does not have to repay a grant overpayment of $50 or less for grant overpayments resulting from the student's withdrawal. As a result, a grant overpayment of $50 or less will not make the student ineligible to receive Title IV, HEA program assistance should the student return to school. A school is not required to attempt recovery of that overpayment, report it to the Department's National Student Loan Data System (NSLDS), or refer it to Debt Resolution Services

These *de minimus* amounts are program specific. That is, if a Return calculation resulted in a student having to return $150 in Pell funds and $40 in FSEOG funds, the student would have to return the Pell 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, the school should delete the overpayment in NSLDS by following these steps:

1. From the Overpayment List Page, select the overpayment to be deleted by clicking on the blue number icon.

2. On the Overpayment Display page, verify that this is the overpayment you want to delete, and then click the Delete button.

3. On the Overpayments Delete Confirmation page, click the Confirm Button.

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

Note: Debt Resolution Services will not accept referrals for which the original amount was less than $25.

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

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.

Payments on a student's behalf

The grant protection always applies to the repayment of grant funds for which the student is responsible, regardless of who 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 Debt Resolution Services 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

For reductions and payments to awards, schools should record reductions and payments by entering a replacement value.

If, through its Return calculation, a school determines that a student has received an overpayment of Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant funds, the school should reduce the student's award/disbursements and return the funds.

First, 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 + (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 + (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 a school receives a payment for a current-year overpayment that has not been referred to Debt Resolution Services, the school should NOT send the payment to Debt Resolution Services. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

- If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell, Iraq and Afghanistan Service Grant, or TEACH Grant account and make the appropriate entry in the COD system.

Returning funds to the Department

Using the electronic refund function in G5 is the preferred method whenever a school must return Pell Grant, Iraq and Afghanistan Service Grant, or FSEOG funds.

Only in exceptional circumstances (**and never for a current Pell Grant , Iraq and Afghanistan Service Grant, or FSEOG award**) should a school return funds from a Return calculation by sending a check instead of using the electronic refund function in G5.

Contact the G5 Hotline at:
888-336-8930
(M–F 8 a.m. to 6 p.m. ET) for assistance

If, because of extraordinary circumstances, you must send a check, the G5 lockbox address for Pell, Iraq and Afghanistan Service Grant, TEACH Grant and Campus-Based funds is:

U.S. Department of Education
P.O. Box 979053
St. Louis, Missouri 63197-9000

The school must note the student's name, SSN, the school's DUNS number, and the complete 11-digit Document/Program Award Number and award year on the check. A school must use a separate check for each award year.

- If a student makes a payment on any previous year's Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. 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.

If, through its Return 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). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its ***federal funds account*** and award the funds to other needy students. If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

For information on handling student payments after you have referred an overpayment to Debt Resolution Services, see the discussion under ***Accepting payments on referred overpayments*** later in this chapter.

Reporting reductions

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD website at

https://cod.ed.gov

Recording student payments and reductions in the Direct Loan Program

If, through its Return calculation, a school determines that a student has received an overpayment of Direct Loan funds, the school should 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.

Only in exceptional circumstances should a school return funds by sending a check instead of using the electronic refund function in G5.

If a school has to return funds by check, **the school must:**

- use a separate check for each award year;
- make the check payable to the U.S. Department of Education;
- note the school's DUNS number, Direct Loan school code (or OPEID), and award year on each check; and
- include a completed Direct Loans Return of Cash form (available at the end of this chapter).

  Note: A separate check and transmittal sheet must be used for each award year.

The address for returning Direct Loan funds by check is:

U.S. Department of Education
COD School Relations Center
Attention Refunds of Cash
P.O. Box 9001
Niagara Falls, New York 14302

Notifying the Department

A school is never required to enter into a repayment agreement with a student; rather, a school may refer an overpayment to the Department at any time **after** the student has had the opportunity to pay off the overpayment in full to the school or indicate his or her intent to negotiate repayment arrangements with Debt Resolution Services. 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 Debt Resolution Services.

Important: Debt Resolution Services 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.

In order 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 ED, the school should make it clear that t**he student should contact the school before contacting the Department**. Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Schools are encouraged to negotiate similar repayment agreements with students. However, schools' repayment arrangements with students must provide for complete repayment of the overpayments **within two years of the date** of the institutions' determination that the students withdrew.

NSLDS

DCL GEN-98-14, July 1998

You must use the NSLDS Professional Access website to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (DPA) must have signed up at least one user for Overpayment updates for NSLDS online services at **https://fsawebenroll.ed.gov.**

DCL GEN-04-08 gives the most recent technical specifications.)

Reporting required

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.

34 CFR 685.309 (b) and 34 CFR 682.610 (c))

Reporting overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins Loan, Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which a data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available at:

ifap.ed.gov/ifap/byYear.jsp?type=nslds materials&set=archive

The email address for NSLDS Customer Support is:

NSLDS@ed.gov

The phone number for
SCHOOL USE ONLY
is
800-999-8219

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 Debt Resolution Services. 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 Debt Resolution Services. Debt Resolution Services 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 Debt Resolution Services.

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 Debt Resolution Services. A student can contact Debt Resolution Services by calling **800-621-3115** or by writing **Debt Resolution Services** at the following address:

U.S. Department of Education
Debt Resolution Services
P.O. Box 5609
Greenville, Texas 75403

Reporting and referring overpayments

Referring overpayments for collection is a separate process from reporting overpayments to NSLDS. Reporting is the process of creating within NSLDS a record of a student's overpayment. Referring is the process of turning over a student's debt to Debt Resolution Services. 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 the NSLDS via the NSLDS website. A school sends referrals to Debt Resolution Services through the U.S. Mail to the following address:

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

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

A student who does not take positive action during the 45-day period becomes ineligible for Title IV funds on the 46th day from the earlier of (1) the date the school sends a notification to the student of the overpayment; or (2) the date the school was required to notify the student of the overpayment. The student will remain ineligible until the student enters into a satisfactory repayment agreement with the Department. An overpayment resulting from a student's withdrawal remains an overpayment until it is repaid in full. Though a student may regain Title IV eligibility by negotiating and satisfying the requirements of a satisfactory 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 screens. The school should report the status (Indicator field) of an overpayment for which it has entered a repayment agreement as "SATISFACTORY ARRANGEMENT MADE." After the information is reported to the NSLDS, any future output from the CPS (SARs and ISIRs) will show that the student owes a repayment of a Title IV grant and that the student has negotiated a satisfactory repayment arrangement with the school.

As long as the student fulfills his or her commitment 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, the NSLDS will inform schools that the student is not eligible for Title IV funds.

REMINDER

All referrals to Debt Resolution Services must be made on institutional letterhead.

Remember to include your school's Reporting Pell Identification Number on the referral.

Required referrals

A school must refer to the Department/Debt Resolution Services 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 to Debt Resolution Services a student overpayment previously reported to NSLDS, the school must also update the information previously reported to NSLDS by changing the Source field from "School" to "Transfer." If a school is referring a student who has failed to satisfy the terms of his or her repayment agreement, the school should also change the status code (Indicator field) from "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 should use a format similar to the one found near the end of this chapter (***Information Required when Referring Student Overpayments to Debt Resolution Services***) and send the document to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.

In order to avoid creating a double record for a single overpayment, **the school must 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 Debt Resolution Services has accepted a referred student overpayment, Debt Resolution Services will transmit the information to NSLDS and "EDR Region" will replace "Transfer" as the appropriate contact source for information about the overpayment. On its Overpayment Referral, schools must provide their school's Pell Identification Number. Schools should **not** enter their Routing Identifier.

If your school does not have a Pell ID

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

If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact Debt Resolution Services by calling:

1-800-621-3115

A student can contact us by going to: **www.myeddebt.com;** selecting the ***Borrower*** tab, ***Contact Us***, and ***Secure email.***

Summary

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

Payment in full

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

Accepting payments on referred overpayments

A school may continue to accept payment on a Title IV grant overpayment after the overpayment has been referred to the Department. (Before accepting the funds, the school should verify the Department has accepted the debt by examining the "Source" field in NSLDS.) A school that accepts a check made out to the Department on an overpayment that has been referred to Debt Resolution Services must:

1. note the student's name and SSN on the check;
2. indicate that the payment is for an overpayment of a Title IV grant; and
3 forward the payment to Debt Resolution Services' National Payment Center at –

National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Debt Resolution Services, the school should write its own check to the Department and attach a letter indicating that the check is for a Title IV grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student's name, social security number, and amount paid.

If a school receives a payment for an overpayment previously referred to Debt Resolution Services and if the overpayment was made in the current award year, and the payment will retire the student's debt in full, the institution must do the following:

1. deposit the payment in its appropriate institutionally maintained federal funds account;
2; make the appropriate entry in the COD system (the replacement value) and
3. send a letter or fax to Debt Resolution Services identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the Debt Resolution Services system and NSLDS.

The fax number (*This process cannot be performed via email.*) for this purpose and school use only is

(903) 454-5398

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

1. award year of the overpayment (current award year only);
2. student's social security number;
3. student's last name, first name, and middle initial;
4. student's date of birth;
5. type of overpayment—Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or TEACH Grant; and
6. the disbursement date the institution used to create the overpayment record in NSLDS.

Corrections or recalls of referred overpayments

If you determine that a student who you have referred to Debt Resolution Services does not owe an overpayment or that the amount you referred was incorrect, you should fax a letter explaining the situation to Debt Resolution Services at:

(903) 454-5398

The phone number for Debt Resolution Services 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.

Debt Resolution Services will cease collection efforts and change the record in NSLDS so that the overpayment will be shown as "Satisfied."

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

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

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

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

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

START HERE GO FURTHER FEDERAL STUDENT AID

Direct Loan Refunds of Cash

1. Enter the information below. Missing information may prevent your check (or checks) from being processed correctly.

School Name: _____Direct Loan Code or OPE ID: _____

Name/Title: _____ Telephone #: _____

E-mail Address: _____ Servicer (if applicable): _____

Check Date: _____ Check #: _____ Amount: _____

2. Check (✔) the award year for which you are returning Direct Loan Refunds of Cash. If you are returning funds for more than one award year, you must enclose a separate transmittal sheet and a separate check for each award year.

2012/2013 _____
2011/2012 _____
2010/2011 _____
2009/2010 _____
OTHER (specify year) _____

3. Sign and date below.

Contact's Signature: _____ Date: _____

4. Mail completed transmittal sheets and Direct Loan Refunds of Cash checks to:

Regular Mail/No Signature Required	Overnight Address/Requiring Signature
U.S. Department of Education Attention: Direct Loan Refunds of Cash P.O. Box 9001 Niagara Falls, NY 14302	U.S. Department of Education Attention: Direct Loan Refunds of Cash 2429 Military Rd, Suite 200 Niagara Falls, NY 14304 (Phone number for tracking form only: 716/284-2225)

Revised March 2012

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 the 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. 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. 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 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, Direct Loans, Direct PLUS Loans, Federal Supplemental Educational Opportunity Grants (FSEOGs), and Federal Perkins 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 for you and tell you which one applies), 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. 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 school 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 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 must return the remaining amount.

Any loan funds that you must return, you (or your parent for a PLUS Loan) repay in accordance with the terms of the promissory note. That is, you make scheduled payments to the holder of the loan over a period of time.

Any amount of unearned grant funds that you must return is called an overpayment. The 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 ***www.studentaid.ed.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: • 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, room and board, etc.). Minor (e.g., under $200) prior year charges that the school has authorization to retain.	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,** (Perkins Loan, Direct Loan, or PLUS Loan) to the student's account.	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(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)(5)(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 Debt Resolution Services** 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.
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 of 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 of overpayment.
School	**Consumer Information.**	• School's withdrawal policy. • School's refund policy. • Office(s) designated to receive official notifications of intent to withdraw. • Requirements regarding return of Title IV funds.
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.	• 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.**	• Terms permitting student to repay overpayment while maintaining eligibility for Title IV funds. • Repayment in full within 2 years of date school determined student withdrew.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name _____ **Social Security Number** _____

Date form completed ___ / ___ / ___ **Date of school's determination that student withdrew** ___ / ___ / ___

Period used for calculation (check one) ☐ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant		
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq & Afghanistan Service Grant		
	A. Subtotal	C. Subtotal

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan		
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. Subtotal	D. Subtotal

E. Total Title IV aid disbursed for the period.

A. _____
\+ B. _____
E. $ _____ .

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. _____
\+ C. _____
= F. $ _____ .

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. _____
B. _____
C. _____
\+ D. _____
= G. $ _____ .

STEP 2: Percentage of Title IV Aid Earned

___ / ___ / ___	___ / ___ / ___	___ / ___ / ___
Start date	**Scheduled end date**	**Date of withdrawal**

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

_____ (Completed days) ÷ _____ (Total days) = _____ . %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. _____ . %

STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

_____ % (Box H) x _____ (Box G) = I. $ _____ .

- *If the amount in Box I is greater than the amount in Box E, go to Item J (post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal,* ***STOP.*** *No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

_____ (Box I) – _____ (Box E) J. $ _____ .

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

Student's Name _____ **Social Security Number** _____

STEP 4: Aid to be Disbursed or Returned CONTINUED

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

Box E _____ − Box I _____ = K.$ _____ .

STEP 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	
Room	
Board	
Other	
Other	
Other	

Total Institutional Charges *(Add all the charges together)* = L.$ _____

M. Percentage of unearned Title IV aid

100% − Box H _____ % = M. _____ . %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

Box L _____ x Box M _____ % = N.$ _____ .

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount. O.$ _____ .

STEP 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

Total loans the school must return = P.$ _____ .

6. Pell Grant	
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

Box K _____ − Box O _____ = Q.$ _____ .

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8*

STEP 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

Box B _____ − Box P _____ = R.$ _____ .

▶ *If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.*

▶ *If Box Q is greater than Box R, proceed to Step 9.*

STEP 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

Box Q _____ − Box R _____ = S.$ _____ .

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

Box F _____ x 50% = T. $ _____ .

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

Box S _____ − Box T _____ = U.$ _____ .

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

STEP 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq & Afghanistan Service Grant	

POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET

Student's Name _____ Social Security Number _____

Date of school's determination that student withdrew / /

I. Amount of post-withdrawal Disbursement (PWD)

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1** $.

II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2** $.
(*Note: Prior-year charges cannot exceed $200.*)

III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent

From the total post-withdrawal Disbursement due (Box 1), subtract the post-withdrawal Disbursement to be credited to the student's account (Box 2) . This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

$. **Box 1** − $. **Box 2** = **Box 3** $.

IV. Allocation of post-withdrawal Disbursement

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
ACG	N/A	N/A		N/A	N/A	
National SMART Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq and Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Perkins						
Subsidized FFEL / Direct						
Unsubsidized FFEL / Direct						
FFEL / Direct Grad Plus						
FFEL / Direct Parent Plus						
Totals						

V. Authorizations and Notifications

Post-withdrawal disbursement loan notification sent to student and/or parent on / /

Deadline for student and/or parent to respond / /

☐ Response received from student and/or parent on / / ☐ Response not received

☐ School does not accept late response

VI. Date Funds Sent

Date Direct Disbursement mailed or transferred Grant / / Loan / /

You should use this form when the withdrawal date is on or after 7/1/2010

Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name _____ **Social Security Number** _____

Date form completed ___ / ___ / ___ **Date of school's determination that student withdrew** ___ / ___ / ___

Period used for calculation (check one) ☐ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant		
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq & Afghanistan Service Grant		
	A. Subtotal	C. Subtotal

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan		
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. Subtotal	D. Subtotal

E. Total Title IV aid disbursed for the period.

A. _____
+ B. _____
= E. $ _____ .

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. _____
+ C. _____
= F. $ _____ .

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. _____
B. _____
C. _____
+ D. _____
= G. $ _____ .

STEP 2: Percentage of Title IV Aid Earned

Withdrawal date ___ / ___ / ___

H. Determine the percentage of the period completed:
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

_____ (Hours scheduled to complete) ÷ _____ (Total hours in period) = _____ . %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. _____ . %

STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

_____ % (Box H) x _____ (Box G) = I. $ _____ .

STEP 4: Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal,* ***STOP****. No further action is necessary.*

J. Post-withdrawal disbursement
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

_____ (Box I) – _____ (Box E) = J. $ _____ .

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

K. Title IV aid to be returned
From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I) . This is the amount of Title IV aid that must be returned.

_____ (Box E) – _____ (Box I) = K. $ _____ .

Student's Name _____ **Social Security Number** _____

STEP 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	
Room	
Board	
Other	
Other	
Other	

Total Institutional Charges
(Add all the charges together) = L.$.

M. Percentage of unearned Title IV aid

100% − ____ % (Box H) = M. . %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).

____ (Box L) x ____ % (Box M) = N.$.

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.

O.$.

STEP 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	
Total loans the school must return	= P.$.
6. Pell Grant	
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

____ (Box K) − ____ (Box O) = Q.$

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8.*

STEP 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

____ (Box B) − ____ (Box P) = R.$

▶ *If Box Q is less than or equal to Box R, **STOP.*** The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ *If Box Q is greater than Box R, proceed to Step 9.*

STEP 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

____ (Box Q) − ____ (Box R) = S. .

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

____ (Box F) x 50% = T. .

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

____ (Box S) − ____ (Box T) = U. .

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

STEP 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq & Afghanistan Service Grant	

post-withdrawal DISBURSEMENT TRACKING SHEET

Student's Name _____ Social Security Number _____

Date of school's determination that student withdrew ___ / ___ / ___

I. Amount of post-withdrawal Disbursement (PWD)

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1** $ _____ .

II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2** $ _____ .
(*Note: Prior-year charges cannot exceed $200.*)

III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent

From the total post-withdrawal Disbursement due (Box 1), subtract the post-withdrawal Disbursement to be credited to the student's account (Box 2) . This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

$ _____ . (Box 1) − $ _____ . (Box 2) = **Box 3** $ _____ .

