

# The Steps in a Return of Title IV Aid Calculation



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

## STEP 1: STUDENT'S TITLE IV AID INFORMATION

### *Title IV aid disbursed*

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



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



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

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

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 For example, a school may not replace a withdrawn student's loan funds with grant funds that the student was otherwise eligible to receive before performing the R2T4 calculation.

### **Inadvertent overpayments**

DCL GEN-04-03 Revised, November 2004

### Limits on Title IV Funds that May Be Included as Aid That Could Have Been Disbursed



A school may not include as *Aid That Could Have Been Disbursed*, Pell Grant funds that if disbursed would, in combination with other Pell Grant funds previously received by the student, cause the student to exceed his or her Pell Grant maximum lifetime eligibility. Likewise, a school may not include as *Aid that could have been disbursed*, Direct Subsidized Loan funds that would, in combination with other Direct Subsidized Loan funds previously received by the student, cause the student to exceed his or her 150% maximum eligibility period for Direct Subsidized Loans.

### Conditions for late disbursement

34 CFR 668.164(j)(2)

### Limitations on making a late disbursement

34 CFR 668.164(j)(4)

### Credit Check

34 CFR 685.200(c)(viii)

### 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 Direct Loan funds in the R2T4 calculation as "*Aid that could have been disbursed.*" However, an institution may never make a post-withdrawal disbursement of Direct Loan funds a student could not have received if he or she had remained in school.

### 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).

### Title IV aid that could have been disbursed

In addition to *Aid disbursed*, *Aid that could have been disbursed* is also used in the calculation. There are two principles that govern the treatment of disbursements of Title IV funds in R2T4 calculations. The first principle provides that, for purposes of determining earned Title IV aid, generally, so long as the conditions for late disbursements in 34 CFR 668.164(j)(2) were met prior to the date the student became **ineligible**, any undisbursed Title IV aid for the period for which the R2T4 calculation is performed is counted as *Aid that could have been disbursed* (regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew because of the limitations in 34 CFR 668.164(j)(4) or elsewhere).

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

- ◆ For all programs, the Department processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student.
- ◆ For an FSEOG, the institution made the award to the student.
- ◆ For a Direct Loan, the institution originated the loan.
- ◆ For a TEACH Grant, the institution made the award.
- ◆ For a Direct PLUS Loan a satisfactory credit check was received.

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

Of course, a school can only include aid (e.g., the loan funds) for the period for which the institution does the R2T4 calculation. If the calculation is performed on a payment period basis, the loan funds counted are those for the payment period; if the calculation is performed on 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 R2T4 calculation is being performed), an institution is prohibited from disbursing:

- ◆ for nonstandard term credit-hour programs where the terms are not substantially equal in length, credit-hour nonterm programs, and clock-hour programs, a second disbursement of Direct Loan funds where the student has not successfully completed half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period (34 CFR 685.303(d)(3)(ii)(B));
- ◆ a second or subsequent disbursement of Direct Loan funds unless the student has graduated or successfully completed the loan period (34 CFR 668.164(j)(4)(2));
- ◆ a disbursement of Direct Loan funds for which the borrower has not signed a promissory note;
- ◆ for clock-hour or credit-hour nonterm programs, a 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)(5) and 34 CFR 686.31(a)(5));
- ◆ a disbursement of a Direct Loan to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (34 CFR 668.164(j)(4)(iii)) (except when this delay does not apply because of low default rates);
- ◆ a disbursement of a Federal Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant or, to a student for whom the institution did not have a valid SAR/ISIR by the deadline established by the Department (34 CFR 668.164(j)(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, 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 stopped attending all classes and is an unofficial withdrawal. Though the school can use the 50% point as the withdrawal date, it must make a separate determination of the student's eligibility for a post-withdrawal disbursement. In this case, because the student lost eligibility for 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.

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

#### 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; however, the amount of the first disbursement would be included as *Aid that could have been disbursed* in the required R2T4 calculation.



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

### Treatment of inadvertent overpayments

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

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

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

To be consistent with the aforementioned second principle, an institution must treat inadvertent overpayments as *Aid that could have been disbursed* rather than *Aid that was disbursed*. If the inadvertent overpayment could not have been made as a late disbursement under the regulations, the institution must return the entire amount of the overpayment. If the overpayment could have been made as a late disbursement, the institution must return only the unearned portion of the inadvertent overpayment.

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.

### Discussion of inadvertent overpayments

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

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



**Institutions are expected to have the administrative capability to prevent inadvertent overpayments on a routine basis.** Specifically, an institution is expected to have in place a mechanism for making the necessary eligibility determinations prior to the disbursement of any Title IV funds—for example, a process by which withdrawals are reported immediately to those individuals at the institution who are responsible for making Title IV 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 R2T4 calculation for the period in which the student withdrew.

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

## Examples of Second or Subsequent Direct Loan Disbursements and an Example of a Second Payment Period Pell Grant Disbursement

### Example 1

Consider a student who 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 R2T4 calculation is done on a period of enrollment basis. Half of the Direct Loan and half of a Federal Pell Grant were disbursed at the beginning of the first payment period, and the student was scheduled to receive the other half in the second payment period. Because the student had not 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 Grant 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 R2T4 calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. Half of the Direct Loan was disbursed at the beginning of the first payment period, and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and 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 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 Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The R2T4 requirements, including the post-withdrawal disbursement requirements, do not supersede this provision. **Therefore, although in this case a second or subsequent Direct Loan disbursement is counted as *Aid that could have been disbursed* for purposes of determining earned Title IV aid, the funds may not be disbursed as part of a post-withdrawal disbursement.**

### Examples of Second or Subsequent Direct Loan Disbursements and an Example of a Second Payment Period Pell Grant Disbursement (Continued)

#### Example 3

Consider a student who withdraws after completing 350 clock hours in a 900 clock-hour program at an institution that uses the period of enrollment as the basis for its R2T4 calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Direct 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 R2T4 calculation on the period of enrollment basis for all students in this program. However, the institution may not make a post-withdrawal disbursement from the second (or subsequent) scheduled disbursement of the loan because of the prohibition on making late second or subsequent disbursements of Direct Loans when a student has not 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 in Chapter 1 and used for other purposes in the R2T4 process.

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

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

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

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#### **Withdrawal date at schools required to take attendance**

34 CFR 668.22(b)

## Schools required to take attendance

A school is required to take attendance not only when it 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' Administration requirement that benefit recipients self-report attendance would not result in a school being considered one that is required to take attendance unless the school is required to verify the student's self-certification.

## When a school has a 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.

### Example of Taking Attendance

Ten 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 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.

### When a School Requires Faculty to Provide an LDA for Students Who Receive All "F" Grades

A requirement that faculty provide a last date of attendance for students who receive all "F" grades to determine whether a student with failing grades has unofficially withdrawn 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 Who Log Into 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.