IV. Allocation of post-withdrawal Disbursement

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
ACG	N/A	N/A		N/A	N/A	
National SMART Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq & Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Perkins						
Subsidized FFEL / Direct						
Unsubsidized FFEL / Direct						
FFEL / Direct Grad Plus						
FFEL / Direct Parent Plus						
Totals						

V. Authorizations and Notifications

Post-withdrawal disbursement loan notification sent to student and/or parent on ___ / ___ / ___

Deadline for student and/or parent to respond ___ / ___ / ___

☐ Response received from student and/or parent on ___ / ___ / ___ ☐ Response not received

☐ School does not accept late response

VI. Date Funds Sent

Date Direct Disbursement mailed or transferred Grant ___ / ___ / ___ Loan ___ / ___ / ___

You should use this form when the withdrawal date is on or after 7/1/2010

Information Required when Referring Student Overpayments to Debt Resolution Services

Student Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____ _____

Social Security Number: _____ Date of Birth: _____

If the overpayment includes an Academic Competitiveness, National SMART or TEACH Grant, enter the Award Identifier (**ID**) used when the award was created in COD.

ACG Award ID: _____ National SMART Grant Award ID: _____

TEACH Award ID: _____

Parent/Spouse Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____ _____

School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: _____ Attending School's Pell ID Number: _____

If your school does not have a Pell ID, enter your OPE ID: _____

Name of Contact: _____ Telephone Number: _____

Disbursements and Repayments

	Pell Grant	ACG or National SMART Grant (Specify)	Iraq & Afghanistan Service Grant	FSEOG [1]	TEACH Grant
Award year in which overpayment was disbursed:					
Total grant disbursed:					
Dates of disbursement: **(Must match NSLDS overpayment record)**					
Overpayment amount owed by student *					
Total grant repaid by student to school, if any:					
Date of last payment to school, if any:					
Total being referred for collection:					

[1] If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

* If the overpayment is the result of a withdrawal, provide the date of the withdrawal / /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

_____

_____

SEND INFORMATION TO ⇒ Student Loan Processing Center-Overpayments
P.O. Box 4157
Greenville, Texas 75403

(903) 454-5398 ⇐ FAX

Case Studies in the Return of Title IV Aid

CHAPTER 7

Case Study 1: Penny Jones

Calculating the return of Title IV funds for a student attending a two-year community college (semester) who is receiving Title IV grants and loans (partially disbursed), and is due a Post-withdrawal disbursement.

Case Study 2: Bob Ellison

Calculating the return of Title IV funds when a student receiving Title IV grants and loans at a low-cost public community college that measures progress in credit hours withdraws and both the school and the student must return grant funds.

Case Study 3: Richard Sherman

When a student receiving Title IV grants and loans at a school that uses the aggregate method for matching the school's FSEOG federal allocation withdraws unofficially.

Case Study 4: Harry Springer

When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a period of enrollment basis withdraws unofficially.

Case Study 5: Jordan Aire

When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a payment period basis withdraws unofficially.

Case Studies 6 and 7: Thompson S. Hunter

When a student receiving Title IV grants at a school that utilizes a term-based modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis officially withdraws, returns, and withdraws again.

Case Study 8: Eli Kraut

When a student receiving Title IV grants at a school that utilizes a non-term modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis officially withdraws.

Case Study 9 Steve Henderson

When a student receiving Title IV grants at a school that utilizes a non-term modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis officially withdraws.

CASE STUDY 1: PENNY JONES

Calculating the return of Title IV funds for a student attending a two-year community college (semester) who is receiving Title IV grants and loans (partially disbursed), and is due a Post-withdrawal disbursement.

Learning Objectives

Learn to complete Steps 1 – 4 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution's determination that the student withdrew;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- provide the information a school must maintain in its files when a student is eligible for a Post-withdrawal disbursement, and complete a Post-withdrawal Tracking Sheet.

School Profile

Everyone Should Have an Education Community College (ESECC) is a two-year, public, semester-based institution that measures academic progress in credit hours.

Academic Year/Program	2 semesters 32 weeks
Period	16 weeks 110 calendar days
Period Start Date	August 23
Institutionally Scheduled Break	None
Required to Take Attendance	No

Student Profile

Penny Jones is a first-year student in Virginia. Charges to her account for the first semester are as follows:

Tuition and Fees	$	1,000.00/16-week semester
Technology Fee	$	100.00/16-week semester
Books and Supplies	$	400.00/16-week semester
Health Insurance	$	200.00/academic year

Charges remaining on Penny's account after the withdrawal:

Tuition	$	100.00

School Authorized to Credit Account for Other Charges: Yes (all charges)

Penny's financial aid package included the following annual awards:

Pell Grant	$	2,000.00
Direct Subsidized Loan	$	3,500.00
State Grant	$	500.00
College Grant	$	200.00

Discussion

On the first day of the fall semester, August 23, Penny received the following disbursements to her student account:

Pell Grant	$	1,000.00
Direct Subsidized Loan	$	0.00
State Grant	$	500.00
College Grant	$	100.00

Although Penny is grateful for the assistance, she is concerned about meeting her living costs for the year.

On October 8, Penny came to the financial aid office to advise that she doesn't think she is doing very well and is considering dropping out prior to November 1, the last day to withdraw from classes without academic penalty. To help her make a decision, she requests information on the withdrawal process. You are fairly certain that Penny is having a hard time adjusting to college life and want to encourage her to hang in until the end of the semester, December 10. After you provide her preliminary information, you ask her if it is her intent to withdraw. Penny says that she needs some time to think it over and makes a follow-up appointment for October 13.

When Penny comes to see you on October 13, she indicates that the last class she attended was on September 30. Because she doesn't see how she can get caught up on the work she's missed, she is adamant about withdrawing, so you give her instructions on completing the college's official withdrawal process and advise her where she can get the appropriate forms. Penny picks up the forms from the registrar on October 14. She turns the completed forms in on October 15.

Let's review some basic information about Penny, as well as our learning objectives for this case. Penny attended a two-year community college, which was on the semester system. Students earned academic credits based on credit hours taken. Before withdrawing, Penny received her Pell Grant disbursement but not her Direct Loan.

The first thing we'll need to do is to decide on the date of the school's determination that Penny withdrew. Then, we'll complete Step 1: Student's Title IV Aid Information, which includes:

- Title IV aid disbursed, and
- Title IV aid that could have been disbursed.

Solution

The date of the institution's determination is the date you were advised by Penny that she had decided to withdraw (October 13). On the earlier date, October 8, she was only thinking about withdrawing.

Date of the institution's determination that the student withdrew = October 13.

Note that for a student who provides notification to the institution of his or her withdrawal, the ***date of determination*** is the student's withdrawal date, or the date of notification of withdrawal, whichever is later (34 CFR 668.22(l)(3)(i)). In this case, the dates are identical, October 13.

The withdrawal date for Title IV purposes, October 13, is described in ***Step 2***.

Step 1: Student's Title IV Aid Information

Box A. Title IV grants aid disbursed –

Pell Grant	$ 1,000.00
A. =	$ 1,000.00

Box B. Net Title IV loans disbursed = $ 0.00

Box C. Title IV grants that could have been disbursed = $ 0.00

Box D. Penny's Direct Loan had not been disbursed yet, but she was eligible for the disbursement. Net Title IV loans that could have been disbursed = $1,750.00

D = $ 1,750.00

Box E. Although Penny also received disbursements of state and institutional aid, only Title IV aid is considered in the return of funds calculation. Title IV aid disbursed = $1,000.00.

E = $ 1,000.00

Box F. Box F is equal to the $1,000.00 from Box A plus $0.00 from Box C. Box F = $1,000.

F = $ 1,000.00

Box G. Both the disbursed Pell (Box A) and undisbursed Direct Loan (Box D) are included in Box G. Total Title IV aid disbursed plus Title IV aid that could have been disbursed = $2,750.

Pell Grant (Box A)	$ 1,000.00
Direct Subsidized Loan (Box D)	$ 1,750.00
Total Title IV aid disbursed plus could have been disbursed (Box G)	$ 2,750.00

G = $ 2,750.00

Step 2: Percentage of Title IV Aid Earned

1. Payment period start date = August 23
2. Payment period end date = December 10
3. Withdrawal date = October 13

Note: Since ESECC is not required by an outside entity to take attendance, the withdrawal date is the date Penny began the official school withdrawal process. **Since the school includes the financial aid office as one of those places where the student can begin the withdrawal process, Penny's withdrawal date is October 13.**

Although the school's refund policy is that the withdrawal date is the date a student turns in the signed withdrawal forms—which she did on October 15—that date is superseded for a student receiving Title IV aid by the federal requirement to use the date the student begins the withdrawal process or otherwise provides official notification (October 13).

Although Penny stopped attending classes on September 30, she didn't notify the school (begin the official withdrawal process) until October 13. When she came to see you on October 8, she was only thinking about withdrawing.

Of course, the school could have documented a last date of attendance at an academically related activity and used that as her withdrawal date if it so chose.

Box H. Percentage of payment period completed

- Since the student attended a credit-hour school, the percentage of aid completed is calculated by dividing the number of calendar days completed by the total number of calendar days in the payment period. Number of calendar days completed in payment period = 52 (August 23 – October 13).
- Because the semester does not include a scheduled break of five or more consecutive days, all of the calendar days in the period from August 23 to December 10 are counted. Number of calendar days in payment period = 110.

  Note: Days in a period are counted as follows:

  1. the first day of the payment period is the first scheduled day of academically related activity;
  2. the last day of the payment period is the last scheduled day of academically related activity;
  3. the school must count the date of withdrawal as a date of attendance.

- 52 days ÷ 110 days = .4727, rounded to .473, or 47.3%. Percentage of payment period completed = 47.3%.

Because this percentage is less than 60%, the Percentage of Title IV aid earned,

H = 47.3%

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 47.3% (Percentage of Title IV aid earned from Box H) X $2,750.00 (Total Title IV aid disbursed plus Title IV aid that could have been disbursed from Box G) = $1,300.75. Amount of Title IV aid earned by the student (Box I) = $1,300.75.

I = $1,300.75

Step 4: Total Title IV Aid to Be Disbursed or Returned

Box J. Because the total aid earned (Box I) is greater than the total aid disbursed (Box E), Penny is due a Post-withdrawal disbursement. $1,300.75 (Box I) – $1,000.00 (Box E) = $300.75. Post-withdrawal disbursement (Box J) = $300.75.

J = $300.75

If a Post-withdrawal disbursement is due the student, you stop here on the worksheet. Your next step is to begin compiling the information a school must maintain in its files when a student is eligible for a Post-withdrawal disbursement (ESECC has chosen to use FSA's Post-withdrawal Tracking Sheet) and providing the required notifications to the student.

THE POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET

The FAO performed the Return calculation on October 15 and determined that Penny was eligible for a Post-withdrawal disbursement of $300.75 (Step 4, Box J).

Because the Post-withdrawal disbursement would be composed entirely of loan funds, the school could not credit any funds to Penny's account or disburse any funds to her directly without sending Penny written notification advising her of her responsibility to repay the funds and obtaining Penny's confirmation that she still wanted them.

Therefore, on October 20, the school sent Penny a letter explaining that:

- she was eligible for a Post-withdrawal disbursement of Subsidized Direct Loan funds in the amount of $300.75;
- she could accept some or all of the funds;
- Penny was obligated to repay any loan funds she accepted;
- if she accepted the disbursement, $100 would be credited to her account for unpaid charges and that Penny could not receive that $100;
- if she accepted the disbursement, the school would make a direct disbursement directly to her of $200.75; and
- she has until November 13 (24 days from the day the school mailed the letter)[1] to accept the disbursement, and that if her response was received after that date, the school did not have to make the disbursement.

On November 13, the school received confirmation from Penny that she accepted all of the funds.

On November 15, the school drew down $300.75 in Subsidized Direct Loan funds through G5, credited the $300.75 to Penny's account, took $100 for unpaid charges and sent Penny a check for the credit balance of $200.75. (Note that the school could have drawn down the funds, credited the student's account with $100.00, and sent the student the balance of $200.75, but we do not require a school to deviate from its normal cash management procedures and establish a different type of audit trail for Post-withdrawal disbursements.)

The FAO placed a record of all the aforementioned in Penny's permanent financial aid file.

1 The regulations now allow a school to set a deadline later than 14 days, provided the later deadline applies to both confirmation of loan disbursements to the student's account and direct disbursements of a Post-withdrawal disbursement.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name Penny Jones

Social Security Number Example 1

Date form completed 10 /15 /

Date of school's determination that student withdrew 10 /13 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	1,000.00	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 1,000.00 Subtotal	**C.** 00.00 Subtotal

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan		1,750.00
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 00.00 Subtotal	**D.** 1,750.00 Subtotal

E. Total Title IV aid disbursed for the period.

A. 1,000.00
+ B. 00.00
E. $ 1,000.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 1,000.00
+ C. 00.00
= **F. $** 1,000.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 1,000.00
B. 00.00
C. 00.00
+ D. 1,750.00
= **G. $** 2,750.00

Step 2: Percentage of Title IV Aid Earned

08 /23 /	12 / 10 /	10 /13 /
Start date	**Scheduled end date**	**Date of withdrawal**

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

52 (Completed days) ÷ 110 (Total days) = 47.3 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 47.3 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

47.3 % (Box H) X 2,750.00 (Box G) = **I. $** 1,300.75

Step 4: Total Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal,* ***STOP.*** *No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

1,300.75 (Box I) – 1,000.00 (Box E) **J. $** 300.75

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

You should use this form when the withdrawal date is on or after 7/1/2010

POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET

Student's Name: PENNY JONES

Social Security Number: EXAMPLE 1

Date of school's determination that student withdrew: 10 / 13 /

I. Amount of Post-Withdrawal disbursement (PWD)

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1** 300.75

II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account

Total Outstanding Charges Scheduled to be Paid from PWD
(*Note: Prior-year charges cannot exceed $200.*) **Box 2** 100.00

III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent

From the total Post-withdrawal disbursement due (Box 1), subtract the Post-withdrawal Disbursement to be credited to the student's account (Box 2) . This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

$ 300.75 (Box 1) — 100.00 (Box 2) = **Box 3** $ 200.75

IV. Allocation of Post-withdrawal Disbursement

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
ACG	N/A	N/A		N/A	N/A	
National SMART Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Perkins						
Subsidized FFEL / Direct			$100.00	$100.00	$ 200.75	$200.75
Unsubsidized FFEL / Direct						
FFEL / Direct Grad Plus						
FFEL / Direct Parent Plus						
Totals						

V. Authorizations and Notifications

Post-withdrawal disbursement loan notification sent to student and/or parent on 10 / 20 /

Deadline for student and/or parent to respond 11 / 13 /

■ Response received from student and/or parent on 11 / 13 /

☐ Response not received

☐ School does not accept late response

VI. Date Funds Sent

Date Direct Disbursement mailed or transferred Grant / / Loan 11 / 15 /

You should use this form when the withdrawal date is on or after 7/1/2010

CASE STUDY 2: BOB ELLISON

Calculating the return of Title IV funds when a student receiving Title IV grants and loans at a low-cost public community college that measures progress in credit hours withdraws and both the school and the student must return grant funds.

Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution's determination that the student withdrew for a student who officially withdraws;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned;
- apply the Title IV grant protection; and
- apply the *de minimis* grant repayment provision.

School Profile

West Coast Community College (WCCC) is a two-year public, credit-hour institution.

Academic Year/Program:	2 semesters 32 weeks
Period:	16 weeks 110 calendar days
Period Start Date:	January 8
Period End Date:	May 4
Institutionally Scheduled Break:	Yes, 7 days
Taking Attendance Required:	No
Method for Matching FSEOG:	Fund-specific

Student Profile

Bob Ellison is a first-time freshman at WCCC. Charges to his account are as follows:

Tuition and Fees:	$	1,000.00/16 week semester
School Authorized to Credit Account for Other Charges:		Yes (all charges)

Bob's financial aid package includes the following annual awards:

Pell Grant	$	2,800.00
FSEOG	$	2,400.00

Discussion

Bob Ellison enrolled as a first-time freshman at (WCCC) for the spring semester on January 8. On January 18, Bob got a call from the state treasurer informing him that the programming job he had applied for six months ago was his for the taking. That same day, Bob contacted the financial aid office to advise that he was withdrawing from WCCC, begin WCCC's formal withdrawal process (11 calendar days into the semester), and to find out what to do next. All of his financial aid for the semester had been disbursed.

Solution

The date of the institution's determination that Bob withdrew is the day he contacted the Financial Aid Office to advise the school that he was withdrawing from WCCC: January 18.

Step 1: Student's Title IV Aid Information

Box A. Because WCCC uses the fund-specific method of matching FSEOG funds, 100% of Bob's FSEOG grant is used in the calculation. Title IV grant aid disbursed = $2,600.00.

Pell Grant	$ 1,400.00
FSEOG	$ 1,200.00
A. =	$ 2,600.00

Box B. Net Title IV loans disbursed = $ 0.00.

Box C. Grants that could have been disbursed = $ 0.00.

Box D. Net Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 2,600.00 + 0.00 = $ 2,600.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 2,600.00 + 0.00 = $ 2,600.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 2,600.00 + 0.00 + 0.00 + 0.00 = $ 2,600.00.

Step 2: Percentage of Title IV Aid Earned

1. Payment period start date = January 8.
2. Payment period end date = May 4.
3. Date of withdrawal = January 18.
4. Percentage of payment period completed:
   - Number of calendar days completed = 11 calendar days.
   - Number of calendar days in payment period = 110 calendar days.
   - 11 days ÷ 110 days = .100. Percentage of payment period completed = 10.0%.

Box H. Because this percentage is less than 60%, the Percentage of Title IV aid earned = **10.0%.**

Step 3: Amount of Title IV Aid Earned by Student

Box I. Multiply 10.0% (Percentage of Title IV aid earned from Box H) X $2,600.00 (total Title IV aid disbursed plus Title IV aid that could have been disbursed from Box G) = $260.00 Amount of Title IV aid earned by student = $260.00.

Box I. = $260.00

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K. Post-withdrawal disbursement = N/A.

Box K. Because the total aid disbursed (Box E) is greater than the total aid earned (Box I), Title IV aid will need to be returned.

$2,600.00 (Box E) – $260.00 (Box D) = $2,340.00. Title IV aid to be returned = $2,340.00.

Step 5: Amount of Unearned Title IV Aid Due from the School

Box L. Institutional charges for the payment period or period of enrollment = $1,000.00.

Tuition and Fees	$	1,000.00

Box M. Subtract 10.0%, the percentage of Title IV aid earned (Box H), from 100% (100% – 10.0% = 90.0%). Percentage of Title IV aid unearned = 90.0%.

Box N. First, calculate the unearned institutional charges. $1,000.00 (institutional charges from Box L) X 90.0% (% Title IV aid unearned from Box M) = $900.00 (no rounding needed). Amount of unearned institutional charges = $900.00.

Box O. Then, compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount for Box O.

Box K =	$	2,340.00
Box N =	$	900.00

Amount of unearned Title IV aid due from the school = $900.00.

Step 6: Return of Funds by the School

Box P. The student had no loans, so the total loans the school must return = $0.00

Box P =	$	0.00

The student's Pell Grant ($1,025.00) exceeds the amount the school must return ($900.00), so the school must return $900.00 to the Federal Pell Grant program. The school must return the funds as soon as possible, but no later than **45 days** from the date it determined Bob withdrew.

Step 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid that the school must return $900.00 (Box O) from the total amount of Title IV aid that is to be returned $2,340.00 (Box K). $2,340.00 – $900.00 = $1,440.00. Initial amount of unearned Title IV aid due from student = $1,440.00.

Step 8: Repayment of the Student's Loans

Box R. The student had no loans, so the total loans the student must return = $0.00.

Step 9: Grant Funds to be Returned

Box S. Initial amount of Title IV grants for the student to return

Subtract the amount of loans to be repaid by the student ($0.00 from Box R) from the initial amount of unearned Title IV aid due from the student ($1,440.00 from Box Q) to find the Initial amount of Title IV grants for the student to return. $1,440.00 – $0.00 = $1,440.00.

Box T. Amount of grant protection

Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment ($2,600.00 from Box F) by 50%. Amount of grant protection = $2,600.00 X 50.0% = $1,300.00.

Box U. Title IV grant funds for the student to return

Subtract the protected amount of Title IV grants ($1,300.00 from Box T) from the initial amount of Title IV grants for student to return ($1,440.00 from Box S). Total grants for student to return = $1,440.00 – $1,300.00 = $140.00.

Step 10: Return of Grant Funds by the Student

Amount of Title IV grants for the student to return

- Subtract the amount the school had to return to the Federal Pell Grant program ($900.00) from the amount Federal Pell Grant disbursed to the student ($1,400.00). Remaining unearned Pell Grant balance = $1,400.00 – $900.00 = $500.00.
- Since the $500 remaining in Pell funds exceeds the $140.00 for the student to return, WCCC informs Bob that he must repay the $140.00 and that he has 45 days to make repayment arrangements or his overpayment. WCCC also informs Bob that if he fails to repay or make arrangements to repay the overpayment, he will be referred to the Department and will lose eligibility for additional Title IV funds.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name Bob Ellison **Social Security Number** Example 2

Date form completed / / **Date of school's determination that student withdrew** 01 / 18 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	1,400.00	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG	1,200.00	
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 2,600.00 (Subtotal)	C. 0.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan		
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 0.00 (Subtotal)	D. 0.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 2,600.00
\+ B. 0.00
E. $ 2,600.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 2,600.00
\+ C. 0.00
= **F. $** 2,600.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 2,600.00
B. 0.00
C. 0.00
\+ D. 0.00
G. $ 2,600.00

Step 2: Percentage of Title IV Aid Earned

01 / 08 /	05 / 04 /	01 / 18
Start date	**Scheduled end date**	**Date of withdrawal**

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

11 (Completed days) ÷ 110 (Total days) = 10.0 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3. **H.** 10.0 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

10.0 % (Box H) X 2,600.00 (Box G) = **I. $** 260.00

Step 4: Total Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Box K).*
- *If the amounts in Box I and Box E are equal,* ***STOP.*** *No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I − Box E **$** NA

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

You should use this form when the withdrawal date is on or after 7/1/2010

Student's Name Bob Ellison **Social Security Number** Example 2

Step 4: Aid to be Disbursed or Returned CONTINUED

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

2,600.00 (Box E) − 260.00 (Box I) = **K.$** 2,340.00

Step 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	1,000.00
Room	
Board	
Other	
Other	
Other	

Total Institutional Charges *(Add all the charges together)* = **L.$** 1,000.00

M. Percentage of unearned Title IV aid

100% − 10.0 (Box H) = **M.** 90.0 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

1,000.00 (Box L) X 90.0 % (Box M) = **N.$** 900.00

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N),

O.$ 900.00

Step 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

Total loans the school must return = **P.$** 0.00

6. Pell Grant	900.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

2,340.00 (Box K) − 900.00 (Box O) = **Q. $** 1,440.00

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8*

Step 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

00.00 (Box B) − 00.00 (Box P) = **R. $** 00.00

▶ *If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.*

▶ *If Box Q is greater than Box R, proceed to Step 9.*

Step 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

1,440.00 (Box Q) − 00.00 (Box R) = **S.$** 1,440.00

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

2,600.00 (Box F) X 50% = **T. $** 1,300.00

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

1,440.00 (Box S) − 1,300.00 (Box T) = **U.$** 140.00

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

Step 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	140.00
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CASE STUDY 3: RICHARD SHERMAN

When a student receiving Title IV grants and loans at a school that uses the Aggregate method for matching the school's FSEOG federal allocation withdraws unofficially.

Learning Objectives

Learn to complete Steps 1–9 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution's determination that the student withdrew for a student who withdraws unofficially;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- apply the Title IV grant protection.

School Profile

The Ultra Large State University (ULSU) is a four-year, semester-based, public institution that measures academic progress in credit hours and uses the Fund Specific method for matching the school's FSEOG federal allocation with state grant funds.

Academic Year/Program	2 semesters 30 weeks
Period	15 weeks 100 calendar days
Period Start Date	September 1
Institutionally Scheduled Break	None
Required to Take Attendance	No
Method for Matching FSEOG	Fund Specific

Student Profile

Richard Sherman is a third-year student with a 3.5 cumulative GPA majoring in engineering.

Tuition and fees	$	4,000.00/15 week semester
Room	$	1,000.00/15 week semester
Board	$	1,000.00/15 week semester
Books and Supplies (credit voucher at school store)	$	500.00/15 week semester

School Authorized to Credit Account for Other Charges: Yes (all charges)

Richard's financial aid package included the following **annual** awards:

Pell Grant	$	5,500.00
State Grant	$	1,000.00
FSEOG (Federal Portion)	$	4,000.00
Net Unsubsidized Stafford Loan	$	3,860.00

All of Richard's financial aid for the first semester (i.e., one-half of his annual awards) was disbursed on the first day of classes.

Discussion

Richard is a brilliant computer engineering major in his third year at The ULSU. Over the summer between his second and third year, Richard developed and submitted to Gigantic Computer Corporation (GCC) an idea for a new memory chip. In October, Richard got a six-figure offer of employment from GCC. Richard was so excited by the offer that he packed his bags and headed for Seattle without telling anyone at the school that he was leaving.

Instructors at The ULSU must report a last date of attendance (LDA) whenever they submit a non-passing grade, and those dates appear on a report of Title IV recipients who failed to earn a passing grade in any of their classes that is provided by the Computer Center to the financial aid office at the end of each grading period.

On December 16, after grades have been submitted for the fall semester, the Computer Center at The ULSU ran the program that identified Title IV recipients who failed to earn a passing grade in any of their classes. When the aid office received and evaluated the report for the fall semester, it found that Richard's LDA was October 10. Because Richard did not provide official notification of his withdrawal, he is considered an unofficial withdrawal.

At the beginning of the semester, the following awards were posted to Richard's account at ULSU.

Pell Grant	$	2,750.00
State Grant	$	500.00
FSEOG	$	2,000.00
Unsubsidized Stafford	$	1,930.00

Solution

The date of the institution's determination that Richard withdrew is the date the aid office received and processed the report from the Computer Center. Date of institution's determination that the student withdrew = December 16.

Note: For a student who withdraws without providing notification from a school that is not required to take attendance, the school must determine the withdrawal date no later than 30 days after the end of the earlier of (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

Step 1: Student's Title IV Aid Information

Box A. ULSU enters the following data in Step 1.

Title IV grant aid disbursed –

Pell Grant	$	2,750.00
FSEOG	$	2,000.00
A. =	$	4,750.00

Box B. Net Title IV loans disbursed,
Unsubsidized FFEL/Direct Stafford = $ 1,930.00

Box C. Title IV grants that could have been disbursed = $ 0.00.

Box D. Net Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 4,750.00 + 1,930.00 = $ 6,680.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 4,750.00 + 0.00 = $ 4,750.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 4,750.00 + 1,930.00 + 0.00 + 0.00 = $ 6,680.00.

Step 2: Percentage of Title IV Aid Earned

Because Richard did not officially withdraw from school and ULSU is not required to take attendance by an outside agency (other than for a one day snapshot for state census purposes), the school may use either the midpoint of the payment period or the last date of Richard's attendance in an academically related activity as the withdrawal date. The school elects to choose the midpoint of the period as Richard's withdrawal date.

1. Payment period start date = September 1
2. Payment period end date = December 9
3. Date of withdrawal = October 20[1]
4. Percentage of payment period completed
   - Number of calendar days completed = 50[2]
   - Number of calendar days in the payment period = 100
   - 50 days ÷ 100 days = 0.5000. Percentage of payment period completed = 50.0%

Box H. Because this percentage is less than 60%, the Percentage of Title IV aid earned = 50.0%.

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 50.0% (Percentage of Title IV aid earned from Box H) X $6,680.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = $3,340.00. Amount of Title IV aid earned by the student = $3,340.00.

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

Box K. Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.

$6,680.00 (Box E) – $3,340.00 (Box I) = $3,340.00. Title IV Aid to be returned = $3,340.00.

1, 2 The midpoint of the period, or 50 of 100 days.

Step 5: Amount of Unearned Title IV Aid Due from the School

Box L. Institutional charges for the payment period or period of enrollment = $6,500.00.

Tuition and fees	$	4,000.00
Room	$	1,000.00
Board	$	1,000.00
Books	$	500.00

Box M. Subtract the percentage of Title IV earned from Box H (50.0%) from 100.0%. 100% – 50.0% = 50.0%. Percentage of Title IV aid unearned = 50.0%.

Box N. Calculate the amount of unearned charges. $6,500.00 (institutional charges from Box L) X 50% (% of Title IV aid unearned from Box M) = $3,250.00 (no rounding needed). Amount of unearned institutional charges = $3,250.00.

Box O. Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	$	3,340.00
Box N =	$	3,250.00

Amount of unearned Title IV aid due from the school = $3,250.00.

STEP 6: Return of Funds by the School

Box P. The only Title IV loan disbursement Richard received was an Unsubsidized FFEL Stafford Loan disbursement of $1,930.00. Since $1,930.00 is less than the $3,250.00 (Box O) the school must return, the school must return the entire $1,930.00. Box P = $1,930.00.

After the school returns $1,930.00 to the Title IV loan programs, $1,320.00 remains to be returned by the school ($3,250 (from Box O) – $1,930 (from Box P)). Richard received $2,000.00 in Pell Grant funds, so the school returns the $1,320.00 to the Pell Grant program.

STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid the school must return ($3,250.00 from Box O) from the total amount of Title IV aid that is to be returned ($3,340.00 from Box K) to find the Initial Amount of Title IV aid Due from the Student. $3,340.00 – $3,250.00 = $90.00.

STEP 8: Repayment of the Student's Loans

Box R. Subtract the Total Loans the school must return ($1,930.00 from Box P) from the Net Loans Disbursed to the Student ($1,930.00 from Box B) to find the total of the loans the student must repay $1,930.00 – $1,930.00 = $0.00.

Remember, you must notify the holder of Richard's loan that he has withdrawn from school.

STEP 9: Grant Funds to be Returned

Box S. Initial amount of Title IV grants for the student to return

Subtract the amount of loans to be repaid by the student ($0.00 from Box R) from the Initial Amount of Unearned aid due from the student ($90.00 from Box Q) to find the Initial amount of Title IV grants for the student to return. $90.00 – $0.00 = $90.00.

Box T. Amount of grant protection

Multiply the Total of Title IV grant aid disbursed or could have been disbursed for the payment period or period of enrollment ($4,740.00 from Box F) by 50.0%. $4,750 X 50.0% = $2,375.00.

Box U. Title IV grant funds for the student to return

Subtract the amount of grant protection ($2,375.00 from Box T) from the initial amount of Title IV grants for the student to return ($90.00 from Box S) to find the Title IV grant funds for the student to return. $90.00 – $2375.00 = $0.00[1].

1 If this amount is less than or equal to $0.00, enter = NA, and stop here. Richard is not required to return any Title IV grant funds.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Richard Sherman	**Social Security Number**	Example 3
Date form completed	/ /	**Date of school's determination that student withdrew**	12 / 16 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	2,750.00	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG	2,000.00	
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 4,750.00 (Subtotal)	**C.** 0.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan	1,930.00	
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 1,930.00 (Subtotal)	**D.** 0.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 4,750.00
\+ B. 1,930.00
E. $ 6,680.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 4,750.00
\+ C. 0.00
= **F. $** 4,750.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 4,750.00
B. 1,930.00
C. 0.00
\+ D. 0.00
G. $ 6,680.00

Step 2: Percentage of Title IV Aid Earned

09 / 01 /	12 / 09 /	10 / 20
Start date	**Scheduled end date**	**Date of withdrawal**

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

50 (Completed days) ÷ 100 (Total days) = 50.0 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 50.0 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

50.0 % (Box H) X 6,680.00 (Box G) = 3,340.00

Step 4: Total Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal, **STOP.** No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I – Box E **J. $** NA

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

You should use this form when the withdrawal date is on or after 7/1/2010

Student's Name Richard Sherman **Social Security Number** Example 3

Step 4: Aid to be Disbursed or Returned CONTINUED

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

6,680.00 (Box E) − 3,340.00 (Box I) = K.$ 3,340.00

Step 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	4,000.00
Room	1,000.00
Board	1,000.00
(Books) Other	500.00
Other	
Other	

Total Institutional Charges *(Add all the charges together)* = L.$ 6,500.00

M. Percentage of unearned Title IV aid

100% − 50.0 (Box H) = M. 50.0 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

6,500.00 (Box L) X 50.0 % (Box M) = N.$ 3,250.00

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N),

O.$ 3,250.00

Step 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	1,930.00
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

Total loans the school must return = P.$ 1,930.00

6. Pell Grant	1,320.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

3,340.00 (Box K) − 3,250.00 (Box O) = Q.$ 90.00

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8*

Step 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

1,930.00 (Box B) − 1,930.00 (Box P) = R.$ 00.00

▶ *If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.*

▶ *If Box Q is greater than Box R, proceed to Step 9.*

Step 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

90.00 (Box Q) − 0.00 (Box R) = S.$ 90.00

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

4,750.00 (Box F) X 50% = T. $ 2,375.00

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

90.00 (Box S) − 2,375.00 (Box T) = U.$ NA

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

Step 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CASE STUDY 4: HARRY SPRINGER

When a student receiving Title IV grants and loans withdraws unofficially from a school that measures academic progress in clock hours and performs its Return calculations on a period of enrollment basis.

Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Clock-Hour Program worksheet, and be able to:

- determine withdrawal date for student who did not provide notification of intent to withdraw at a school required to take attendance;
- determine the scheduled clock hours;
- calculate the percentage of the period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

School Profile

Quality Tech School (QTS) is a proprietary school that measures academic progress in clock hours.

Academic Year/Program/ Period of Enrollment	900 hours/30 weeks
Payment Period	450 hours
Period Start Date	January 8
Period End Date	August 3
Institutionally Scheduled Break	None
Required to Take Attendance	Yes
Period used in Return calculation	Period of Enrollment

Student Profile

Harry Springer enrolled at QTS for a 30-week program of study period consisting of 900 clock hours offered over 30 weeks. The first payment period is 450 clock hours. Charges to Harry's account are as follows:

Tuition and fees	$	8,000.00/30 week program
Room	$	non-residential program
Board	$	non-residential program
Books and Supplies	$	500.00/program

School Authorized to Credit Account for Other Charges: Yes (all charges)

Harry's financial aid package included the following **annual** awards:

Pell Grant	$	4,000.00
Net Subsidized Stafford Loan	$	3,860.00

All of Harry's financial aid for the first payment period (450 clock hours, i.e., one-half his annual awards) was disbursed on the first day of classes.

Discussion

On the first day of the winter period, January 8, Harry received the following disbursements to his student account:

Pell Grant	$	2,000.00
Subsidized Stafford Loan	$	1,930.00

Everything seemed to be going very well for Harry. It wasn't until January 26 that the school discovered Harry hadn't been attending classes and didn't plan on returning. The director of the program notified the aid office that Harry's last day of attendance was January 17 (through which time Harry was scheduled to have attended 45 hours), and the aid office began the withdrawal process and required calculations.

Solution

The date of the institution's determination that Harry withdrew (January 26) is the date the aid office received the information from the Director of Student Services. Because QTS is required to take attendance, Harry's withdrawal date is his last day of attendance at an academically related activity, January 17.

At the beginning of the enrollment period, the following awards were posted to Harry's account at QTS.

Pell Grant	$	2,000.00
Subsidized Stafford Loan	$	1,930.00

Step 1: Student's Title IV Aid Information

Box A. Title IV grant aid disbursed –

Pell Grant	$	2,000.00
A. =	$	2,000.00

Box B. Net Title IV loans disbursed –

Unsubsidized FFEL/Direct Stafford	$	1,930.00
B. =	$	1,930.00

Box C. Because QTS uses the period of enrollment as the basis for its Return calculation, the $2,000 in Pell funds Harry was scheduled to receive once he had completed the first 450 hours of his program is included as Title IV grants that could have been disbursed.

C. = $ 2,000.00

Box D. Because QTS uses the period of enrollment as the basis for its Return calculation, the $1,930.00 in Subsidized Stafford Loan funds Harry was scheduled to receive once he had completed the first 450 hours and the calendar midpoint of his program of his program is included as Title IV grants that could have been disbursed.

D. = $ 1,930.00

Box E. Total Title IV aid disbursed for the period of enrollment = A + B = 2,000.00 + 1,930.00 = $ 3,930.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the period of enrollment = A + C = 2,000.00 + 2,000.00 = $ 4,000.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the period of enrollment = A + B + C + D = 2,000.00 + 1,930.00 + 2,000.00 + 1,930.00 = $ 7,860.00.