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, at a school required to take attendance, 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 in Chapter 1 under *When a student who fails to begin attendance in all the courses he or she was scheduled to attend withdraws*.



### Requirements that can only be met by taking attendance

#### Schools required to take attendance

DCL GEN-11-14, July 20, 2011

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 the withdrawal dates of any of its other students unless the school is one required to take attendance for those students by its own rules or another outside entity.

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

If a school is required to take attendance or requires that attendance be taken on only one specified day to meet a census reporting requirement, the school is not one required to take attendance. If a school is required to take attendance or requires that attendance be taken for a limited period, the school must use its attendance records for that limited period to determine a withdrawal date for a student. Students in attendance at the last time attendance is required to be taken during the limited period who subsequently stop attending during the payment period, but subsequent to the limited period of attendance taking, will be treated as students for whom the school was not required to take attendance.

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.

#### 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 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.

## When attendance taking is required only for some classes

### 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 after the two-week attendance taking period 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.

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

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

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

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

### Official notification

#### 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)

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.

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.

### 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.

### 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.

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.

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 academically related activity as long as that participation is documented by a campus official.



### Consumer Information on a School's Withdrawal Process

A school is expected to identify the beginning of its process as a part of the school's consumer information regarding withdrawal (see *Volume 2*). A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

### Otherwise provides official notification

34 CFR 668.22(c)(5)

### 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

#### When a student triggers both dates

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

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 R2T4 calculation.



### Official notification not provided by the student

A student who leaves a school does not always notify the school of his or her withdrawal. 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.

### Withdrawal due to circumstances beyond the student's control

34 CFR 668.22(c)(1)(iv)

#### TIP

#### When a School Grants a Retroactive Withdrawal to a Student Who Experienced an Event Beyond the Student's Control

If a student has experienced an event beyond the student's control a school sometimes grants a retroactive withdrawal to the student. On those occasions, after the school has performed the R2T4 calculation and returned the funds required, the school may find itself holding a credit balance that is composed of both Title IV and non-Title IV funds.

In the case of a retroactive withdrawal of a student who has outstanding Direct Loans, if the school is unable to locate the student, in order to provide the greatest benefit to the student, the school may return both the Title IV and non-Title IV funds in the student's credit balance using G5.

All returns through G5 must be offset by a downward adjustment in student's Direct Loan record in COD of the entire amount (the sum of the Title IV and non-Title IV funds) the school is returning.

**A school should never return more through G5 than the outstanding balance on the student's Direct Loan.**

### Withdrawal date when a student dies

#### 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. Also see sidebar on administrative withdrawals under *Withdrawals from programs offered in modules* later in this chapter.

If a school that is not required to take attendance is informed that a student has died, it must determine the withdrawal date for the student under 34 CFR 668.22(c)(1)(iv). This section provides that if the institution determines that a student did not begin its withdrawal process or otherwise provide official notification of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student’s control, the withdrawal date is the date that the institution determines is related to that circumstance.

The withdrawal date can be no later than the date of the student’s death. For an institution that is required to take attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the school’s attendance records. **The school must maintain the documentation it received that the student has died** and determine an appropriate withdrawal date.

**TIP**

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

#### All other withdrawals without student notification

**Clarification**

For all other withdrawals without notification at an institution not required to take attendance by an outside entity, unless the institution chooses to use the last date of an academically related activity in which the student participated as the withdrawal date, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable.

### 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



**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.



**Note:** A “system generated” default date is not acceptable documentation that a student began attendance.

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### Time frame for the determination

34 CFR 668.22(j)(2)

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### All other withdrawals

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

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### When a student fails to earn a passing grade

DCL GEN-04-03 Revised, November 2004

#### 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.

**Reminder****When a School Cannot Document Attendance for a Student Who Fails to Complete a Course**

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

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 of a Grading Policy That Could Be Used to Determine Whether a Student Unofficially Withdrew**

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

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

To serve as documentation that a student who received all "F" grades had not withdrawn, such a grading policy would have to require instructors to award the "F" (or equivalent grade) only to students who completed the course (but who failed to achieve the course objectives). In addition, the policy would have to require that instructors award an alternative grade, such as the "I-U" grade, to students who failed to complete the course. 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**



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 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**

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.

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### **Last date of attendance at an academically related activity**

34 CFR 668.22(c)(3)

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### **Withdrawals after rescission of official notification**

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

**Academic Attendance**

34 CFR 668.22(l)(7)

**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.

**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 the following:

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

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,
- ◆ participating in academic counseling or advisement.

**Participation in academic counseling and advising are not considered to be academic attendance or attendance at an academically related activity.**



## 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.

Examples of acceptable evidence of academic attendance and attendance at an academically-related activity in a distance education program include:

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

### Documentation of a withdrawal date

A school must document a student's withdrawal date and maintain that documentation as of the date of the school's determination that the student withdrew. 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).



### 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.

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### Documenting a student's withdrawal date

34 CFR 668.22(b)(2)

34 CFR 668.22(c)(4)

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

34 CFR 668.22(c)

## Withdrawals from programs offered in modules

### Withdrawal from programs offered in modules DCL GEN-11-14, July 2011



#### When an Administrative Withdrawal Is 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).

Under the October 29, 2010, final regulations, for all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the school obtains written confirmation from the student at the time of the 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 nonterm or nonstandard-term program offered in modules, a student is considered to have withdrawn from the program if the student is not scheduled to begin another course within the payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence. So, for a student in a nonterm or nonstandard-term program offered in modules who ceases attendance, the student is considered to have withdrawn for Title IV purposes unless the school obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment, provided the later module the student will attend begins no later than 45 calendar days after the end of the module the student ceased attending.

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

As discussed in Chapter 1 under *Treatment of students who withdraw from clock-hour programs, nonterm credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (and in which no term is less than 9 weeks in length), and then transfer to a new school or reenter the same school in a similar program*, if a student who withdraws from a clock-hour or nonterm credit hour program returns to the same program at the school within 180 calendar days, the student is treated as though he or she did not cease attendance. Similarly, if a student enrolled in a term-based credit-hour program offered in modules who withdrew without confirming an intent to return to a 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.

### 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.

#### How Determinations Are Made

A specific program might be classified as one that a school offers in standard terms, nonstandard terms, or even as a nonterm 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 three questions.

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

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

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

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

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

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

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

### **Examples of Using the Three Questions to Determine Whether a Student Who Is Scheduled to Complete Two Courses in Each of The First Two of Three Modules Within a Payment Period Has Withdrawn**

#### **Scenario 1**

The student begins attendance in both courses in the first module but ceases to attend both courses after just a few days and does not 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 the first module but officially drops both courses in the second module while still attending those courses, 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 nonterm credit-hour program, the student is treated as though he or she did not cease attendance and the school must “undo” the R2T4 calculation.