Step 2: Percentage of Title IV Aid Earned

Because QTS is required to take attendance by an outside agency, the school must use the last date of Harry's attendance in an academically related activity as determined from its attendance records as the withdrawal date. Harry's last date of attendance was January 17.

1. Period of enrollment start date = January 8.
2. Period of enrollment end date = August 3.
3. Date of withdrawal = January 17.

Box H. Percentage of payment period completed

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

- Number of clock hours Harry was scheduled to complete on January 17 = 45.
- Number of clock hours in the period of enrollment = 900.
- 45 clock hours ÷ 900 clock hours = 0.050.

Percentage of period of enrollment completed = 5.0%.

Because this percentage is less than 60%, the Percentage of Title IV aid earned, Box H = 5.0%.

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 5.0% (Percentage of Title IV aid earned from Box H) X $7,860.00 (Total of the Title IV aid disbursed and could have been disbursed for the period of enrollment from Box G) = $393.00. Amount of Title IV aid earned by the student = $393.00.

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

Box K. Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$3,930.00 (Box E) – $393.00 (Box I) = $3,537.00. Title IV Aid to be returned = $3,537.00.

Step 5: Amount of Unearned Title IV Aid Due from the School

Box L. Institutional charges for the period of enrollment = $8,500.00.

Tuition and fees	$	8,000.00
Books & Supplies	$	500.00

Box M. Subtract the percentage of Title IV earned from Box H (5.0%) from 100.0%. 100% – 5.0% = 95.0%. Percentage of Title IV aid unearned = 95.0%.

Box N. Calculate the amount of unearned charges. $8,500.00 (institutional charges from Box L) X 95% (Percentage of Title IV aid unearned from Box M) = $8,075.00 (no rounding needed). Amount of unearned institutional charges = $8,075.00.

Box O. Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	$	3,537.00
Box N =	$	8,075.00

Amount of unearned Title IV aid due from the school = $3,537.00.

STEP 6: Return of Funds by the School

Box P. The only Title IV loan disbursement Richard received was a Subsidized FFEL Stafford loan disbursement of $1,930.00. Since $1,930.00 is less than the $3,537.00 (Box O) the Amount for school to return, the school must return the entire $1,930.00 to the FFEL program.

Box P =	$	1,930.00

After the school returns $1,930.00 to the FFEL program, the balance to be returned by the school is $1,607.00 ($3,537.00 [from Box O] – $1,930.00 [from Box P]). Harry received $2,000.00 in Pell Grant funds, so the school returns the $1,607.00 to the Pell Grant program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Harry withdrew.

STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid the school must return ($3,537.00 from Box O) from the total amount of Title IV aid that is to be returned ($3,537.00 from Box K) to find the Initial Amount of Title IV aid Due from the Student. $3,537.00 – $3,537.00 = $0.00.

STEP 8: Repayment of the Student's Loans

Box R. Subtract the Total Loans the school must return ($1,930.00 from Box P) from the Net Loans Disbursed to the Student ($1,930.00 from Box B) to find the total of the loans the student must repay $1,930.00 – $1,930.00 = $0.00.

Since the amount from Box Q ($0.00) is equal to (or less than) the amount from Box R ($0.00), the calculation ends here.

Remember, you must notify the holder of Harry's loan that he has withdrawn from school.

Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name Harry Springer

Social Security Number Example 4

Date form completed / /

Date of school's determination that student withdrew 1 / 26 /

Period used for calculation (check one) ☐ **Payment period** ■ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	2,000.00	2,000.00
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 2,000.00 (Subtotal)	C. 2,000.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan	1,930.00	1,930.00
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 1,930.00 (Subtotal)	D. 1,930.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 2,000.00
\+ B. 1,930.00
= E. $ 3,930.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 2,000.00
\+ C. 2,000.00
= F. $ 4,000.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 2,000.00
B. 1,930.00
C. 2,000.00
\+ D. 1,930.00
= G. $ 7,860.00

Step 2: Percentage of Title IV Aid Earned

Withdrawal date 1 / 17 /

H. Determine the percentage of the period completed:
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

45 (Hours scheduled to complete) ÷ 900 (Total hours in period) = 5.0 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 5.0 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

5.0 % (Box H) x 7,860.00 (Box G) = I. $ 393.00

Step 4: Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.*

J. Post-withdrawal disbursement
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I − Box E = NA

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

K. Title IV aid to be returned
From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I) . This is the amount of Title IV aid that must be returned.

3,930.00 (Box E) − 393.00 (Box I) = 3,537.00 .

You should use this form when the withdrawal date is on or after 7/1/2010

Student's Name Harry Springer **Social Security Number**

Step 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	8,000.00
Room	
Board	
Other (Books & Supplies)	500.00
Other	
Other	

Total Institutional Charges (Add all the charges together) = 8,500.00

M. Percentage of unearned Title IV aid

100% − 5.0 % (Box H) = M. 95.0 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).

8,500.00 x 95.0 % = N. $ 8,075.00

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.

3,537.00

Step 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	1,930.00
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	
Total loans the school must return =	P. $ 1,930.00
6. Pell Grant	1,607.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

3,537.00 (Box K) − 3,537.00 (Box O) = Q.$ 0.00

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8.*

Step 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

1,930.00 (Box B) − 1,930.00 (Box P) = R.$ 0.00

▶ *If Box Q is less than or equal to Box R, **STOP**.* The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ *If Box Q is greater than Box R, proceed to Step 9.*

Step 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

(Box Q) − (Box R) = S. .

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

(Box F) x 50% = T. .

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

(Box S) − (Box T) U. .

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

Step 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CASE STUDY 5: JORDAN AIRE

When a student receiving Title IV grants and loans withdraws unofficially from a school that measures academic progress in clock hours and performs its Return calculations on a payment period basis.

Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Clock-Hour Program worksheet, and be able to:

- determine withdrawal date for student who did not provide notification of intent to withdraw at a school required to take attendance;
- determine the scheduled clock hours;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

School Profile

Learn to Earn Technical School (LETS) is a proprietary school that measures academic progress in clock hours.

Academic Year/Program/ Period of Enrollment	900 hours/30 weeks
Payment Period	450 hours
Period Start Date	April 2
Period End Date	October 26
Institutionally Scheduled Break	None
Required to Take Attendance	Yes
Period Used in Return Calculation	Payment Period

Student Profile

Jordan Aire enrolled at LETS for a 30-week program of study period consisting of 900 clock hours offered over 30 weeks. The first payment period is 450 clock hours. Charges to Jordan's account are as follows:

Tuition and fees	$	9,000.00/30 week program
Room	$	non-residential program
Board	$	non-residential program
Books and Supplies	$	500.00/program

School Authorized to Credit Account for Other Charges: Yes (all charges)

Jordan's financial aid package included the following **annual** awards:

Pell Grant	$	4,000.00
Net Subsidized Stafford Loan	$	3,860.00

All of Jordan's financial aid for the first payment period (450 clock hours, i.e., one-half his annual awards) was disbursed on the first day of classes.

Discussion

On the first day of the period, April 2, Jordan received the following disbursements to his student account:

Pell Grant	$	2,000.00
Subsidized Stafford Loan	$	1,930.00

On May 3, the Retention Specialist at LETS is informed by the director of Jordan's program that since April 21, Jordan has not been attending classes. The Retention Specialist contacts Jordan who tells him that he's been ill but plans on coming back to school during the next week. Since this falls within the time period for excused absences allowed by school policy, as well as absences allowed by the state and the school's accrediting agency, the school delays taking any action. However, on May 11 when the Retention Specialist follows up with the Program Director, he finds that Jordan has not returned to school. Since Jordan has now exceeded the number of absences allowed by school policy, LETS must administratively withdraw Jordan from school.

Note: Remember that institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days after the student's withdrawal date.

The institution is not required to administratively withdraw a student who has been absent for 14 days. However, after 14 days, it is expected to have determined whether the student intends to return to classes or has withdrawn. Moreover, the institution must return any unearned funds within 45 days of the date of the institution's determination that Jordan withdrew (May 4).

Solution

Jordan's withdrawal date is his last day of attendance at an academically related activity as determined from the school's attendance records, April 20.

The school must use May 4 (14 days from the student's last day of attendance) as the date of the institution's determination that the student withdrew.

At the beginning of the semester, the following awards were posted to Jordan's account at LETS.

Pell Grant	$	2,000.00
Subsidized Stafford Loan	$	1,930.00

Step 1: Student's Title IV Aid Information

Box A. Title IV grant aid disbursed –

Pell Grant	$	2,000.00
A. =	$	2,000.00

Box B. Net Title IV loans disbursed –

Unsubsidized Direct Stafford =	$	1,930.00
B. =	$	1,930.00

Box C. Title IV grants that could have been disbursed = $ 0.00.

Box D. Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 2,000.00 + 1,930.00 = $ 3,930.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 2,000.00 + 0.00 = $ 2,000.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 2,000.00 + 1,930.00 + 0.00 + 0.00 = $3,930.00.

Step 2: Percentage of Title IV Aid Earned

Because LETS is required to take attendance by an outside agency, the school must use the last date of Jordan's attendance in an academically related activity as determined from its attendance records as the withdrawal date. Jordan's last date of attendance was April 20.

1. Payment Period start date = April 2.
2. Payment Period end date = October 26.
3. Date of withdrawal = April 20.

Box H. Percentage of payment period completed

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

- Number of clock hours Jordan was scheduled to complete on April 20 = 90
- Number of clock hours in the payment period = 450
- 90 clock hours ÷ 450 clock hours = 0.20.

Percentage of payment period completed = 20.0%

Because this percentage is less than 60%, the Percentage of Title IV aid earned in Box H = 20.0%.

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 20.0% (Percentage of Title IV aid earned from Box H) X $3,930.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = $786.00. Amount of Title IV aid earned by the student = $786.00.

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

Box K. Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.

$3,930.00 (Box E) – $786.00 (Box I) = $3,144.00. Title IV Aid to be Returned = $3,144.00.

Step 5: Amount of Title IV Aid Due from the School

Box L. A school that charges by the period of enrollment but performs its Return calculation on a payment period basis before entering data in Step 5, Part L, of the Return calculation, must determine whether it must enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, first, the school prorates all institutional charges. Then, the school determines the amount actually retained. The school compares the two results and enters in Step 5, Part L, the greater of the two amounts. Because LETS provides students with their books and supplies on the first day of class and retains 100% of those fees in addition to the tuition charged for the first payment period, LETS must include 100% of the cost of those books and supplies in its institutional charges for the first payment period.

Institutional charges for the payment period = $5,000.00.

Tuition and fees	$	4,500.00
Books and Supplies	$	500.00

Box M. Subtract the percentage of Title IV earned from Box H (20.0%) from 100.0%. 100% – 20.0% = 80.0%. Percentage of Title IV aid unearned = 80.0%.

Box N. Calculate the amount of unearned charges. $5,000.00 (institutional charges from Box L) X 80% (Percentage of Title IV aid unearned from Box M) = $4,000.00 (no rounding needed). Amount of unearned institutional charges = $4,000.00.

Box O. Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	$	3,144.00
Box N =	$	4,000.00

Amount of unearned Title IV aid due from the school = $3,144.00.

STEP 6: Return of Funds by the School

Box P. Jordan received a Subsidized FFEL Stafford loan disbursement of $1,930.00. Since $1,930.00 is less than the $3,144.00 (Box O) the school must return, the school must return $1,930.00 to the lender. Box P = $1,930.00.

After the school returns $1,930.00 to the Title IV loan programs, the balance to be returned by the school is $1,214.00 ($3,144.00 (from Box O) – $1,930 (from Box P)). Jordan received $2,000.00 in Pell Grant funds, so the school returns $1,214.00 to the Pell Grant program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Jordan withdrew (May 4).

STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid the school must return ($3,144.00 from Box O) from the total amount of Title IV aid that is to be returned ($3,144.00 from Box K) to find the Initial amount of Title IV aid Due from the Student. $3,144.00 – $3,144.00 = $0.00.

STEP 8: Repayment of the Student's Loans

Box R. Subtract the Total Loans the school must return ($1,930.00 from Box P) from the Net Loans Disbursed to the Student ($1,930.00 from Box B) to find the total of the loans the student must repay $1,930.00 – $1,930.00 = $0.00.

Since the amount from Box Q ($0.00) is equal to (or less than) the amount from Box R ($0.00), the calculation ends here.

Remember, you must notify the holder of Jordan's loan that he has withdrawn from school.

Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name	Jordan Aire	**Social Security Number**	Example 5
Date form completed	/ /	**Date of school's determination that student withdrew**	5 / 04 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	2,000.00	0.00
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 2,000.00 (Subtotal)	C. 0.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan	1,930.00	0.00
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 1,930.00 (Subtotal)	D. 0.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 2,000.00
+ B. 1,930.00
= E. $ 3,930.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 2,000.00
+ C. 0.00
= F. $ 2,000.00

G. Total Title IV aid disbursed and that could

A. 2,000.00
B. 1,930.00
C. 0.00
+ D. 0.00
G. $ 3,930.00

Step 2: Percentage of Title IV Aid Earned

Withdrawal date 4 / 20 /

H. Determine the percentage of the period completed:
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

90 (Hours scheduled to complete) ÷ 450 (Total hours in period) = 20.0 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 20.0 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

20.0 % (Box H) x 3,930.00 (Box G) = I. $ 786.00

Step 4: Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.*

J. Post-withdrawal disbursement
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

(Box I) − (Box E) = NA

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

K. Title IV aid to be returned
From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I) . This is the amount of Title IV aid that must be returned.

3,930.00 (Box E) − 786.00 (Box I) = 3,144.00 .

Student's Name Jordan Aire **Social Security Number** Example 5

Step 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	4,500.00
Room	
Board	
(Books & Supplies) Other	500.00
Other	
Other	

Total Institutional Charges (Add all the charges together) = 5,000.00

M. Percentage of unearned Title IV aid

100% − 20.0 % (Box H) = M. 80.0 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).

$5,000.00 x 80.0 % = N. $ 4,000.00

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.

O.$ 3,144 .00

Step 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	1,930.00
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	
Total loans the school must return =	P.$ 1,930.00
6. Pell Grant	1,214.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

3,144.00 (Box K) − 3,144.00 (Box O) = Q.$ 0.00

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8.*

Step 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

1,930.00 (Box B) − 1,930.00 (Box P) = R. $ 0.00

▶ *If Box Q is less than or equal to Box R, **STOP**.* The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ *If Box Q is greater than Box R, proceed to Step 9.*

Step 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

(Box Q) − (Box R) = S. .

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

(Box F) x 50% = T. .

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

(Box S) − (Box T) U. .

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

Step 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CASE STUDY 6: THOMPSON S. HUNTER

When a student receiving Title IV grants at a school that utilizes a term-based modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis, officially withdraws.

Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- determine whether or not the student must be considered as withdrawn;
- determine the total number of days the student was in attendance;
- recalculate the student's eligibility for Pell and Campus-Based funds;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

School Profile

Las Vegas School of Digital Journalism (LSDJ) is a public residential institution that utilizes a term-based modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	2 semesters/ 32 weeks
Payment Period	1 semester 117 calendar days
Period Start Date	August 22
Period End Date	December 16
Institutionally Scheduled Break	Yes
Required to Take Attendance	No
Period used in Return calculation	Payment Period

School Profile, continued

Scheduled starting and ending dates for modules within the term.

Start	End
August 22	September 16
September 19	October 14
October 17	November 11
November 14	December 16

A scheduled break begins after the last class on Friday, November 18. Classes resume on Monday, November 28. The scheduled break is nine days long.

Though it is not a school that is required to take attendance, LSDJ has a school policy of using a student's last date of attendance at an academically related activity as the withdrawal date when a student withdraws from a program offered in modules.

Student Profile

Thompson Hunter is an independent, third-year student enrolled at LSDJ for 12 credits offered in four modules. In each module, a student is enrolled in one course that begins and ends on a fixed date. In Thompson's case, each course is worth three credits.

Charges to Thompson's account for the payment period are as follows:

Tuition and fees	$	1,200.00/12 credits

School Authorized to Credit Account for Other Charges: Yes (all charges)

Thompson's financial aid package is based on the following academic year (9-month budget):

Tuition	$	2,400.00
Room	$	2,800.00
Board	$	1,600.00
Books	$	800.00
Personal Expenses	$	800.00
Travel	$	800.00

Thompson's financial aid package included the following **annual** awards:

Pell Grant	$	5,550.00
FSEOG	$	3,650.00

All of Thompson's financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

Discussion

On the first day of the period, August 22, Thompson received the following disbursements to his student account:

Pell Grant	$	2,775.00
FSEOG	$	1,825.00

On October 14, Thompson comes to see you. He tells you that his dog Gonzo has just had 10 puppies. He fears that if he's not around to help her, something terrible might happen to the puppies, and he doesn't want to deal with the self-loathing that would result. He feels it is best if he withdraws from the first semester now.

When a student withdraws from one of a series of modules in a term-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer 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.

   In Thompson's case, the answer to Question 1 is ***Yes***; you go on 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; (Note, however that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

   In Thompson's case, the answer to Question 2 is ***No***; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period (for non-term 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.

   In Thompson's Case, the answer is ***No***; you must treat Thompson as a withdrawal.

Therefore, though Thompson completed the first two modules in the semester, since he doesn't intend on returning to a module in this semester, the revised Return regulations require that LSDJ treat him as a withdrawn student.

Because Thompson failed to begin attendance in all of the classes on which his Pell Grant was based, before performing the required Return calculation, LSDJ must recalculate Thompson's Pell based on his enrollment in just the two modules he began—six credits or half time. Thompson's scheduled annual Pell award as a half-time student is $2,775.00. His revised first semester award is $1,388.00. LSDJ must return $1,387.00 (the difference between Thompson's initial Pell disbursement of $2,775.00 and his new award of $1,388.00), and include only his new award of $1,388.00 in the Return calculation. The school returns the $1,387.00 through G5 and reduces Thompson's Pell Grant in COD to $1,388.00.

In addition, since Thompson was receiving Campus-Based aid (FSEOG), the school has to recalculate his eligibility for Campus-Based funds, eliminating the costs attributable to the modules that he did not begin attending to see whether a reduction of the Campus-Based aid is necessary. Based on a revised COA of $3,600.00 for the fall semester and revised Pell Grant of $1,388.00, Thompson's remaining first-semester need is $2,212.00. That is more than his FSEOG of $1,825.00. Therefore, LSDJ does not need to reduce Thompson's FSEOG award before performing the Return calculation.

LSDJ performed a return calculation using Thompson's last day of attendance of October 14 as his withdrawal date (as per school policy); $1,388.00 as the amount of Pell Grant disbursed; and $1,825.00 as the amount of FSEOG funds disbursed. On October 24, LSDJ returned the funds for which it was responsible to the appropriate programs, and made the appropriate adjustments in COD.

Solution

Per school policy, Thompson's withdrawal date is his last day of attendance at an academically related activity as determined from the school's attendance records, October 14.

At the beginning of the semester, the following awards were posted to Thompson's account at LSDJ.

Pell Grant	$	2,775.00
FSEOG	$	1,825.00

Step 1: Student's Title IV Aid Information

Box A. After recalculating and returning the Pell Grant funds for which Thompson was ineligible, the Title IV grant aid disbursed was –

Pell Grant	$	1,388.00
FSEOG	$	1,825.00
A. =	$	3,213.00

Box B. Net Title IV loans that could have been disbursed = $ 0.00.

Box C. Title IV grants that could have been disbursed = $ 0.00.

Box D. Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 3,213.00 + 0.00 = $ 3,213.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 3,213.00 + 0.00 = $ 3,213.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 3,213.00 + 0.00 + 0.00 + 0.00 = $3,213.00.

Step 2: Percentage of Title IV Aid Earned

LSDJ has an institutional policy of using the last date of attendance in an academically related activity as determined from its attendance records as the withdrawal date for students who cease attendance before completing 60 percent of the payment period. Thompson's last date of attendance was October 14.

1. Payment Period start date = August 22.
2. Payment Period end date = December 16.
3. Date of withdrawal = October 14.
4. Percentage of payment period completed
   - Number of calendar days completed = 54
   - Number of calendar days in the payment period = 108 (117 – 9 day scheduled break)
   - 54 days ÷ 108 days = 0.50. Percentage of payment period completed = 50.0%

Box H. Because this percentage is less than 60%, the Percentage of Title IV aid earned = 50.0%.

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 50.0% (Percentage of Title IV aid earned from Box H) X $3,213.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enroll ment from Box G) = $1,606.50. Amount of Title IV aid earned by the student = $1,606.50.

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

Box K. Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I), Title IV aid must be returned.

$3,213.00 (Box E) – $1,606.50 (Box I) = $1,606.50. Title IV Aid to be returned = $1,606.50.

Step 5: Amount of Title IV Aid Due from the School

Box L. The institutional charges on Thompson's account are the charges initially assessed for the payment period. Note that books and supplies are not included because Thompson had an opportunity to purchase them elsewhere, and did.

Tuition and fees	$	1,200.00
Room	$	1,400.00
Board	$	800.00
Box L =	$	3,400.00

Box M. Subtract the percentage of Title IV earned from Box H (50.0%) from 100.0%. 100% – 50.0% = 50.0%. Percentage of Title IV aid unearned = 50.0%.

Box N. Calculate the amount of unearned charges. $3,400.00 (institutional charges from Box L) X 50.0% (% of Title IV aid unearned from Box M) = $1,700.00.

Amount of unearned institutional charges = $1,700.00.

Box O. Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	$	1,606.50
Box N =	$	1,700.00

Amount of unearned Title IV aid due from the school = $1,606.50.

STEP 6: Return of Funds by the School

Box P. Thompson received a recalculated Pell Grant disbursement of $1,388.00. Since $1,388.00 is less than the $1,606.50 (Box O) the school must return, the school must return the $1,388.00 to the Pell Grant Program and an additional $218.50 (1,606.50 – 1,388.00) to the FSEOG program through the G5 system. The school must also reduce Thompson's Pell Grant in COD to $0.00.

The school must return any unearned funds within 45 days from the date of the school's determination that Thompson withdrew.

STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid the school must return ($1,606.50 from Box O) from the total amount of Title IV aid that is to be returned ($1,606.50 from Box K) to find the Initial amount of Title IV aid Due from the Student. $1,606.50 – $1,606.50 = $0.00.

Box Q = $ 0.00

Because Box Q is $0.00, no further calculation is needed.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name Thompson Hunter

Social Security Number Example 6

Date form completed / /

Date of school's determination that student withdrew 10 / 17 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	1,388.00	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG	1825.00	
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 3,213.00 (Subtotal)	**C.** 0.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan	0.00	
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 0.00 (Subtotal)	**D.** 0.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 3,213.00
\+ B. 0.00
E. $ 3,213.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 3,213.00
\+ C. 0.00
= **F. $** 3,213.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 3,213.00
B. 0.00
C. 0.00
\+ D. 0.00
G. $ 3,213.00

Step 2: Percentage of Title IV Aid Earned

08 / 22 /	12 / 16 /	10 / 14
Start date	**Scheduled end date**	**Date of withdrawal**

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date. *(Less 9 day scheduled break)*

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

54 (Completed days) ÷ 108 (Total days) = 50.0 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 50.0 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

50.0 % (Box H) × 3,213.00 (Box G) = **I. $** 1,606.50

Step 4: Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Box K).*
- *If the amounts in Box I and Box E are equal, **STOP.** No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I − Box E **J. $** NA .

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

You should use this form when the withdrawal date is on or after 7/1/2010

Student's Name Thompson Hunter **Social Security Number** Example 7

Step 4: Aid to be Disbursed or Returned CONTINUED

K. Title IV Aid to be returned

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

3,213.00 (Box E) − 1,606.50 (Box I) = **K.$** 1,606.50

Step 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	1,200.00
Room	1,400.00
Board	800.00
Other	
Other	
Other	

Total Institutional Charges *(Add all the charges together)* = **L.$** 3,400.00

M. Percentage of unearned Title IV aid

100% − 50.0 % (Box H) = **M.** 50.0 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

3,400.00 (Box L) X 50.0 % (Box M) = **N.$** 1,700.00

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

O.$ 1,606.50

Step 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

Total loans the school must return = **P.$** 0.00

6. Pell Grant	$1,388.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	$218.50
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

1,606.50 (Box K) − 1,606.50 (Box O) = **Q. $** 0.00

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8*

Step 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

0.00 (Box B) − 0.00 (Box P) = **R. $** 00.00

▶ *If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.*

▶ *If Box Q is greater than Box R, proceed to Step 9.*

Step 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

(Box Q) − (Box R) = **S.$**

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

(Box F) X 50% = **T. $**

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

(Box S) − (Box T) = **U. $**

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

Step 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6. **Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CASE STUDY 7: THE RETURN OF THOMPSON S. HUNTER

When a student receiving Title IV grants at a school that utilizes a term-based modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis, officially withdraws, returns within the payment period, and withdraws again.

Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- identify the steps that must be taken when a student who withdrew from a term-based program offered in modules returns within the payment period;
- determine the numerator and denominator when calculating the percentage of the payment period completed for a student who withdraws, returns and withdraws again.
- recalculate the student's eligibility for Pell and Campus-Based funds;
- calculate the percentage of the payment period the student completed, and the percentage and the amount of Title IV aid earned by the student;
- determine if the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned, and if so, how much the school must return and
- determine the amount to be offered to the student or returned by him.

School Profile

Las Vegas School of Digital Journalism (LSDJ) is public residential institution that utilizes a term-based modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	2 semesters/ 32 weeks
Payment Period	1 semester 117 calendar days
Period Start Date	August 22
Period End Date	December 16
Institutionally Scheduled Break	Yes
Required to Take Attendance	No
Period used in Return calculation	Payment Period

School Profile, continued

Scheduled starting and ending dates for modules within the term.

Start	End
August 22	September 16
September 19	October 14
October 17	November 11
November 14	December 16

A scheduled break begins after the last class on Friday, November 18. Classes resume on Monday, November 28. The scheduled break is nine days long.

Though it is not a school that is required to take attendance, LSDJ has a school policy of using a student's last date of attendance at an academically related activity as the withdrawal date when a student withdraws from a program offered in modules.

Student Profile

Thompson Hunter is an independent third-year student enrolled at LSDJ for 12 credits offered in four modules. In each module a student is enrolled in one course that begins and ends on a fixed date. In Thompson's case, each course is worth three credits.

Charges to Thompson's account for the payment period are as follows:

Tuition and fees	$	1,200.00/12 credits

School Authorized to Credit Account for Other Charges: Yes (all charges)

Thompson's financial aid package is based on the following academic year (9-month budget):

Tuition	$	2,400.00
Room	$	2,800.00
Board	$	1,600.00
Books	$	800.00
Personal Expenses	$	800.00
Travel	$	800.00

Thompson's financial aid package included the following **annual** awards:

Pell Grant	$	5,550.00
FSEOG	$	3,650.00

All of Thompson's financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

Discussion

On November 11, Thompson Hunter (the student from Case Study 7) walks into your office with the news that his wife Barbara Ann has quit her acting job in LA and moved back to Las Vegas. Longing for a normal family life, Barbara Ann is more than happy to care for Gonzo and the puppies. Thompson would like to reenter the program when the fourth module begins on November 14.

When Thompson returns for module four, 34 CFR 668.22(a)(2)(iii)(A) applies. That regulation provides that, if a student withdraws from a term-based credit-hour program offered in modules and reenters the same program prior to the end of the payment period, the student is treated as if he or she did not cease attendance for purposes of determining the student's aid awards for the period. The student is considered to be in the same payment period he or she was in at the time of the withdrawal and retains his or her original Title IV eligibility for that payment period, provided the student's enrollment status continues to support the same amount of those funds. To do this, the school must:

- recalculate Thompson's Title IV program eligibility based upon enrollment in modules 1, 2, and 4 and then re-disburse any Title IV, HEA program funds that had been disbursed and then returned under the Return of Title IV Funds provisions, adjusting, if necessary, for any change in his enrollment
  status;
- disburse any Title IV, HEA program funds for which Thompson was otherwise eligible that had not yet been disbursed at the time he withdrew, adjusting for the change in enrollment status; and
- cancel any Title IV overpayments assessed Thompson as a result of the prior withdrawal..

When Thompson returns in module four, the three credits for that module are added to the six credits that Thompson completed previously. Nine credits at LSDJ are the minimum number required for three-quarter-time enrollment status. Therefore, the school must recalculate Thompson's eligibility for Title IV assistance as a three-quarter time student. Thompson's scheduled annual Pell award as a three-quarter-time student is $4,163.00, and his one-semester award is $2,081.50.

After recalculating Thompson's eligibility from full time to half time when he withdrew previously, the school returned $1,387.00 (the difference between Thompson's initial Pell disbursement of $2,775.00 and his half-time award of $1,388.00). The school then included only his new award of $1,388.00 in the Return calculation and returned the entire amount as a result of the calculation. The school also reduced his Pell award in COD to $0.00. When Thompson returns, the school must once again adjust his award in COD (this time to his three-quarter-time award of $2,081.50) and draw down and disburse $2081.50 to his account.

In addition, the school has to recalculate Thompson's eligibility for Campus-Based funds, adding the costs attributable to the additional module that he has begun attending, to see whether a modification of his Campus-Based aid is necessary. Based on a revised COA of $4,100.00 for the fall semester and revised Pell Grant of $$2,081.50, Thompson's remaining first-semester need is $2,018.50. That is greater than his initial FSEOG award of $1,825.00. Therefore, since it has not already awarded the $218.50 that it returned previously to another eligible student, the school re-awards and disburses the $218.50 in FSEOG funds to Thompson.

When the aid officer reviews the results of the previous Return calculation, he finds that Thompson had not been required to return any Title IV funds; therefore, there are no student overpayments to cancel.

On the first day of module four, November 14, LSDJ made the following disbursements to his student account:

Pell Grant	$	2,081.50	
FSEOG	$	218.50	(restoring his total to $1,825)

After class on December 5, Thompson once again comes to see you. He says that his uncle Raoul (born in England under mysterious circumstances) has just discovered that he is in line to be the Duke of Marlboro. Raoul must go to England immediately to claim the title, and he's willing to cover the cost of Thompson's traveling with him to the investiture. Therefore, Thompson has decided to withdraw immediately.

When a student withdraws from one of a series of modules in a term-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer 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.

   In Thompson's case, the answer to Question 1 is ***Yes***; you go on 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. (Note, however that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

   In Thompson's case, the answer to Question 2 is ***No***; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period (for non-term 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.

   In Thompson's case, the answer is ***No***; you must treat Thompson as a withdrawal.

Thompson began attendance in all of the classes on which his Pell Grant was based (modules 1,2, and 4). Therefore, the school did not need to recalculate Thompson's revised Pell Grant. In addition, since Thompson began attendance in all of the classes on which his Campus-Based aid (FSEOG) was based, the school did not have to recalculate his eligibility for Campus-Based funds.

Solution

Per school policy, Thompson's withdrawal date is his last day of attendance at an academically related activity as determined from the school's attendance records, December 5.

Step 1: Student's Title IV Aid Information

Box A. Since Thompson had begun all modules (classes) on which his Pell and Campus-Based aid was based, the Title IV grant aid disbursed was –

Pell Grant	$	2,081.50
FSEOG	$	1,825.00
A. =	$	3,906.50

Box B. Net Title IV loans that could have been disbursed = $ 0.00.

Box C. Title IV grants that could have been disbursed = $ 0.00.

Box D. Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 3,906.50 + 0.00 = $ 3,906.50.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 3,906.50 + 0.00 = $ 3,906.50.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 3,906.50 + 0.00 + 0.00 + 0.00 = $3,906.50

Step 2: Percentage of Title IV Aid Earned

Though it is not a school that is required to take attendance, LSDJ has a school policy of using a student's last date of attendance at an academically related activity as the withdrawal date when a student withdraws from a program offered in modules.

The total number of days in the payment period is the original 108 days. While the student did not begin module three, since module three was included in the original payment period or period of enrollment and used to determine the amount of Title IV, HEA funds eligibility, the days from module three are included in the denominator.

The total number of completed calendar days in the period reflects the completed days in modules one, two, and four. From the previous Return calculation, we know that Thompson completed 54 days in modules one and two. He completed 13 days in module 4 (22 days less the 9-day scheduled break). The total number of days completed (the days completed in modules one, two, and four) are the sum of the days completed during each period or 67 days (54 + 13).

1. Payment Period start date = August 22.
2. Payment Period end date = December 16.
3. Date of withdrawal = December 5.
4. Percentage of payment period completed
   - Number of calendar days completed in modules one, two, and four = 67
   - Number of calendar days in the payment period = 108 (117 – 9 day scheduled break)
   - 67 days ÷ 108 days = 0.62. Percentage of payment period completed = 62.0%

Box H. Because this percentage is greater than 60%, the Percentage of Title IV aid earned = 100.0%. Note that although no return is required, the school must complete Step 3 in order to determine whether 100% of his aid has been disbursed or Thompson was due a Post-withdrawal disbursement.

Percentage of Title IV aid earned = 100.00%

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 100.0% (Percentage of Title IV aid earned from Box H) X $3,843.50. (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = $3,843.50.

Amount of Title IV aid earned by the student = $3,843.50.

Box J. When we subtract the amount of Title IV aid disbursed, $3,843.50 (Box E) from the amount of Title IV earned, $3,843.50 (Box I), the aid officer found that the answer is $0.00. Therefore, Thompson has received all the Title IV aid to which he was entitled and is not due a Post-withdrawal disbursement.

No further action is necessary.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name Thompson Hunter **Social Security Number** Example 7

Date form completed / / **Date of school's determination that student withdrew** 12 / 05 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	2,081.50	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG	1825.00	
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 3,906.50 (Subtotal)	**C.** 0.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan	0.00	
8. Subsidized FFEL/Direct Stafford Loan		
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 0.00 (Subtotal)	**D.** 0.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 3,906.50
\+ B. 0.00
E. $ 3,906.50

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 3,906.50
\+ C. 0.00
= **F. $** 3,906.50

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 3,906.50
B. 0.00
C. 0.00
\+ D. 0.00
G. $ 3,906.50

Step 2: Percentage of Title IV Aid Earned

Start date	Scheduled end date	Date of withdrawal
08 / 22 /	12 / 16 /	12 / 5 /

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date. *(Less 9 day scheduled break)*

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

67 (Completed days) ÷ 108 (Total days) = 62.0 %

▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.

▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3. **H.** 100.0 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

100.0 % (Box H) 3,906.50 (Box G) = **I. $** 3,906.50

Step 4: Title IV Aid to be Disbursed or Returned

▶ *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*

▶ *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*

▶ *If the amounts in Box I and Box E are equal,* ***STOP.*** *No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

3,906.50 (Box I) − 3,906.50 (Box E) **$** 0.00

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

You should use this form when the withdrawal date is on or after 7/1/2010

CASE STUDY 8: ELI KRAUT

When a student receiving Title IV grants and loans at a school that utilizes a non-term modular course structure, measures academic progress in credit hours and performs its Return calculations on a payment period basis officially withdraws and is not scheduled to return within 45 days.

Learning Objectives

Learn to complete Steps 1–10 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- determine whether or not a student must be considered a withdrawal;
- determine if it is necessary to, and if so, recalculate the student's eligibility for Pell and Campus-Based funds;
- determine the total number of days the student was in attendance, and the numerator and denominator when calculating the percentage of the payment period completed;
- calculate the percentage of the payment period the student completed, and both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

School Profile

The Giant School of Sports Medicine (GSSM) is private, for profit institution that utilizes a non-term modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	24 credits/ 32 weeks
Payment Period	12 credit hours 4 modules (each of 4 weeks duration) 16 weeks
Period Start Date	August 1
Period End Date	November 18
Institutionally Scheduled Break	No
Required to Take Attendance	No
Period Used in Return Calculation	Payment Period

School Profile, continued

Scheduled starting and ending dates for modules within the payment period.

Start	End
August 1	August 26
August 29	September 23
September 26	October 21
October 24	November 18

Student Profile

Eli Kraut is a dependent, fourth-year student enrolled at GSSM for 16 credits offered in four modules. In each four week module, a student enrolls in one course that begins and ends on a fixed date. In Eli's case, each course is worth three credits.