As with a student who reenters a clock hour or nonterm credit-hour program within 180 days, for a student who returns to a term-based credit hour program offered in modules within the same payment period or period of enrollment, the school must restore the student’s original Title IV program funds 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 R2T4 process immediately upon its determination that a student has withdrawn in order to perform any required actions in a timely manner. (See the chart *Return of Title IV Funds Requirements and Deadlines* near the end of this chapter for a description of all time-limited actions.) Therefore, once it has determined that a student has withdrawn, a school may not delay performing an R2T4 calculation to see if the student will return later in the payment period or period of enrollment.

For further treatment of this topic, please see the discussion under *Treatment of students who withdraw from clock-hour programs, non-term credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (and in which no term is less than 9 weeks in length), and then transfer to a new school or reenter the same school in a similar program* in Chapter 1.

### Written confirmation of future attendance

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

“At the time of the withdrawal” means close to the date that the student actually ceased attendance and before the time when the school was required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the R2T4 requirements. Without confirmation of future attendance, a school must assume a student who has ceased attendance is a withdrawal and begin the R2T4 process. A school is expected to begin the R2T4 process immediately upon its determination that a student has withdrawn in order to perform required actions in a timely manner and may not delay the R2T4 process, in 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 nonterm 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.

### 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 program purposes.

### Why a Student Who 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 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% of his or her Title IV, HEA program funds (35 days ÷ 70 days = 50%).

### When a student drops all future classes between modules

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

**Adjustments to a student's enrollment status made after the student has ceased attendance have no bearing on the R2T4 requirements.** 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 R2T4 purposes.

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



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

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

**Reminder**

If the student fails to begin classes in the next scheduled term, in its next NSLDS enrollment status report the school must report the student's status as "W" with the day of the completed module as the student's last day of attendance. In addition, if the student initially had a Direct Loan with a loan period that spanned more than one semester, the school must adjust the loan period in COD so that it ends on the last day of the first semester. (DCL GEN-13-13.).

**Recalculation**

Schools should review the recalculation guidelines in Volume 3.

Note that a school that performs a Return of Title IV funds calculation on a period of enrollment basis for a student enrolled in a program offered in modules may not include in the recalculated COA any costs associated with a future payment period for which the student has not confirmed attendance at the time of withdrawal and that does not start within 45 days.

### Withdrawal date from a program offered in modules

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% 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) 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**

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

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

Adjustments to a student's enrollment status made after the student ceases attendance have no bearing on the R2T4 requirements. Thus, if a student 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.

### **When a Student Who Failed Hours in the Payment Period Withdraws From a Non-Term Credit Hour Program Offered in Modules, the Payment Period Must Be Extended**

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

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

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

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

### **When a Student Who Was Enrolled in a Module Within a Term Withdraws from the Module, and the School Later Determines That the Student Failed to Begin the Term-Long Courses**

Consider a student enrolled in a credit-hour, term-based program. The student originally enrolls in courses that span the entire 16-week term AND an eight-week module that starts in week nine and ends in week 16.

The student begins the eight-week module and withdraws.

After the term ends, the registrar receives “never attended” F-grades for the student for the courses that spanned the term.

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

A school is required to have a system that allows the school to determine (within a reasonable amount of time) whether a student to whom it has disbursed Title IV funds has begun the classes upon which the student’s Title IV aid was based. Because the school failed to make the determination that the student did not begin the 16-week semester and change the student’s enrollment status before the student started and withdrew from the modular course, the school must use the number of days in the entire 16-week term in the denominator of the R2T4 calculation.

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

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

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

If the school made a first disbursement of Direct Loan funds, those funds are included in the R2T4 calculation as *Aid that could have been disbursed* as an inadvertent overpayment.

If the student received a second disbursement of Direct Loan funds (which could happen up to 10 days before the start of the next payment period) and the student never began enrollment at least half time, the disbursement is not permitted under the regulations. The school must return the entire amount of the second Direct Loan disbursement, and should not include those funds in the R2T4 calculation.

### Aid to include in an R2T4 calculation

#### Recalculation for Students Withdrawing From Nonterm Programs Offered in Modules

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

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

A school that calculates returns of Title IV aid on a period of enrollment basis may not include in an R2T4 calculation as *Aid that could have been disbursed* aid associated with a subsequent payment period for which the student would not be eligible after the recalculation.

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

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

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(j)(3)(iii), which permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw but ceased to be enrolled as at least a half-time student, does not apply because the student never really was a half-time student.

For example, take a credit-hour program where each semester comprises three modules of five weeks each. If a student enrolls in one three-credit course in the first module and one three-credit course in the second module, the student will not begin attendance in six credit hours, the school's minimum half-time enrollment status, until starting the course in the second module. The school is not required to, nor should it, delay the disbursement of the student's Direct Loan Program funds until the student begins the course in the second module. However, if the student withdraws during the first module and the school has not made the first disbursement of a Direct Loan to the student prior to the withdrawal, the school may not make that first disbursement of the Direct Loan to the student at this point (although the loan would be included as *Aid that could have been disbursed*).

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**Percentage of payment period or period of enrollment completed**

34 CFR 668.22(f)

**Part 2—Percentage of Aid Earned**
**Percentage of payment period or period of enrollment completed**

Once a student’s withdrawal date is determined, a school needs to calculate the percentage of the payment period or period of enrollment 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.

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**Scheduled breaks**

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

**Determining the Length of a Scheduled Break**

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

Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the R2T4 calculation. (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.

**Scheduled breaks**

Institutionally scheduled breaks of five or more consecutive days are excluded from the R2T4 calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of Title IV aid earned. 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 the withdrawal occurs prior to a scheduled break, the days in the break are excluded only from the denominator.)

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

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

### 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.

### Institutionally Scheduled Breaks of At Least Five Consecutive Days

**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 an R2T4 calculation.

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

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

### Temporary Closures Beyond Control Of The Institution

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



You can find all of the Department’s Disaster Guidance on IFAP at

<https://ifap.ed.gov/ifap/disaster.jsp>

### 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.

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

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

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

DCL GEN-04-03 Revised, November 2004

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.

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

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

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

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

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

### **Examples of Calculating a Completion Date for a Student Who Withdraws From a Non-Term Credit-Hour Program**

#### **Example 1, lessons completed**

David enrolled in a program offered in a credit-hour nonterm 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 R2T4 calculation for David.