Charges to Eli's account for the payment period are as follows:

Tuition and fees	$	3,200.00/12 credits

School Authorized to Credit Account for Other Charges:	Yes (all charges)

Eli's financial aid package is based on the following nine month academic year cost of attendance (COA).

Tuition	$	6,400.00
Room	$	3,200.00
Board	$	3,200.00
Books	$	1,600.00
Personal Expenses	$	3,200.00
Travel	$	800.00
	$	18,400.00

Eli's financial aid package included the following **annual** awards:

Pell Grant	$	5,550.00
FSEOG	$	4,000.00
Subsidized Direct Loan	$	5,500.00
Federal Work Study (FWS)	S	3,350.00

Except for his FWS award, all of Eli's financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

Discussion

On the first day of the period, August 1, Eli received the following disbursements to his student account:

Pell Grant	$	2,775.00
FSEOG	$	2,000.00
Subsidized Stafford Loan	$	2,750.00

On August 25, Eli comes to see you. He tells you that his twin brother, Jake, has just won an all-expenses paid Mediterranean cruise for two and has invited Eli (the lucky dog) to accompany him on the cruise. Eli has decided not to miss this chance of a lifetime. He intends to drop modules two and three, and return for the fourth module on October 24. On August 26, Eli completes module one and withdraws.

When a student withdraws from one of a series of modules in a term-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer 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.

   In Eli's case, the answer to Question 1 is ***Yes***; you go on 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. (Note, however that other regulatory provisions concerning recalculation may apply. If the answer is no, go to question 3.

   In Eli's case, the answer to Question 2 is ***No***; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period? For non-term 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: CFR 34 668.22(a)(2)(i)(C) provides that a student in a non-term or nonstandard term program is considered to have withdrawn for Title IV purposes if the student is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days, unless the student is on an approved leave of absence. 34 CFR 668.22(a)(2)(ii)(A)(2) provides that, for a non-term or nonstandard-term program, an institution must treat as a withdrawal a student who ceases attendance in a module, nonwithstanding a student's confirmation of attendance in a future module in the payment period or period of enrollment if that module does not begin within 45 days of the end of the module the student ceased attending. (For additional information see *Withdrawals from programs offered in modules* in Chapter 1.)

The module in which Eli will be returning (module 4) does not start until October 24. That is 58 days from August 26, the end of the first module. Therefore, you must treat Eli as a withdrawal.

Because Eli failed to begin attendance in all of the classes on which his Title IV aid was based, before performing the required Return calculation GSSM must recalculate Eli's eligibility for Title IV funds based on his enrollment in just the one module he began—three credits, or less than half time.

> Note: Pell Grant awards for students in clock-hour programs and programs without terms are always based on the *Payment Schedule for Determining Full-Time Awards*. Therefore a school does not have to recalculate a Pell Grant when a student attending a non-term program or clock-hour program withdraws.

The school does have to recalculate Eli's eligibility for Campus-Based aid (FSEOG and FWS), eliminating the costs attributable to the modules that he did not begin attending, to see whether a reduction of the Campus-Based aid was necessary. After eliminating the expenses associated with the period of nonattendance, the school determined that the COA (for Campus-Based purposes) associated with Eli's enrollment in the one module was $2,600.00. The loan funds that Eli had already received (and for which his eligibility does not have to be recalculated—$2,750.00) plus his Pell Grant ($2,775.00), plus the $500.00 in FWS Eli has earned to date equal $6,025.00. Since $$6,025.00 exceeds Eli's revised COA of $2,500.00, the aid officer determined that Eli was not eligible for any FSEOG funds, so the school had to reduce Eli's FSEOG award to $0.00 and either award the $2,000.00 in FSEOG funds to another eligible student or return them to ED. Note that Pell Grants and earned FWS funds are never reduced to address an overpayment.

> Note: Any time a student enrolled in a clock-hour or non-term program changes his or her enrollment status, 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. Moreover, when a student enrolled in a clock-hour or non-term program withdraws, **a school that calculates Returns on a period of enrollment basis may not include costs associated with any future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days in the student's COA.**

GSSM performed a return calculation using Eli's last day of attendance of August 26 as his withdrawal date; $2,775.00 as the amount of Pell Grant disbursed; $0.00 as the amount of FSEOG funds disbursed; and $2,750.00 as the amount of Subsidized Direct Loan funds disbursed. On September 4, GSSM returned the funds for which it was responsible to the appropriate programs.

Solution

Eli's withdrawal date is his last day of attendance at an academically related activity as determined from the school's attendance records, August 26.

At the beginning of the semester, the following awards were posted to Eli's account at GSSM.

Pell Grant	$	2,775.00
FSEOG	$	2,000.00
Subsidized Stafford Loan	$	2,750.00

Step 1: Student's Title IV Aid Information

Box A. After recalculation, the Title IV grant aid disbursed was –

Pell Grant	$	2,775.00
FSEOG	$	0.00
A. =	$	2,775.00

Box B. Net Title IV loans disbursed

Subsidized Stafford loan	$	2,750.00
B. =	$	2,750.00

Box C. Title IV grants that could have been disbursed = $ 0.00.

Box D. Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 2,775.00 + 2,750.00 = $ 5,525.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 2,775.00 + 0.00 = $ 2,775.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 2,775.00 + 2,750.00 + 0.00 + 0.00 = $5,525.00.

Step 2: Percentage of Title IV Aid Earned

For Title IV purposes, Eli's withdrawal date is August 26, the day he dropped modules two and three and notified the school that he would not be returning until the start of module four. Note that because Eli didn't drop modules two and three before withdrawing, the days in those modules are included in the number of days in the payment period.

1. Payment Period start date = August 1.
2. Payment Period end date = November 18.
3. Date of withdrawal = August 26.
4. Percentage of payment period completed
   - Number of calendar days completed = 26
   - Number of calendar days in the payment period = 110
   - 26 days ÷ 110 days = 0.2363. Percentage of payment period completed = 23.6%

Box H. Because this percentage is less than 60%, the Percentage of Title IV aid earned = 23.6%.

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 23.6% (Percentage of Title IV aid earned from Box H) X $5,525.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = $1,303.90. Amount of Title IV aid earned by the student = $1,303.90.

I. = $ 1,303.90

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

Box K. Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$5,525.00 (Box E) – $1,303.90 (Box I) = $4,221.10. Title IV Aid to be returned = $4,221.10.

K. = $ 4,221.10

Step 5: Amount of Title IV Aid Due from the School

Box L. The institutional charges on Eli's account are the charges initially assessed for the payment period. Note that books and supplies are not included because Eli had an opportunity to purchase them elsewhere, and did.

Tuition and fees	$	3,200.00
Room	$	1,600.00
Board	$	1,600.00
Box L =	$	6,400.00

Box M. Subtract the percentage of Title IV earned from Box H (23.6%) from 100.0%. 100% – 23.6% = 76.4%. Percentage of Title IV aid unearned = 76.4%.

M = 76.4%

Box N. Calculate the amount of unearned charges. $6,400.00 (institutional charges from Box L) X 76.4% (% of Title IV aid unearned from Box M) = $4,889.60. Amount of unearned institutional charges = $4,889.60.

N = $ 4,889.60

Box O. Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	$	4,221.10
Box N =	$	4,889.60

Amount of unearned Title IV aid due from the school = $4,221.10.

STEP 6: Return of Funds by the School

Box P. The amount of unearned Title IV aid due from the school is $4,221.10 (Box O), and Title IV loans are returned before Title IV grants. Since Eli received a Subsidized Stafford loan of $2,750.00, the school returns the entire $2,750.00 to the Direct Loan Program.

The school also returns $1,471.10 (4,221.10 (0) – $2,750.00 (P)) to the Pell Grant Program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Eli withdrew.

STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid the school must return ($4,221.10 from Box O) from the total amount of Title IV aid that is to be returned ($4,221.10 from Box K) to find the Initial amount of Title IV aid Due from the Student. $4,221.10 – $4,221.10 = $0.00.

Box Q = $ 0.00

There is no unearned aid due from the student, so the Return calculation ends here. The only further action the school must take is to notify the loan holder that the student has ceased attendance.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name Eli Kraut

Social Security Number Example 8

Date form completed / /

Date of school's determination that student withdrew 08 / 26 /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	2,775.00	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 2,775.00 Subtotal	C. 0.00 Subtotal

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan		
8. Subsidized FFEL/Direct Stafford Loan	2,750.00	
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 2,750.00 Subtotal	D. 0.00 Subtotal

E. Total Title IV aid disbursed for the period.

A. 2,775.00
\+ B. 2,750.00
E. $ 5,525.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 2,775.00
\+ C. 0.00
= F. $ 2,775.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 2,775.00
B. 2,750.00
C.
\+ D. 0.00
G. $ 5,525.00

STEP 2: Percentage of Title IV Aid Earned

08 / 01 /	11 / 18 /	08 / 26
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

H. Percentage of payment period or period of enrollment completed *(Less 9 day scheduled break)*

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

26 (Completed days) ÷ 110 (Total days) = 23.6 %

▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.

▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 23.6 %

STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

23.6 % (Box H) X 5,525.00 (Box G) $1,303.90

▶ *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*

▶ *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*

▶ *If the amounts in Box I and Box E are equal, **STOP.** No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I – Box E J. $ NA

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

You should use this form when the withdrawal date is on or after 7/1/2010

Student's Name Eli Kraut **Social Security Number** Example 8

STEP 4: Aid to be Disbursed or Returned CONTINUED

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

5,525.00 (Box E) – 1303.90 (Box I) = K.$ 4,221.10

STEP 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	3,200.00
Room	1,600.00
Board	1,600.00
Other	
Other	
Other	

Total Institutional Charges *(Add all the charges together)* = L.$ 6,400.00

M. Percentage of unearned Title IV aid

100% – 23.6 % (Box H) = M. 76.4 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

6,400.00 (Box L) X 76.4 % (Box M) = N.$ 4,889.60

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N).

O.$ 4,221.10

STEP 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	
2. Subsidized FFEL/Direct Stafford Loan	2,750.00
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

Total loans the school must return = P.$ 2,750.00

6. Pell Grant	1,471.10
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

4,221.10 (Box K) – 4,221.10 (Box O) = Q. $ 0.00

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8*

STEP 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

(Box B) – (Box P) = R. $.

▶ *If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.*

▶ *If Box Q is greater than Box R, proceed to Step 9.*

STEP 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

(Box Q) – (Box R) = S.$.

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

(Box F) X 50% = T. $.

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

(Box S) – (Box T) = U.$.

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

STEP 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6. **Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CASE STUDY 9: STEVE HENDERSON

When a student receiving Title IV grants and loans at a school that utilizes a non-term modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis, officially withdraws, returns within 180 days, and withdraws again.

Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet and be able to:

- determine the total number of days the student was in attendance;
- determine the total number of days in the payment period;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

School Profile

Chula University (CU) is a non-residential postsecondary institution that utilizes a non-term modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	24 credits/ 32 weeks
Payment Period	12 credit hours 4 modules (each of 4 weeks duration) 16 weeks
Period Start Date	January 9
Period End Date	April 27
Institutionally Scheduled Break	None
Required to Take Attendance	No
Period used in Return calculation	Payment Period

School Profile, continued

Scheduled starting and ending dates for modules within the calendar year. At each starting point all modules are offered.

Start	End	Start	End
January 9	February 3	February 6	March 2
March 5	March 30	April 2	April 27
April 30	May 25	May 28	June 22
June 25	July 20	July 23	August 17
August 20	September 14	September 17	October 12
October 15	November 9	November 12	December 7

Student Profile

Steve Henderson is a independent, fourth-year student enrolled at CU for 12 credits offered in four three-credit modules. CU anticipates that Steve, as do most of the students at CU, will complete each of the modules in four weeks, and the payment period in 16 weeks.

Charges to Steve's account for the payment period are as follows:

Tuition and fees	$	6,000.00/12 credits
School Authorized to Credit Account for Other Charges:		Yes (all charges)

Steve's financial aid package is based on the following eight-month academic year cost of attendance (COA).

Tuition	$	12,000.00
Room	$	3,200.00
Board	$	3,200.00
Books	$	1,200.00
Personal Expenses	$	3,200.00
Travel	$	800.00
	$	23,600.00

Steve's financial aid package included the following **annual** awards:

Pell Grant	$	5,550.00
FSEOG	$	4,000.00
Subsidized Direct Loan	$	5,500.00
Unsubsidized Direct Loan	$	4,050.00
Federal Work Study (FWS)	S	4,500.00

Discussion

On the first day of the period, January 9, Steve received disbursements totaling $9,550.00 in Title IV assistance from the following programs to his student account:

Pell Grant	$	2,775.00
FSEOG	$	2,000.00
Subsidized Direct Loan	$	2,750.00
Unsubsidized Direct Loan	$	2,025.00

On January 27, you are notified by the registrar that Steve has dropped module 2. Then, on February 3, after completing the last class in module 1, Steve comes to see you. He tells you that he's been offered a job as a researcher on a project studying the terrapin species native to the brackish coastal swamps of Maryland and other southeastern states. Steve has decided to withdraw from school in order to accept the job.

When a student withdraws from one of a series of modules in a term-based program, a school must first determine whether or not the student must be treated as a withdrawal. In order to do so, the school must answer 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.

   In Steve's case, the answer to Question 1 is ***Yes***; you go on 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. (Note, however that other regulatory provisions concerning recalculation may apply.) If the answer is no, go to question 3.

   In Steve's case, the answer to Question 2 is ***No***; you go on to Question 3.

3. Did the student confirm attendance in a course in a module beginning later in the period? For non-term 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 a withdrawal, and the Return of Title IV Funds requirements apply.

   In Steve's case, the answer is ***No,*** and therefore you must consider Steve as a withdrawn student.

Because Steve failed to begin attendance in all of the classes on which his Title IV aid was based, before performing the required Return calculation, CU must recalculate Steve's eligibility for Title IV funds based on his enrollment in just the one module he began—three credits, or less than half time.

> Note: Pell Grant awards for students in clock-hour programs, programs without terms, and nonstandard term programs with terms that are not substantially equal programs are always based on the *Payment Schedule for Determining Full-Time Awards*. Therefore a school does not have to recalculate a Pell Grant when a student attending a non-term program, clock-hour program or nonstandard term program with terms that are not substantially equal withdraws.

The school does have to recalculate Steve's eligibility for Campus-Based aid (FSEOG and FWS), eliminating the costs attributable to the modules that he did not begin attending, to see whether a reduction of the Campus-Based aid was necessary. After eliminating the expenses associated with the period of nonattendance, the school determined that the COA (for Campus-Based purposes) associated with Steve's enrollment in the one module was $3,250.00.

The loan funds that Steve had already received (and for which his eligibility does not have to be recalculated—$4,775.00) plus his Pell Grant ($2,775.00), plus the $400.00 in FWS Steve has earned to date equal $7,950.00. Since $7,950.00 exceeds Steve's revised COA of $3,250.00, the aid officer determined that Steve was not eligible for any FSEOG funds, so the school had to reduce Steve's FSEOG award to $0.00 and either award the $2,000.00 in FSEOG funds to another eligible student or return them to ED. (Note that Pell Grants and earned FWS funds are never reduced to address an overpayment.)

> Note: Any time a student enrolled in a clock-hour, non-term program, or nonstandard term program with terms that are not substantially equal changes his or her enrollment status, 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 student's COA costs associated with any classes the student failed to begin. More over, when a student enrolled in a clock-hour, non-term program, or nonstandard term program with terms that are not substantially equal withdraws, **a school that calculates Returns on a period of enroll ment basis may not include costs associated with any future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days in the student's COA.**

CU performed a return calculation using Steve's last day of attendance of February 3 as his withdrawal date; $2,775.00 as the amount of Pell Grant disbursed; $0.00 as the amount of FSEOG funds disbursed; $2,750.00 as the amount of Subsidized Direct Loan funds disbursed; and $2,025.00 as the amount of unsubsidized loan funds disbursed. On February 17, CU returned the funds for which it was responsible to the appropriate programs.

Solution

At the beginning of the semester, the following awards were posted to Steve's account at CU.

Pell Grant	$	2,775.00
FSEOG	$	2,000.00
Subsidized Direct Loan	$	2,750.00
Unsubsidized Direct Loan	$	2,025.00

Step 1: Student's Title IV Aid Information

Box A. After recalculation, the Title IV grant aid disbursed was –

Pell Grant	$	2,775.00
FSEOG	$	0.00
A. =	$	2,775.00

Box B. Net Title IV loans disbursed

Subsidized Direct loan	$	2,750.00
Unsubsidized Direct	$	2,025.00
B. =	$	4,775.00

Box C. Title IV grants that could have been disbursed = $ 0.00.

Box D. Title IV loans that could have been disbursed = $ 0.00.

Box E. Total Title IV aid disbursed for the payment period = A + B = 2,775.00 + 4,775.00 = $ 7,550.00.

Box F. Total Title IV grant aid disbursed and could have been disbursed for the payment period = A + C = 2,775.00 + 0.00 = $ 2,775.00.

Box G. Total Title IV aid disbursed and could have been disbursed for the payment period = A + B + C + D = 2,775.00 + 4,775.00 + 0.00 + 0.00 = $7,550.00.

Step 2: Percentage of Title IV Aid Earned

For Title IV purposes, Steve's withdrawal date is February 3, the day he informed the aid office that he was withdrawing.

1. Payment Period start date = January 9.
2. Payment Period end date = April 27.
3. Date of withdrawal = February 3.
4. Percentage of payment period completed

   Note: Because Steve dropped one module (module 2) of the course before he withdrew, the days following the end of module 1 (February 4) through the day prior to the start of module 3 (March 4)—30 days—are excluded from the total days used in determining the percentage of the period completed.

   - Number of calendar days completed = 26
   - Number of calendar days in the payment period = 80 (The 110 days in the original period less the 30 days from February 4 through March 4)
   - 26 days ÷ 80 days = 0.3250. Percentage of payment period completed = 32.5%

Box H. Because this percentage is less than 60%, the Percentage of Title IV aid earned = 32.5%.