#### **Example 2, nothing completed**

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

### Examples of Calculating a Completion Date For a Student Who Withdraws From a Non-Term Credit-Hour Program (Continued)

#### Example 3, percentage completed

Barbara is enrolled in a 24 credit-hour nonterm program at an institution that calculates returns of Title IV aid on a payment period basis. Students in the program are expected to complete 12 credit hours each payment period in 15 weeks (105 days).

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

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

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

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

Determine the percentage of credits earned.

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

Determine the number of days in the period.

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

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

## Examples of Calculating a Completion Date For a Student Who Withdraws From a Non-Term Credit-Hour Program (Continued)

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

Pixie is enrolled in a self-paced, 30 credit-hour, nonterm program in pet grooming offered over 30 weeks at an institution that calculates Returns of Title IV aid on a payment period basis. Students in the program are expected to complete three modules of five credit hours each over the 15 weeks (105 days) in a payment period. (A student is expected to complete each five-credit module in five weeks' [35 days] time.)

It takes Pixie seven weeks (49 days) to complete 100% of the lessons in the first module, and she did not earn a passing grade.

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

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

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

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

Project the number of days in the payment period by multiplying the number of days required for one module (49) by the number of modules in the payment period (3) and adding a module (1) for the student to make up the module failed.

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

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

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

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

#### Clarification

Note that this rule on multiple payment periods is only applicable to nonstandard term credit hour programs with terms that are not substantially equal in length. All other types of programs will only have one type of Title IV payment period.

#### No Attribution Necessary

If a student withdraws from a nonstandard term credit-hour program with terms that are not substantially equal in length and aid 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.

### Performing an R2T4 Calculation for a Student Receiving Aid Under Two Payment Period Definitions, Example 1

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

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.

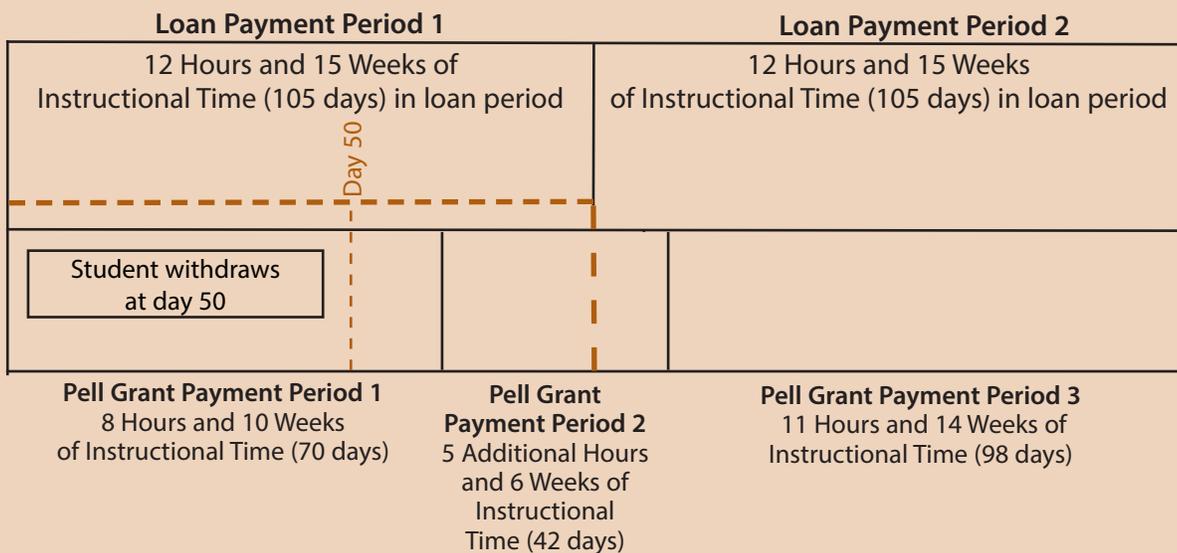
TAI’s Academic Year = 24 credit hours over 30 weeks of instructional time comprising the academic year. Term 1 = 8 credits over 10 weeks. Term 2 = 5 credits over 6 weeks. Term 3 = 11 credits over 14 weeks.

Each scheduled payment period for Pixie’s Direct 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 the withdrawal date are shown in the following graphic.



### Performing an R2T4 Calculation For a Student Receiving Aid Under Two Payment Period Definitions, Example 1 (Continued)

Pixie withdrew on the 50th day (in Pell Grant Period 1) 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).

Direct Loan payment period 1, the payment period during which the student withdrew, ends later, so that is the payment period the school is required to use for the R2T4 calculation.

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

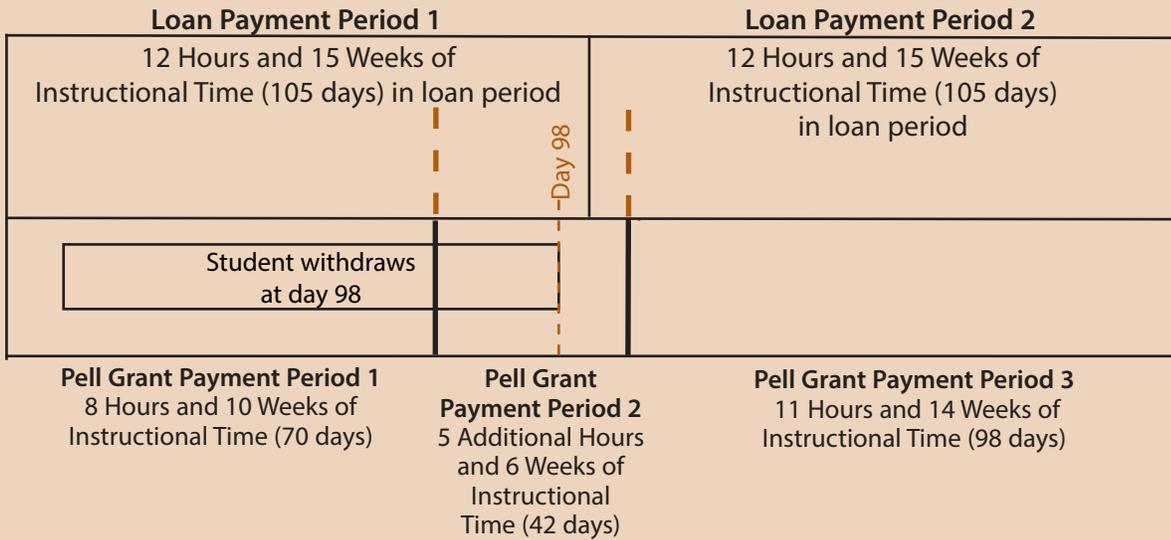
All of Pell Grant payment period 1 falls within loan payment period 1, so all of the Pell Grant funds that were disbursed for Pell Grant payment period 1 are included in the calculation. Pell Grant payment period two of six weeks (42 days) overlaps with loan payment period 1 for five weeks (35 days). Therefore, those five weeks of Pell payment period two are attributed to Direct Loan payment period one. Direct loan period one of 105 days therefore includes the 70 days of Pell Grant payment period one and 35 days from Pell Grant payment period 2.

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

Note that before Pixie could receive a post-withdrawal disbursement of funds from Pell Grant payment period two she would have to complete the 8 hours and 10 weeks (70 days) of instructional time associated with Pell Grant payment period one and begin attendance in week 11 (the start of Pell Grant payment period two).

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

### Performing an R2T4 Calculation for a Student Receiving Aid Under Two Payment Period Definitions, Example 2



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

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

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

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

### **Performing an R2T4 Calculation for a Student Receiving Aid Under Two Payment Period Definitions, Example 2 (Continued)**

To determine the amount of Direct Loan funds from Direct Loan payment period 2 attributed to Pell Grant payment period 2, in the second step, the school would divide the number of days in Direct Loan Period 2 that are in Pell Grant payment period 2 by the total number of days in Direct Loan Period 2 (7/105) and multiply that number by the net loan disbursed in Direct Loan Period 2. That yields the amount of loan funds from Direct Loan period 2 attributable to Pell Grant payment period 2. Because Pixie did not complete the 12 hours and 15 weeks of instructional time associated with Direct Loan payment period 1 and begin attendance in Direct Loan payment period 2, this amount would be included in the R2T4 calculation. Any amount attributable to the payment period that is the basis for the R2T4 calculation (in this case, Pell Grant payment period 2) that exceeds the amount previously disbursed should be included as Aid that Could Have Been Disbursed.

Of course, before Pixie could receive a post-withdrawal disbursement of funds from Direct Loan period two she would have to complete the 12 hours and 15 weeks of instructional time associated with Direct Loan payment period 1 and begin attendance in week 16 (the start of loan payment period 2).

## Clock-hour programs

### Clock-hour programs

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

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

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

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

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

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

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

### Clarification

As described in Chapter 1 under *Loan principles applicable to reentry in and transfer to clock-hour programs, non-term credit hour programs, and nonstandard term credit-hour programs with terms that are not substantially equal (in which no term is less than 9 weeks in length)*, when a student transfers to a new school and enters that type of program, and an overlap exists between academic years of the two schools, the new school may originate a loan for the remaining portion of the prior school's academic year. The abbreviated loan period—as the shortened initial loan period at the new school is commonly referred to—at the new school ends on the calendar end date of the prior school's academic year without regard to the weeks of instructional time and credit- or clock-hours. (Note that the amount of the loan for the abbreviated loan period may not exceed the remaining balance of the student's annual loan limit at the grade level applicable at the new school, and the borrower is not eligible for a new annual loan limit until the original academic year has ended.)

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

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

### Proration for an Abbreviated Loan Period in a Nonterm Credit-Hour Program

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

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

### Example of an R2T4 Calculation With an Abbreviated Loan and Overlapping Payment Periods

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

A student transfers into the program beginning on 8/24/18, but the academic year for the most recent Direct Loan the student received at the student’s prior school ends on 10/9/18. Therefore, the student is awarded a Direct Subsidized Loan (DLP 1) of \$1,000 (the difference between the annual loan limit at the new school and the loan amount received during the overlapping academic year period at the prior school) with an abbreviated loan period that begins on 8/24/18 and ends on 10/9/18. The student does not receive any other type of Title IV aid during that period.

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

The student begins attendance in the program on 8/24/18. If the student stays on schedule with her coursework, her first Title IV payment period will end on 12/4/18.

The student receives two disbursements of \$500 each of Direct Loan funds from the DLP 1 (the \$1000 loan awarded for the abbreviated loan period—a first disbursement of \$500 on 8/24/18 and a second disbursement of \$500 on 9/19/18. On September 25, the school originated a second Direct Loan (DLP 2) for a total of \$2,400 with a loan period that extends from 10/10/18 through 3/11/19 (the period during which the student is expected to complete the remaining portion of the program). The school must wait to make the first disbursement of the second loan until the student has completed the abbreviated loan period (the period of overlap with the academic year at her prior school).

Due to a family emergency, the student officially withdraws on 9/29/18.

<b>Title IV Payment Period1(PP1)</b> 8/24/18–12/4/18  12 Hours and 103 days of Instructional Time	+	<b>Title IV Payment Period 2(PP2)</b> 12/5/18–3/11/19  12 Hours and 98 days of Instructional Time	24 hours and 201 days
DLP1/ Abbreviated Loan Period 8/24/18–10/9/18 (47 days) First Disbursement 8/24/18 Second Disbursement 9/6/18		DLP2 / Second Loan Period 10/10/18–3/11/19 (154 days)  First Disbursement Scheduled for 10/10/18 Second Disbursement Scheduled for 1/11/19	201 days
	56 day overlap between DLP2 & PP1		

### Example of an R2T4 Calculation With an Abbreviated Loan and Overlapping Payment Periods (Continued)

When the school performs the R2T4 calculation for the student, it performs the calculation on a payment period basis and uses the payment period that began on 8/24/18 and was to end on 12/4/18. The school includes the \$1,000 of Subsidized Direct Loan funds that was disbursed to the student as “Aid disbursed.” Because the school originated the second loan prior to the student’s withdrawal and the first disbursement of that loan was scheduled to be made prior to the end of Title IV Payment Period 1 (12/14/18) the school must include as *Aid that could have been disbursed*, that portion of the proceeds from the loan for second loan period (LP2) prorated to the days that are part of the first Title IV payment period (PP1).

$$\frac{\text{(Days in Loan Period 2 that fall in PP1) } 56}{\text{(Total Days in Loan Period 2) } 154} \times 2400 = \$864.00$$

In the example above, the school may not make a post-withdrawal disbursement of funds from the second loan period because the student failed to complete the abbreviated loan period and begin the second loan period.

If the student had completed Title IV Payment Period 1 and then withdrawn, the \$1,536.00 of the proceeds of the second loan prorated for Title IV Payment Period 2 would be the basis for any required R2T4 calculation.

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

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

The student's estate is not required to return any Title IV funds disbursed to the student. Therefore, an institution should neither report a grant overpayment for a deceased student to the National Student Loan Data System (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 Loan Program provide for a discharge of a borrower's obligation to repay a Federal Direct Loan if the borrower dies (including a Direct 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 R2T4 calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance in one of the following three ways:

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



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

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

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

#### Amount of Title IV aid earned by the student

34 CFR 668.22(e)(1)

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

If the student receives less Title IV aid than the amount earned, the school must offer a disbursement of the earned aid that was not received. This is called a post-withdrawal disbursement. 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.