Step 3: Amount of Title IV Aid Earned by the Student

Box I. 32.5% (Percentage of Title IV aid earned from Box H) X $7,550.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = $2,453.75. Amount of Title IV aid earned by the student = $2,453.75.

I. = $ $2,453.75

Step 4: Total Title IV Aid to be Disbursed or Returned

Box J. Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

Box K. Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$7,550.00 (Box E) – $2,453.75 (Box I) = $5,096.25. Title IV Aid to be returned = $5,096.25.

K. = $ $5,096.25

Step 5: Amount of Title IV Aid Due from the School

Box L. **The charges used in a Return calculation are always the charges initially assessed by the school adjusted only for any courses or module the student dropped prior to the date the student withdrew** Therefore, even though CU refunds the tuition Steve paid for the modules he did not start, the school must enter $4,500.00 in Step 5 of the Return calculation. (The $6,000.00 initially charged minus the $1,500.00 for module 2 that Steve dropped before withdrawing.) A $150.00 charge for books is included because Steve did not have the opportunity to purchase them elsewhere.

Tuition and fees	$	4,500.00
Books	$	150.00
L =	$	4,650.00

Box M. Subtract the percentage of Title IV earned from Box H (40.6%) from 100.0%. 100% – 32.5% = 67.5%. Percentage of Title IV aid unearned = 67.5%.

M = 67.5%

Box N. Multiply the Institutional charges from Box L ($4,650.00) by the Percentage of unearned Title IV aid from Box M (67.5%) to find the Amount of unearned charges $4,650.00 X 67.5% = $3,138.75. Amount of unearned = $3,138.75.

N = $ 3,138.75

Box O. Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	$	5,096.25
Box N =	$	3,138.75

Amount of unearned Title IV aid due from the school = $3,138.75.

STEP 6: Return of Funds by the School

Box P. The amount of unearned Title IV aid due from the school is $3,138.75 (Box O). Since Title IV loans are returned before Title IV grants, and Unsubsidized Direct Loans are returned before Subsidized Direct Loans loans, the school returns $2,025.00 to the Direct Loan Program for crediting toward Steve's Unsubsidized Direct Loan and $1,113.75 to the Direct Loan Program for crediting toward Steve's Subsidized Direct Loan. The school also cancels the second disbursement of both of his Direct Loans and notifies the appropriate servicer that Steve has withdrawn from school.

The school must return any unearned funds within 45 days from the date of the institution's determination that Steve withdrew.

STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

Box Q. Subtract the amount of Title IV aid the school must return ($3,138.75) from Box O from the total amount of Title IV aid that is to be returned ($5,096.25) from Box K to find the Initial amount of Title IV aid Due from the Student. $5,096.25 – $3,138.75 = $1,957.50.

Box Q = $ 1,957.50

The initial amount of Title IV aid due from the student, is $1,957.50.

STEP 8: Repayment of the Student's Loans

Box R. Subtract the Total Loans the school must return ($3,138.75) from Box P from the Net Loans Disbursed to the Student ($4,775.00) from Box B to find the total of the loans the student must repay $4,775.00 – $3,138.75 = $1,636.25.

Box R = $ 1,636.25

Since the amount from Box Q ($1,957.50) is greater than the amount from Box R ($1,636.25), you proceed to Step 9.

Remember, you must notify the holder of Steve's loans that he has withdrawn from school.

Box S. Subtract the amount of loans to be repaid by the student in Box R ($1,636.25) from the initial amount of unearned Title IV aid due from the student Box Q ($1,957.50) to find the Initial amount of Title IV grants for the student to return $1,957.50 – $1,636.25 = $321.25.

Box S = $ 321.25

Box T. Multiply the total Title IV grant aid disbursed and could have been disbursed for the period in Box F ($2,775.00) by 50% to find the Amount of grant protection $2,775.00 X 50% = $1,387.50.

Box T = $ 1,387.50

Box U Subtract the Amount of grant protection in Box T ($1,387.50) from the Initial amount of Title IV grants for the student to return in Box S ($321.50) to find the Title IV grants for the student to return $321.50 – $1,387.50 = – $1,066.25.

Box U = $ – 1066.25

Since the amount in Box U is less than or equal to zero, the student does not have to return any Title IV grant funds, and the calculation is complete.

Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name Steve Henderson

Social Security Number Case Study 9

Date form completed / /

Date of school's determination that student withdrew / /

Period used for calculation (check one) ■ **Payment period** ☐ **Period of enrollment**

Monetary amounts should be in dollars and cents (rounded to the nearest penny).
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)

Step 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant	2,775.00	
2. Academic Competitiveness Grant		
3. National SMART Grant		
4. FSEOG		
5. TEACH Grant		
6. Iraq Afghanistan Service Grant		
	A. 2,775.00 (Subtotal)	**C.** 0.00 (Subtotal)

Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed
7. Unsubsidized FFEL/Direct Stafford Loan	2,025.00	
8. Subsidized FFEL/Direct Stafford Loan	2,750.00	
9. Perkins Loan		
10. FFEL/Direct PLUS (Graduate Student)		
11. FFEL/Direct PLUS (Parent)		
	B. 4,775.00 (Subtotal)	**D.** 0.00 (Subtotal)

E. Total Title IV aid disbursed for the period.

A. 2,775.00
+ B. 4,775.00
= **E. $** 7,550.00

F. Total Title IV grant aid disbursed and that could have been disbursed for the period.

A. 2,775.00
+ C. 0.00
= **F. $** 2,775.00

G. Total Title IV aid disbursed and that could have been disbursed for the period.

A. 2,775.00
B. 4,775.00
C. 0.00
+ D. 0.00
= **G. $** 7,550.00

Step 2: Percentage of Title IV Aid Earned

Start date	Scheduled end date	Date of withdrawal
1/ 9 /	4 /27 /	2/ 3 /

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

26 (Completed days) ÷ 80 (Total days) = 32.5 %

- If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

H. 32.5 %

Step 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

32.5 % (Box H) **X** 7,550.00 (Box G) = **I. $** 2,453.75

Step 4: Title IV Aid to be Disbursed or Returned

- *If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).*
- *If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).*
- *If the amounts in Box I and Box E are equal, **STOP.** No further action is necessary.*

J. Post-withdrawal disbursement

From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I – Box E = **J. $** .

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Step 4 continued ▶

Student's Name Steve Henderson **Social Security Number** Case Study 9

Step 4: Aid to be Disbursed or Returned CONTINUED

K. Title IV aid to be returned

From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

7,550.00 (Box E) − 2,453.75 (Box I) = **K.$** 5,096.25

Step 5: Amount of Unearned Title IV Aid Due from the School

L. Institutional charges for the period

Tuition	4,500.00
Room	
Board	
Books	150.00
Other	
Other	

Total Institutional Charges *(Add all the charges together)* = **L.$** 4,650.00

M. Percentage of unearned Title IV aid

100% − 32.5 % (Box H) = **M.** 67.5 %

N. Amount of unearned charges

Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

4,650 00 (Box L) X 67.5 % (Box M) = **N.$** 3,138.75

O. Amount for school to return

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount. **O.$** 3,138.75

Step 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	2,025.00
2. Subsidized FFEL/Direct Stafford Loan	1,113.75
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

Total loans the school must return = **P.$** 3,138.75

6. Pell Grant	
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	
10. TEACH Grant	
11. Iraq Afghanistan Service Grant	

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

5,096 .25 (Box K) − 3,138.75 (Box O) = **Q.$** 1,957.50

▶ *If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8*

Step 8: Repayment of the Student's loans

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

4,775.00 (Box B) − 3,138.75 (Box P) = **R.$** 1,636.25

▶ *If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.*

▶ *If Box Q is greater than Box R, proceed to Step 9.*

Step 9: Grant Funds to be Returned

S. Initial amount of Title IV grants for student to return

From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R) .

1,957 50 (Box Q) − 1,636 25 (Box R) = **S.$** 321.25

T. Amount of Title IV grant protection

Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

2,775. 00 (Box F) X 50% = **T. $** 1,387.50

U. Title IV grant funds for student to return

From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

321.25 (Box S) − 1,387.50 (Box T) = **U.$** −1,066.25

▶ *If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.*

Step 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

Note that the student is not responsible for returning funds to any program to which the student owes $50.00 or less.

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	
5. TEACH Grant	
6. Iraq Afghanistan Service Grant	

CHAPTER 8

Reconciliation

RECONCILIATION

Reconciliation and fiduciary responsibility

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development Program, funds received by a school under the federal student aid (FSA) programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school must have procedures in place that ensure FSA funds are used as intended.

The cash management regulations establish rules and procedures that a school must follow in requesting and managing FSA program funds. Under the Cash Management Regulations a school has a fiduciary responsibility to have a system in place to:

- safeguard FSA funds,
- ensure FSA funds are used only for the purposes intended,
- act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student, and
- return to the Department any FSA funds that cannot be used as intended.

Failure to have such a system in place calls into question a school's administrative capability, its fiscal responsibility, and its system of internal controls. In short, it calls into question a school's qualifications to participate in the FSA programs.

A key component of the system described above is the process of ***Reconciliation***. Reconciliation is a process in which financial records are compared and discrepancies resolved. Conducting verification frequently can help ensure that your school is properly exercising its fiduciary responsibilities to safeguard federal funds and ensure that they are used as intended.

Your school should have documented reconciliation procedures that describe who, how, and when you will reconcile. You should review these procedures regularly to identify issues and make any necessary improvements. Your school must meet all cash management and disbursement reporting requirements. Regular reconciliation can help identify and resolve discrepancies so your school can stay in compliance.

When a school compares business office records of funds requested, received, disbursed, and returned to financial aid office records of funds awarded to students it is performing ***internal reconciliation***. When the school compares its reconciled internal records to the Department's records of funds received and returned, and of grants or loans originated and disbursed to students at the school, it is performing ***external reconciliation***. When it performs external reconciliation, a school is ensuring that the Department's records reconcile with the school's records, both at the cumulative and individual student levels.

At a minimum, your school should reconcile its FSA financial records monthly. However, the more frequently your school performs reconciliation, the more likely you will be able to identify issues and resolve them before they become part of a systemic problem. Frequent reconciliation is an important internal control procedure that can make a significant contribution to increasing the overall program integrity of the FSA programs at your school. In addition, schools that have systems in place to compare and identify discrepancies between their internal records and data from Department reports will find that the required monthly reconciliation is much easier and makes closing out a year less time consuming.

You should speak with your school's administrative software systems specialists about creating a program that compares COD student level data to:

- student Title IV award information maintained separately by the financial aid office; to
- Title IV funds posted to each student's account

–and reports exceptions.

The following are examples of conditions that might cause the type of discrepancies you can identify by using COD reports in your school's reconciliation process.

- A recipient's disbursement data appears on the school's records for an award amount less than the amount shown in the COD system;
- A recipient's data appears on the school's records for an award amount greater than the amount shown in the COD system; and

Internal controls in automated systems

Since no one person may have the ability to change data that affect both authorization and disbursement, if award entries made by the financial aid office automatically roll over and populate award fields in the business office, then the separation of functions must take place elsewhere.

For example, if your system automatically awards funds based on a student's budget, then your system must insure that only employees with a special security standing can change those budgets or otherwise modify a student's award. In addition your system must be able to identify any employee who makes a change to a data element that can affect the level of a student's award (anyone who initiates a budget or award override).

COD reports

The Common Origination and Disbursement (COD) Technical Reference, Volume VII, Section 8 – Reports can be found at: **https://ifap.ed.gov/ifap/publications.jsp.** Click on ***COD Technical Reference*** and choose the appropriate Award Year.

- A recipient's disbursement data appears on the school's records but does not appear in the COD system.

Note: The Department has reviewed the operation of schools where the schools' administrative systems generate reports whenever data in the schools' business and financial aid offices do not agree (sometimes as often as daily). The schools' Directors of Financial Aid and their Business Officers meet whenever the reports are generated to resolve discrepancies. We found that at these schools the annual internal closeout takes hours rather than days, and that time required for reconciliation with the Department's data is equally reduced.

IMPORTANT

Reconciliation is a process that a school must perform in operating the FSA programs. It is also a tool that a school should use to ensure that its management of the FSA programs is optimal. Most importantly, reconciliation is a shared responsibility. That is, the business office and the financial aid office are equally responsible for performing the periodic reconciliation that is required to make certain that a school is managing the FSA programs as they should be managed. This responsibility involves much more than the mere sharing of reports. It requires joint action by the financial aid and business office to identify discrepancies and to correct them in a timely manner.

Who is responsible for reconciliation

Because each office has access to and expertise with data needed to facilitate the process, cooperation between the business and financial aid offices is essential if reconciliation of FSA funds is to be successful. For example, the financial aid office will likely be the source of information to and reports from the COD system, whereas the business office is generally responsible for G5 and student accounts.

While it is possible and even advisable for financial aid and business office staff to be able to view information in each other's systems, there is no substitute for the direct involvement of professionals in each office in the reconciliation process.

Reconciliation and a school's coordinating official

Department regulations require that every participating school designate a capable individual to coordinate aid from the FSA programs with all other aid received by students attending the school. The coordinating official is responsible for ensuring that the school has a system for identifying and resolving discrepancies in FSA-related information no matter where it occurs at the school. Note that resolution includes determining what information is correct **and** correcting the inaccurate data.

The Department does not specify the office in which your school's coordinating official must work. Neither do we specify the type of system your school must have to reconcile its data internally and externally. The Department does require that your school have a coordinating official and that you perform reconciliation.

Recommended practices

A key factor in facilitating reconciliation is staying on top of the process. The Department encourages schools to:

- define responsibilities of key individuals and offices;
- document your reconciliation procedures;
- build in regular communication between your business office, financial aid office, and school's technical staff;
- compare internal student accounts and business office/bursar records with financial aid office records and resolve any discrepancies;
- balance all subsidiary accounts to the general ledger;
- ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year;
- ensure that all batches have been sent to and accepted by the COD system, all disbursements and adjustments are accurately reflected on the COD system, and all responses are imported into the school's system;
- for Direct Loans, ensure that all unbooked loans are booked or inactivated (reduced to $0);
- resolve all outstanding rejected records;
- return all refunds of cash via G5; and
- request any remaining funds owed to the school based on actual disbursements accepted by the COD System.

Internal Reconciliation

Before you can compare your school's records to the Department's records, you must ensure the financial aid office and the business office agree on the amount of funds that should have been be drawn down from G5 to cover the funds disbursed to students for that month only.

Therefore, the first step in the reconciliation process must be to confirm that business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student award and scheduled disbursement amounts.

So, you could begin the internal reconciliation process by comparing a monthly financial aid office roster of scheduled disbursements to a monthly business office cash detail report that reflects funds drawn down and funds disbursed for the month. If you discover discrepancies, you must resolve them.

In addition, you should also compare business office and financial aid office records of adjustments (refunds of cash) made during the month. Often, Returns due to withdrawals performed by the financial aid office aren't applied by the business office. Just as often, adjustments made by the business office aren't noted in the financial aid office. Either of these omissions can cause an internal discrepancy that will affect a school's Ending Cash Balance and should be resolved before a school begins its external reconciliation process.

Remember, no matter the method you choose to perform internal reconciliation, the Department advises you to complete that process before you begin external reconciliation.

More on Internal Reconciliation

Internal reconciliation may also include additional steps, such as ensuring that bank statements correctly reflect all funds drawn or returned for the month and that this information matches the school's ledgers and other internal records; and ensuring that any returns of Title IV Aid calculated by the financial aid office are reflected correctly in business office student account records and that any funds not necessary for immediate use have been returned to the Department.

External Reconciliation

During Internal Reconciliation, the school will have resolved any differences between records in the financial aid office and those in the business office. In external reconciliation, a school will reconcile its records to the Department's records.

RECONCILIATION IN THE PELL GRANT PROGRAM

Monthly reconciliation for the Pell Grant Program should include verifying that individually and cumulatively the:

1. records of student awards and pending disbursements calculated and maintained by the financial aid office match the records of pending disbursement data received or maintained by the business office;
2. business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student eligibility and applicable award and disbursement amounts;
3. records of disbursements in the general ledger match those in subsidiary ledgers (e.g. student ledgers/accounts);
4. the actual disbursements posted to students' accounts internally match the actual disbursements accepted in the COD system (including any adjustments to actual disbursements); and
5. cumulative school and COD records of Pell Grant disbursements match Net Draws (Drawdowns – Refunds of Cash) in G5 for the award year in the Pell Grant Program.

Reconciling school-level data

Whether you maintain your records electronically or on paper, comparing the records of Pell Grant awards made to students by the financial aid office to the records of Pell Grant disbursements recorded in individual student accounts is not complex. If awards recorded by the aid office automatically populate the business office records, the data should always agree.

If your school's processes are automated, your systems' staff can create a program that compares the relevant data elements and generates an exceptions report that identifies discrepancies between business office and financial aid office data. Reconciliation of school level data functions is an internal control check mechanism. By reviewing the exception report on a daily basis, the bursar ensures that the school's internal records agree and he or she also confirms that the school's system for communicating data between offices is functioning correctly.

Deadline for Reporting Disbursements

In general, an institution must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records no later than 30 days after making a Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement. In accordance with the regulations in 34 CFR 668.164, we consider that Federal Pell Grant and Iraq and Afghanistan Service Grant funds are disbursed on the date that the institution: (a) credits those funds to a student's account at the institution, or (b) pays those funds to a student directly. We consider that Federal Pell Grant and Iraq and Afghanistan Service Grant funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department. An institution's failure to submit disbursement records within the required 30-day time frame may result in an audit or program review finding. In addition, the Secretary may initiate an adverse action, for such failure.

http://ifap.ed.gov/fregisters/FR062912AppReportRecord1112.html

Reconciling school-level data with COD Pell Grant data

Your school should reconcile all cash (Drawdowns and Refunds of Cash) and disbursement records (Actual Disbursements and Adjustments) with information in COD on an ongoing basis (External Reconciliation). This will greatly minimize the number of post deadline adjustments and help identify and resolve issues as they arise. There are many tools specific to the Pell Grant program available to assist you in your reconciliation efforts.

There are various COD tools your school can use in reconciling school level Pell Grant records of individual awards to students with individual student records maintained in COD.