#### Title IV aid to be disbursed or returned

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

#### Part 1—Post-withdrawal disbursements

If a post-withdrawal disbursement (PWD) 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.

#### Post-withdrawal disbursements

34 CFR 668.22(a)(6)

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.

#### R2T4 Calculation Required

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

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



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

## Disburse grant before loan

### Disburse grant before loan

34 CFR 668.22(6)(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 Direct Loan funds that could have been disbursed, the available undisbursed funds are \$600 in Federal Pell Grant funds and \$800 in Direct Loan funds.

Any portion of the \$500 post-withdrawal disbursement that the school makes must be from the \$600 in available Federal Pell Grant funds.

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 Direct PLUS Loan funds) to pick up a post-withdrawal disbursement in person. Because the student is no longer attending the school, he or she may have moved out of the area and may be unable to return to the school to pick up a post-withdrawal disbursement.

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

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

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

#### TIP

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

## Post-withdrawal disbursement of Title IV grant funds

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 *Volume 4* 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.

### Time frame for post-withdrawal disbursement of grant funds

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

#### School Activity Between Performing an R2T4 Calculation and Making a PWD

An institution may not delay its disbursement processes while it ascertains 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.

## Post-withdrawal disbursement of Title IV loan funds

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

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

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### Cash management requirements for student and parent authorizations

34 CFR 668.165(b)

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

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

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

In the 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.

If a school has completed post-withdrawal loan notification (described previously) and confirmed a student's desire for any Direct Loan funds included in the post-withdrawal disbursement, the school is permitted to credit a student's account with the post-withdrawal disbursement without additional permission from the student (or parent, in the case of a Direct PLUS Loan) for current 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 Direct PLUS Loan, that he or she wants to receive the post-withdrawal disbursement of loan funds, a school must make the post-withdrawal disbursement of Title IV loan proceeds as soon as possible but no later than 180 days after the date of the school's determination that the student withdrew.

### Separate authorization required for educationally related expenses

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

### Crediting a student's account

An institution should not request Title IV funds for a post-withdrawal disbursement unless and until it has determined that it can disburse any post-withdrawal disbursement within three business days of receiving the funds.

The requirements for the treatment of Title IV funds when a student withdraws 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 *Volume 4* and *Appendix F—Institutional Reporting and Disclosure Requirements*.)

#### Outstanding Charges Example

Consider a student who is due a post-withdrawal disbursement of \$800. The institutional charges that the student was originally assessed by the school totaled \$2,300. However, under the institution's refund policy, the institution may only keep \$600 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes \$150 for a bus pass. The outstanding charges on the student's account that would be entered in Box 2 of the post-withdrawal Disbursement Tracking Sheet are \$750 (the \$600 in institutional charges plus the \$150 owed for the bus pass).

A portion of the \$800 the institution must disburse under the post-withdrawal disbursement provisions may (with authorization if they are loan funds) be used to satisfy the outstanding balance. If the student has provided written authorization to credit Title IV funds to his account and use them for noninstitutional educational charges, the school may credit \$750 to institutional charges and offer \$50 to the student. If the student has not provided (and does not provide) written authorization to use the funds for noninstitutional educational charges, the school may only credit \$600 to institutional charges and must offer \$200 to the student.

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

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

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

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

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

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

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

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

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

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal disbursement, per the student's or parent's instructions, the school must disburse the loan funds within 180 days of the date of the institution's determination that the student withdrew. (For additional information, see the discussion under *Date of the institution's determination that the student withdrew* in Chapter 1.) 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 Direct 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 Direct PLUS Loan) is never received, or if the school chooses to make a post-withdrawal disbursement of loan funds per the recipient's instructions on an authorization received after the deadline, the school does not need to notify the student.

### **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.

### 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 Direct Loan funds that could have been disbursed, none had been disbursed. The school determines that Michael has \$50 in outstanding tuition charges and \$100 in outstanding library fines for the payment period. The school obtained permission from Michael at the beginning of the term (prior to his withdrawal) to credit his account for educationally related charges other than tuition, fees, and room and board. Because available grant funds must be used before available loan funds to make a post-withdrawal disbursement, the school credits Michael's account with \$150 of his Federal Pell Grant funds. On November 12 (the last date 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 Direct Loan funds to be disbursed directly to him.
2. Michael may accept all, a portion, or none of the \$500 in Direct Loan funds.
3. Any Direct Loan funds that Michael accepts will have to be repaid.
4. The school is obligated to make a post-withdrawal disbursement of loan funds only if Michael accepts the funds by November 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 Direct 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)).

## Part 2 — Title IV aid to be returned

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

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

When a return of Title IV funds is due, the school and the student may both have a responsibility for returning funds. 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 R2T4 calculation of the amount of assistance the school is responsible for returning to the Title IV accounts that must be calculated first. Thus, the student's repayment obligation is determined after the school's share is calculated.

The school must return the lesser of:

- ◆ the amount of Title IV funds that the student does not earn, 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%.

#### *Aid disbursed to the student before institutional charges are paid*

Consider a case in which, to assist a student with living expenses, a school elects to disburse an anticipated credit balance to a student rather than pay itself for institutional charges from the first Title IV funds the school receives. Then, the student withdraws before the school receives anticipated aid from all the Title IV programs. The R2T4 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 R2T4 calculation.**



#### Title IV aid to be returned

34 CFR 668.22(a)(4)

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

34 CFR 668.22(g)

#### A school's policy and the R2T4 requirements

Title IV funds are provided under the assumption that they are used to pay institutional charges ahead of all other aid.

#### Disbursement Prohibited

A school may not disburse the proceeds of a Title IV loan when it knows that the loan will not be repaid by the borrower. Therefore, a school may not disburse the proceeds of a Direct 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 Direct PLUS Loan made to a parent who has died, it must return the funds to the Department.

## Institutional charges

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

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

### Use of institutional charges in determining a 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 used in the R2T4 calculation nor aid earned in the R2T4 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 R2T4 regulations presume Title IV program funds are used to pay institutional charges ahead of all other sources of aid.

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

### Institutional charges

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

34 CFR 668.22(g)(2)

DCL GEN-00-24 December 2000

DCL GEN-12-21 November 2012

### Determining charges

34 CFR 668.22(a)

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

DCL GEN-00-24 December 2000

### 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

Administrative fees are not excluded from Return of Title IV Funds calculations.

### TIP

If a student drops classes or a school drops a student's classes on the same day that the student withdraws, the dropped classes have no effect on institutional charges included in the R2T4 calculation.