- Pell Grant Reconciliation Report

  The Pell Grant Reconciliation Report is a one-record student summary of processed records and can be helpful to your school as it completes both the year-end and ongoing reconciliation processes. This report can be downloaded, printed, or imported into a spreadsheet for comparison with your school's data. This report provides the total YTD disbursement amount per student as it is in COD.

- Pell Grant Electronic Statement of Account (ESOA)

  The Electronic Statement of Account (ESOA) summarizes the status of a school's CFL versus the net drawdown for that award year. In addition, the ESOA provides (for the current processing day only) the YTD Unduplicated Recipient Count, the YTD Total Accepted and Posted Disbursements, the YTD Total ACA paid to schools, and the net drawdown payments in G5 up to the current processing day. That is, it provides the sum of school initiated drawdowns, direct payments for Obligate/Pay accounts, adjustments (+/–) less refunds and returns.

- Pending Disbursement List Report

  The Pending Disbursement List Report contains disbursements not yet funded in COD. This "list by student " reports all anticipated disbursements received and accepted, but not yet made, in a school's Pell Grant Program.

Resources

The COD School Relations staff at

1-800-474-7268

CODSupport@acs-inc.com

is available to help you use the COD reports in the reconciliation process.

Coming Change to COD email

By summer 2013, the email address for COD Support will change to **COD Support@ed.gov**

- Pell Grant Year-to-Date (YTD) Record

  A Pell Grant YTD Record can be requested for an individual student or for all Pell Grant recipients at your school A YTD Record contains more detailed award and disbursement data than the Pell Grant Reconciliation Report. It contains information at the individual transaction level. The YTD Record can be used to replace a corrupt database or to reconcile records with accepted data on COD.

  The YTD Record shows the award information that COD is using for each student. You can view each individual disbursement as well as the total disbursed to a student for the year. The *YTD Summary* will show the total number of recipients at your school, and the number of awards, and the disbursements accepted, rejected, or corrected. The detailed information in a YTD Record can help your school resolve discrepancies between school and COD data.

All schools must finalize reconciliation of cash and reporting of Pell Grant and Iraq and Afghanistan Service Grant disbursements and disbursement adjustments by the annual deadline of September 30 of the award year, ie for 2012–2013 the deadline will be September 30, 2013. Any adjustments to disbursements after that date may require a request for extended processing. Both programs are cancelled five years after the end of the award year, which means no disbursement or disbursement adjustments may be made after that time. Any funds that need to be returned after the five year period must be returned directly to the Treasury. If you need assistance returning funds after the five year cancellation date, please contact G5 customer service at 1-888-336-8930

RECONCILIATION IN THE DIRECT LOAN PROGRAM

In the Direct Loan Program, reconciliation is a **mandatory** monthly process requiring the comparison of records, both internally and externally. Reconciliation is conducted to identify and resolve differences between net draws (cash minus refunds of cash) through G5 and Net Accepted and Posted Disbursements (NAPD) (disbursements minus disbursement adjustments) reported to COD for a specific award year. For instance, a school that draws down $10,000 in Direct Loan funds must be able to ***substantiate*** the need for that drawdown by reporting $10,000 in booked disbursements to COD. If the school only reports $9,000 in disbursements to COD, there is a remaining $1000 is an ***unsubstantiated*** difference. The $1,000 in unsubstantiated funds is referred to as the ***Ending Cash Balance***. Whenever an Ending Cash Balance is anything other than $0, a school must identify the discrepancy, document the reasons for its Ending Cash Balance, and resolve the discrepancy so that eventually the Ending Cash Balance is $0 by the end of the school's processing year.

For more on reconciling your schools records to those of the Direct Loan Program, please see the ***Federal Student Aid Handbook, Volume 7.***

Direct Loan monthly reconciliation required
34 CFR 685.102

Reconciliation Tools and Resources

- School Account Statement (SAS)
- COD website
- Direct Loan Tools software
- Student files
- financial aid office reports
- business office reports
- COD Customer Service

Reconciling school-level data with COD Direct Loan data

Your school should reconcile all cash (Drawdowns and Refunds of Cash) and disbursement records (Actual Disbursements and Adjustments) with information in COD on an ongoing basis (External Reconciliation). This will greatly minimize the number of post deadline adjustments and help identify and resolve issues as they arise. There are many tools specifically available to assist you in your reconciliation efforts.

Direct Loan School Account Statement (SAS)

COD generates a monthly award-year specific School Account Statement (SAS) to schools participating in the Direct Loan Program and distributes it through the Student Aid Internet Gateway (SAIG). The SAS is similar to a bank statement and contains the Department's official Ending Cash Balance for your school and award year, as well as a record of all detailed transactions (cash and actual disbursement data) processed in the COD system during the reported period. Your school should use the summary and detail-level information contained in the SAS to reconcile against its internal records (External Reconciliation).

The SAS is generated the first full weekend of the month with data through the end of the previous month. Since the SAS is award-year specific, you will receive a SAS for different award years; be sure that you are working with the appropriate year's data for each SAS comparison.

The SAS is broken down into four sections. For some of these sections, your school can request to receive year-to-date and/or monthly data. Information on SAS file layouts and report format options can be found in the COD Technical Reference, Volume VI, Section 8.

Cash Summary

The Cash Summary section of the SAS provides the Department's official Ending Cash Balance for your school for the reported period. It contains both a monthly and a year-to-date summary of cash and loan data processed at COD for that program year. This information is automatically included in the SAS. This section should be used to compare to summary information on the school's internal systems.

Disbursement Summary by Loan Type

The *Disbursement Summary by Loan Type* section of the SAS provides monthly and YTD summary information by loan type for the reported period. It can be used to monitor loan volumes at the summary level.

Cash Detail

The Cash Detail section of the SAS provides detail on cash transactions processed at COD during the reported period. This includes drawdowns, drawdown adjustments, or refunds of cash. If the monthly option is chosen, this section will only include cash transactions processed at COD during that month. This section will not include any cash transactions requested or sent during the month, but not processed on COD until after the last day of that month. If the year-to-date option is chosen, the section will include cash transactions processed at COD from the start of the program year through the end date of the report.

Disbursement Detail

Your schools can choose to receive either Loan Detail, Loan Level, or Loan Detail Disbursement Activity Level.

- ***Loan Detail, Loan Level*** - This section of the SAS provides loan-level detail for disbursement transactions processed on COD through the end date of the report. Each transaction lists the total amount disbursed on that loan as of the end date of the report. This information can be used to perform an award-level comparison to your internal systems. This section is only available as year-to-date.
- ***Loan Detail, Disbursement Activity Level*** - This section of the SAS provides transaction-level detail for all disbursement and adjustment transactions processed on COD during the reported period. This section may have multiple transactions per award id (as applicable). This section is available as monthly, year-to-date, or both. The monthly version will only show disbursements booked on COD during the reported month, but will include all unbooked disbursements (unbooked transactions are always year-to-date). Unbooked disbursements include any future dated transactions with disbursement dates falling after the end of the report. The year-to-date version of the report will show all disbursements, booked and unbooked, on COD as of the end date of the report. This information can be used to do a transaction-level comparison to the school's internal records for either that month or year-to-date.

Booking a Loan

Booking a loan requires an accepted origination record, an accepted and linked promissory note, and an accepted actual disbursement. Once those three data elements are received by COD, the loan is booked and sent to a Direct Loan servicer to initiate servicing of the loan. If the loan is missing any one of these three data elements, it is considered 'unbooked'.

Pending Disbursement List

The Pending Disbursement Listing Report shows all pending/anticipated disbursements (with Disbursement Release Indicator (DRI) = false) from your school for the reported period and award year. The reported period is a 45-day window into the future from the date of the report, or anything in the past. It will be generated if there is at least one anticipated/pending disbursement that is within the window of 6 days in the past or 45 days into the future. This limits the frequency of the report showing same data repeatedly once the disbursement dates are in the past. There is also one final report run for all schools before the closeout deadline for the Direct Loan Program. This report can identify pending disbursements that should be reflected as actual disbursements (DRI = true). It can also be used to identify disbursements that need to be inactivated (reduced to $0). By using this report on a regular basis to make sure all disbursements are reported or inactivated, your school will have fewer discrepancies in your reconciling.

Actual Disbursement List

The Direct Loan Actual Disbursement List report displays actual disbursements from the previous Saturday (7 days before the report generation date) through the following Friday (1 day before the report generation date). Actual disbursements appear on the report based on their post date, which indicates when each actual disbursement or adjustment is posted on the COD System. The report includes booked, unbooked, and future dated actual disbursements and adjustments, provided they are created within the reporting period. Any actual disbursement that is in review status will not appear on the report. This report can be used to compare against your internal disbursement records on a weekly basis.

TIP

Coming Soon

In March of 2013, ED will offer a new tool, the SAS Disbursement Detail on Demand.

The SAS Disbursement Detail on Demand Report allows a school to select a specific data range to receive disbursement level data. This can be YTD up to a specific end date, or a smaller date range, with a school selected begin and end date to confirm disbursement or disbursement adjustments made without having to wait for the monthly School Account Statement (SAS) report.

Common Errors

Here are a few of the most common mistakes schools make in managing their Direct Loan Programs.

- ***Cash transactions in wrong year or split between years*** – Direct Loan funds are award-year specific, meaning that funds drawn down for a specific award year must be disbursed in that award year and if returned, they must go back to the award year from which they were drawn. Please note that the year designation in the Award Number in G5 is the trailing year of the award year so a G5 Award Number of P268K12 would be for the 2011–2012 award year. It is vital that all of your transactions, refunds, or returns remain all within the same award year.

- ***Inclusion of funds from a different program*** – This is funds drawn down from one program but disbursed in another. A school may not drawdown funds from the Pell Grant program and make Direct Loan disbursements with them or vice versa. Be sure when you access G5 to draw down funds, you select the program award ID corresponding to the year and program from which you wish to draw funds. If all of your Title IV funds are maintained in one bank account, funds for each year must be accounted for in different subsidiary ledgers.
- ***Timing of cash transactions*** – You should allow 5–7 days for refunds to move from G5 to COD. Keep this in mind when reconciling if you returned funds towards the end of the month and they are not reflected on your SAS. Note in your monthly Reconciliation Documentation that you returned funds on "X" date in G5 but that it is not reflected on the SAS for that month.
- ***Funds sent as payment that should have been a refund of cash*** (or reverse)
- ***Unsent/unacknowledged disbursement batches*** – This will cause your school data and that on the SAS to be different. You may have made the disbursements, posted them on the students' accounts and entered them into your system but not sent the records to COD. Until you actually send the records to COD and they are accepted, your data and the SAS won't match.
- ***Rejected disbursements*** – Disbursements that are rejected obviously will cause mismatches. Your system may show the disbursement as having been made, but they may have been rejected by COD. You need to resolve all rejects to successfully reconcile within the 30-day reporting requirements.
- ***Disbursements recorded in business office but not in financial aid system*** – Disbursements credited to the students' accounts but not entered into your Direct Loan software and then transmitted to COD will definitely cause discrepancies in disbursement information. Until you resolve them, you will not reconcile internally.
- ***Unbooked records*** – These are records that are missing one of the three required elements to book a loan (accepted loan origination record, linked Promissory Note, and first accepted disbursement).

- ***Direct Loan data loss*** – Data loss will prevent you from reconciling, especially if that data has been sent and is resident on COD. You should restore any data loss to your system so that you have a complete Direct Loan database and record of your activity. COD can help you restore your database by sending you a *rebuild file*.

Direct Loan Program Year Closeout

Direct Loan schools must complete a final reconciliation and Program Year Closeout. Program Year Closeout should occur within a month or two of your final disbursements but no later than the program year closeout deadline, which is the last processing day in July of the year following the end of the Award Year. For instance, the program year closeout deadline is July 31, 2014, for Award Year 2012–2013.

Note: Exceptions to the last processing day of the program year may be made on a case-by-case basis if the school's processing period extends beyond the closeout deadline. Schools falling within this category must request extended processing by contacting the COD School Relations Center.

To be considered successfully closed out, a school must:

- have an Ending Cash Balance of $0 and Total Net Unbooked Disbursements of $0 internally, and as reflected on the School Account Statement; and
- complete the Balance Confirmation form on the COD Web site.

You will be notified of the closeout requirements through Electronic Announcements and COD system-generated closeout correspondence. As part of the closeout process, COD will send ongoing notices via Zero Balance or Remaining Balance emails. In addition, COD will distribute a Notification/Warning Letter via e-mail to schools in May. This letter will go to the Financial Aid Administrator and President at each school that has not confirmed closeout on the COD Web site (including any schools with a zero balance). It will serve as a reminder to finish processing and confirm closeout before the final deadline. After the closeout deadline, schools with remaining balances will be billed.

A school must be aware of its closeout status even if its Direct Loan processing is handled by the school's third-party servicer. The Department encourages each school to communicate regularly with its third-party servicer to ensure closeout is completed. It is the school's responsibility to ensure that it finishes processing and confirms closeout on time.

As a reminder, reconciliation is performed on a monthly basis, and the final closeout stage should begin no later than the last award end date at the school for a given program and year. In other words, a school should be able to close out soon after its final disbursements and should not wait until the closeout deadline. As a reminder, certain Title IV requirements supersede program year closeout deadlines. These requirements include but are not limited to managing all Title IV funds within current cash management regulations and the reporting of all loan origination records, promissory notes, and disbursement records within 30 days of the actual disbursement. Schools must not wait until the closeout deadline to resolve outstanding reporting issues and cash balances.

RECONCILIATION, RECORDS, AND INTERNAL CONTROLS IN THE CAMPUS-BASED PROGRAMS

Monthly reconciliation required

A school is required to reconcile its Campus-Based records no less frequently than one a month.

Schools may be required to provide records of their monthly reconciliations during the required annual audit or during a program review.

Perkins 34 CFR 674.19(d)(1)
FWS 34 CFR 675.19(b)(iv)
FSEOG 34 CFR 676.19(b)(2)

FISAP
Campus-Based programs 34 CFR 673.3
Perkins Loan Program 34 CFR 674.19(d)(2)
FWS 34 CFR 675.19(b)(3)
FSEOG 34 CFR 676.19(b)(3)

A school is required to reconcile its Campus-Based program and financial records at least monthly. In addition, you perform annual reconciliation of your school's annual participation in the Campus-Based programs when you complete the *The Fiscal Operations Report* (FISOP). The FISOP is parts III, IV, V, and VI of the *The Fiscal Operations Report and Application to Participate* (FISAP).

Note: If you participated in any Campus-Based programs in an award year, by the following October you must report on your activities for those programs by completing the appropriate portions of the FISAP.

Your school must reconcile, at least monthly, your Campus-Based draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers, and account for any discrepancies.

In addition, your school must have a system that, on at least a monthly basis, reconciles your drawdowns for the award year in the individual Campus-Based programs plus any funds provided by your school or received from other sources to the amounts expended in the three programs.

Reconciliation and the Federal Perkins Loan Program

Your school must have a system that, on at least a monthly basis, reconciles and accounts for any discrepancies among:

- the cash on hand in your Perkins fund at the start of the period, plus
- any federal funds received and deposited in your Perkins fund during the period,
- plus any school funds deposited in the Perkins fund during the period,
- plus any payments of principal, interest, late charges, and collection charges received during the period,
- plus any other additions to the Perkins fund during the period, **to** loans made to students during the period,
- plus expenses paid from the fund during the period (including ACA),
- plus cash on hand in the fund at the end of the period.

Reconciliation and the Federal Supplemental Educational Opportunity Grant Program

Your school must have a system that, on at least a monthly basis, reconciles the federal funds drawn down during the period for FSEOG awards, plus funds transferred (or carried) in from the other Campus-Based programs during the period, plus any nonfederall funds (both institutional and noninstitutional) made available for grants to students during the period, plus any other resources designated as FSEOG awards to students during the period **to** FSEOG awards made to students during the period, plus ACA, and accounts for any discrepancies.

Reconciliation and the Federal Work-Study Program

You should reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to the Department, and explain all discrepancies.

Your school must have a system that, on at least a monthly basis, reconciles the federal funds drawn down during the period for FWS awards, plus funds transferred (or carried) in from the other Campus-Based programs during the period, plus any nonfederall (both institutional and noninstitutional) funds made available for FWS payments to students during the period **to** FWS funds paid to students during the period, plus ACA, plus JLD expenditures, and accounts for any discrepancies.

In addition, you should examine your FWS Program and fiscal records at the start of the award year and monthly thereafter.

Do you have a method for verifying that a student's rate of pay recorded in your payroll system matches that on which the award was calculated, and the rate assigned to the position and experience level in the school's policies and procedures?

Do you have a system that records the maximum a student may earn in FWS wages and alerts you if a student approaches that amount?

Do you periodically evaluate your rate of expenditures to determine if that rate continues whether you will expend less, exactly, or more than the amount you have budgeted for FWS expenditures?

Are your matching funds consistently deposited at the same time you received your federal share?

In the FWS Program, your requests for funds should always be for a payroll for which data has been entered. The only time your need for funds should be greater or less than your draw is when anticipated payments from an off-campus employer are early or late. Excepting those occasions, do you often find yourself requesting additional funds or returning unused funds?

Do you have a process in place to ensure that students are actually working the hours reported—that timesheets are accurate?

Do you frequently audit payrolls to test whether hours recorded in the payroll system match the hours reported on student timesheets?

Do you reconcile the expenditure of funds in the community service part or your work-study program to the reports submitted by employers?

Reconciliation and the Pell Grant Program

Though there is no regulatory requirement for reconciling your school's Pell Grant Program operations on a monthly bases, it is almost impossible to satisfy other program requirements without performing monthly reconciliation of your school's Pell Grant Program participation.

For example, an institution must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records no later than 30 days after making a Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement. In addition, a school's failure to submit disbursement records within the required 30-day time frame may result in an audit or program review finding.

To be proactive, on a monthly basis, your school should compare –

- the records of Pell Grant awards and scheduled disbursement to students made in the financial aid office to awards on individual student accounts in the business office;
- the record of disbursements in the school's Pell Grant Program ledger to the record of Pell Grants disbursed to students in the business office;
- the individual and program records of all adjustments (positive and negative) made during the period; and
- on an individual and program basis, the record of Pell Grants disbursed to students in COD to the records of Pell Grant disbursements in the business office.