## Effects of a post-withdrawal reduction in charges

If a student withdraws and, as a result of applying an institutional refund policy, the school reverses, reduces, or cancels a student's charges, the R2T4 requirements still apply. The statute mandates that an otherwise eligible student who begins attendance at a school and is disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal earns a portion of those Title IV funds. If, as a result of the withdrawal, an institution adjusts or eliminates a student's institutional charges, or changes a student's enrollment status, the changes made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22. Moreover, the charges used in the R2T4 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 should be reflected in any R2T4 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 R2T4 calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the R2T4 calculation. (See DCL GEN 00-24, December 2000, for a further discussion of waivers and the R2T4 calculation.)

### How the Cash Management Regulations Might Affect the Determination of Institutional Charges in an R2T4 Calculation

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

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

### 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 R2T4 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 TITLE IV FUNDS BY THE SCHOOL***Order of return of Title IV funds*

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

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

*Time frame for the return of Title IV funds*

A school **must** return unearned funds for which it is responsible **as soon as possible** but no later than 45 days 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 the Department electronically using the "Refund" function in G5;
- ◆ 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 to a student's record in COD.** Likewise, all returns of Direct Loan funds must be offset by downward reductions to a student's record in COD.

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

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

#### **No *de minimis* Provision for Schools**

**TIP**

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

### 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 must log into COD and access the Campus-Based section from the School tab. From the FISAP Dashboard, select the correct FISAP for editing. After making and saving the appropriate updates, proceed to validate and submit. If the December 15 revision deadline has passed, schools will be prompted to submit a Change Request. In the explanation box, the school should 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 COD School Relations Center at: 800-848-0978.

### Returning funds after 240 days

*In all cases, a school will have to request permission to make a change to its Fiscal Operations Report (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 Grant 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.

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

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

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

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

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

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

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

### 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 Title IV 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 Default Resolution Group.

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

*A school has responsibilities that continue beyond completing the R2T4 calculation and returning the funds for which it is responsible. Here we discuss the institution's participation in the return of funds by the student.*

### Grant overpayments

### Grant overpayments, retaining eligibility

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 five items:

1. The student owes an overpayment of Title IV funds.
2. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the school sent or was required to send notification to the student.
3. There are three positive actions a student can take to extend his or her eligibility for Title IV funds beyond 45 days:
  - a) The student may repay the overpayment in full to the school.
  - b) The student may sign a repayment agreement with the school. **Two years is the maximum time a school may allow for repayment.**
  - c) The student may sign a repayment agreement with the Department.
4. If the student fails to take one of the positive actions during the 45-day period, the school will report the student's overpayment to NSLDS and refer the student to the Default Resolution Group for collection.
5. The student should contact the school to discuss his or her options.



### Reminder

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



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



If the student takes no positive action during the 45-day period, the school should both refer the student for collection AND report the overpayment immediately to NSLDS on the NSLDS Professional Access website under the AID tab, "Overpayment List" menu option 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.)

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### Satisfactory repayment arrangements

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

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### Repayment arrangements with schools

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

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### Two-year maximum

668.22(h)(4)(iii)(B)

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

#### **45-Day Period Example**

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

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

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.

**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 R2T4 requirements.

### **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.**

### Student overpayments of \$50 or less

#### Student overpayments less than \$50.00

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

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

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

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

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

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

**Note:** Default Resolution Group 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.



### *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 Default Resolution Group for collection is allowed. This would be true whether the institution simply returned the overpayment for the student or returned the overpayment and created a debit on the student's school account.

### *Recording student payments and reductions in the Title IV grant programs*

For reductions and payments to awards, schools should record reductions and payments by entering a replacement value.

If, through its R2T4 calculation, a school determines that a student has received an overpayment of Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant funds, 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, plus (b) any portion of the grant overpayment that otherwise would be the responsibility of the student but which the school has chosen to return for the student, plus (c) any portion of the grant overpayment the school has collected from the student). Do not reduce the award/disbursement by the amount the student must return unless the student has made a payment.

If a school receives a payment for a current-year overpayment that has not been referred to Default Resolution Group, the school should NOT send the payment to Default Resolution Group. 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 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 R2T4 calculation, a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). 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 Default Resolution Group, see the discussion under *Accepting payments on referred overpayments* later in this chapter.



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

**TIP**

### *Recording student payments and reductions in the Direct Loan Program*

If, through its R2T4 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.

#### **The Department Stopped Accepting Paper Checks for Direct Loan Refunds of Cash in 2014**

In an effort to increase efficiency and improve funds control, Federal Student Aid now requires schools to refund cash electronically via the G5 website. This method is faster and more secure than manual/paper processing, and is less likely to result in errors.

On January 1, 2015, FSA stopped accepting Direct Loan refunds of cash sent manually via paper check. As a result, schools are required to update their processes to refund cash electronically via the G5 website at **<https://www.g5.gov>**.

For additional information on refunding cash via G5, refer to the G5 website at **<https://www.g5.gov>** or call the G5 Hotline at **888-336-8930** or **202-401-6238** for assistance.

For questions about refunding cash, contact the COD School Relations Center at **800-848-0978** or **571-392-3737**. You may also email **[CODSupport@ed.gov](mailto:CODSupport@ed.gov)**.

**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 in NSLDS Enrollment Reporting.

34 CFR 685.309 (b)

**Reporting Overpayments  
to NSLDS**

DCL GEN-98-14, July 1998

All new 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.

All 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=nsldsmaterials](http://ifap.ed.gov/ifap/byYear.jsp?type=nsldsmaterials)

The email address for NSLDS  
Customer Support is:

**NSLDS@ed.gov**

The phone number for  
SCHOOL USE ONLY  
is  
**1-800-999-8219**

**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 Default Resolution Group. However, if a school reports a student overpayment (for which a student has not negotiated repayment arrangements) to NSLDS before the 45-day period has elapsed, the student will appear to be ineligible for Title IV aid. Since students retain their eligibility for 45 days, schools should provide students with every opportunity to repay their debt or negotiate repayment arrangements before reporting it to NSLDS and referring it to Default Resolution Group.

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

To ensure a student overpayment has been reported and referred to the Department, when the school is communicating with a student about making repayment arrangements with the Department, **the school should make it clear that the student should contact the school before contacting the Department.** Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Schools 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.**

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

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

U.S. Department of Education  
Default Resolution Group  
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 Default Resolution Group. Students who pay their debts in full during the 45-day period should neither be reported to NSLDS nor referred for collection.

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

Student Loan Processing Center—Overpayments  
P.O. Box 415  
Greenville, Texas 75403

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

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

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



### Required referrals

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

- ◆ does not satisfy the requirements of a repayment agreement with the school;
- ◆ fails to contact the school during the 45-day period;
- ◆ fails, during the 45-day period, to pay his or her overpayment in full or enter into a repayment arrangement; or
- ◆ fails to complete repayment in the two years allowed.



All referrals to Default Resolution Group must be made on institutional letterhead.



Remember to include your school's Reporting Pell Grant Identification Number on the referral.



If a school is referring to Default Resolution Group 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 in the Appendix to this volume as *Information Required when Referring Student Overpayments to Default Resolution Group* 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.

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 Default Resolution Group has accepted a referred student overpayment, Default Resolution Group 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 Grant Identification Number. Schools should **not** enter their Routing Identifier.

#### **If your school does not have a Pell Grant ID**

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

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

1-800-621-3115

A student can contact us by going to:

<https://myeddebt.ed.gov/borrower>

and selecting “Contact Us.”

### 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 Default Resolution Group.
- ◆ 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 using the online NSLDS Professional Access screens.
- ◆ 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 school should immediately (within a few days) report the overpayment on the NSLDS Professional Access website, and refer the overpayment to Default Resolution Group.
- ◆ 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 on the NSLDS Professional Access website and refer the overpayment to Default Resolution Group.
- ◆ 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 on the NSLDS Professional Access website and refer the overpayment to Default Resolution Group.
- ◆ 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 on the NSLDS Professional Access website and refer the overpayment to Default Resolution Group.

### 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 on the NSLDS Professional Access Overpayment List screen). A school that accepts a check made out to the Department on an overpayment that has been referred to Default Resolution Group must:

1. note the student’s name and Social Security Number (SSN) on the check;
2. indicate that the payment is for an overpayment of a Title IV grant; and
3. forward the payment to Default Resolution Group 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 Default Resolution Group, 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 submit a separate letter for each student. A school may not include multiple students in a letter because the letters are imaged to borrower’s accounts.** The school must include in its letter 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 Default Resolution Group, 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 take the following three steps:

1. Deposit the payment in its appropriate institutionally maintained federal funds account.
2. Make the appropriate entry in the COD system (the replacement value).
3. Send a letter or fax to Default Resolution Group 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 Default Resolution Group system and NSLDS.

#### TIP

#### 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.”



The fax number (*this process cannot be performed via email*) for this purpose and school use only is:

**903-454-2312**

In the fax or letter, a school must include the following six items:

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 you referred to Default Resolution Group does not owe an overpayment or that the amount you referred was incorrect, you should fax a letter on college/university letterhead explaining the situation to Default Resolution Group at:



The phone number for  
Default Resolution Group is:  
1-800-621-3115

**903-454-2312**

**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.

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

### *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 Default Resolution Group or the first school) and then fails to meet the requirements of the agreement, Default Resolution Group 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 Default Resolution Group.

<b>Withdrawal Dates for a School That is Not Required to Take Attendance</b>			
<b>Withdrawal Type</b>	<b>Circumstance</b>	<b>Student's Withdrawal Date <sup>1</sup></b>	<b>Date of the Institution's Determination That the Student Has Withdrawn</b>
<b>Official Notification</b>	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 <b>earlier</b> withdrawal date.)	The student's withdrawal date or the date of notification, whichever is <b>later</b>
<b>Official Notification Not Provided</b>	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 <sup>2</sup>
<b>Leave of Absence Related</b>	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)
<b>Withdrawal After Rescission of Official Notification</b>	The student withdraws after rescinding a previous official notification of withdrawal.	The student's original withdrawal date from the previous official notification	The date the school becomes aware that the student did not, or will not, complete the payment period or period of enrollment

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

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

### Treatment of Title IV Aid When a Student Withdraws

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

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 to you), the amount of Title IV program assistance that you have earned up to that point is determined by a specific formula. If you received (or your school or parent received on your behalf) less assistance than the amount that you earned, you may be able to receive those additional funds. If you received more assistance than you earned, the excess funds must be returned by the school and/or you.

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

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

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

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

For any loan funds that you must return, you (or your parent for a Direct 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 <https://studentaid.ed.gov/sa/>.

<b>Return of Title IV Funds Requirements and Deadlines</b>		
<b>Party Responsible</b>	<b>Requirement</b>	<b>Deadline</b>
School	<b>Determining withdrawal date</b> for student who withdraws without providing notification	30 days after the end of the earlier of: <ul style="list-style-type: none"> <li>• Payment or enrollment period</li> <li>• Academic year in which student withdrew</li> <li>• Educational program from which student withdrew</li> </ul>
School	<b>Return of unearned Title IV funds</b>	As soon as possible but no later than 45 days after date school determined student withdrew
School	<b>Post-withdrawal disbursement to student's account for:</b> 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	<b>Written notification providing the student (or parent) the opportunity to accept all or part of a post-withdrawal disbursement of Title IV loan funds, Direct Loan, or Direct PLUS Loan) to the student's account</b>	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(iii)(A)
School	<b>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</b>	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(iii)(A)
School	<b>Post-withdrawal disbursement to student for earned Title IV funds in excess of outstanding current (educationally related) charges</b>	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	<b>Notification to student (or parent) of outcome of late request for a post-withdrawal disbursement to student</b> (request received by school after the specified period and school chooses not to make disbursement)	Not specified but as soon as possible
School	<b>Notification to student of grant overpayment</b>	Within 30 days of date school determined student withdrew
School	<b>Referral of student to Default Resolution Group</b> 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)	<b>Submit response instructing school to make post-withdrawal disbursement</b>	Within specified number of days school allows for response
Student	<b>Return of unearned Title IV funds</b>	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	<ul style="list-style-type: none"> <li>• School’s withdrawal policy.</li> <li>• School’s refund policy.</li> <li>• Office(s) designated to receive official notifications of intent to withdraw.</li> <li>• Requirements regarding returns of Title IV funds</li> </ul>
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	<ul style="list-style-type: none"> <li>• Identify type and amount of the Title IV loan funds that will make up the post-withdrawal disbursement not credited to student’s account.</li> <li>• Explain that student or parent may accept all or part of the disbursement.</li> <li>• 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</li> </ul>
School	Response (written or electronic) to late request for post-withdrawal disbursement (that school chooses not to make)	Outcome of request
School	Repayment Agreement	<ul style="list-style-type: none"> <li>• Terms permitting student to repay overpayment while maintaining eligibility for Title IV funds.</li> <li>• <b>Repayment in full within two years</b> of date school determined student withdrew</li> </ul>
Student enrolled in a series of modules	Of intent to return to a module that begins later in the same payment period or period of enrollment	<p>Close to the date that the student ceases attendance at any point prior to completing the payment period or period of enrollment and before the school is required to return Title IV funds, offer any post-withdrawal disbursement of loan funds, or take any other action under the R2T4 requirements.</p> <ul style="list-style-type: none"> <li>• For students enrolled in nonterm and nonstandard-term programs, the later module must begin no later than 45 calendar days after the end of the module the student ceased attending.</li> <li>• For students enrolled in modules within a term, the later module must begin and end within the term.</li> </ul>