

## Chapter

# 5



### Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA 1998



### Laws & Regulations

- 34 CFR 682.207(b)(1)(v)



### Take a Look

- See Chapter 2 for more information about lender notification of disbursements.

# Return of Title IV Funds

## Background

The Higher Education Amendments of 1998, Public Law 105-244 (the Amendments of 1998), substantially changed the way funds paid toward a student's education are handled when a recipient of Title IV funds withdraws from school. Final regulations published November 1, 1999, implemented these statutory requirements. All schools, including foreign schools, were required to implement these provisions by October 7, 2000.

The old provisions required schools to use specific refund policies when a Title IV fund recipient withdrew. The school determined the amount of institutional charges earned, the unearned amount, and the amount to be refunded. In addition, the old provisions specified an order of return of unearned funds from all sources of aid, not just Title IV programs.

The new requirements do not dictate an institutional refund policy. Instead, a statutory schedule is used to determine the amount of Title IV funds a student has earned as of the date he or she stops attending school. The amount of Title IV program assistance earned is based on the amount of time the student attended. It has no relationship to the student's incurred institutional charges. Because these requirements deal only with Title IV funds, the order of return of unearned funds no longer includes funds from sources other than Title IV programs.

## Applicability to Foreign Schools

Foreign schools participating in the Federal Family Education Loan (FFEL) Program are subject to the requirements of the treatment of Title IV funds when a student withdraws. This chapter does not address other forms of Title IV aid, since U.S. students who attend foreign schools only receive FFEL Program loans.

## Required Lender Notification of Disbursements Made Directly to Students

A lender making a direct disbursement to a student attending a foreign school must notify the school that the disbursement was made. This provision was added to the regulations, because a foreign school would not necessarily know that a student had received a disbursement directly from a lender and would not be able to properly determine the return of FFEL funds if the student withdrew.

### ***Schools Not Required to Collect Unearned FFEL Funds from a Student***

When a school determines that a student is responsible for returning unearned loan funds, the student returns the funds in accordance with the original terms of the loan as outlined on his or her promissory note. In other words, the student repays the unearned loan funds in the same manner that he or she repays the earned loan funds. Therefore, since students attending foreign schools receive only FFEL Program funds, a foreign school is not required to take any action toward collecting unearned FFEL funds from a student who withdraws. However, a foreign school must notify the lender of the student's withdrawal date so the lender can properly determine when the student enters repayment.

### ***School's Responsibility to Return FFEL Funds***

FFEL Program funds are used to pay institutional charges first, and schools are responsible for returning the unearned portion of those funds when a student withdraws. Note that whether or not FFEL funds are really used to pay institutional charges (for example, credited to a student's school account) does not affect a school's responsibility for returning all or a portion of unearned FFEL funds. So, even though a lender may disburse the FFEL loan funds directly to a student, the school may still have to return a portion of any unearned funds. This is particularly important for foreign schools to understand, because many students attending foreign schools receive their FFEL Program funds directly from the lender. For this reason, the school should collect all institutional charges, up to the total amount of FFEL funds disbursed, as soon as possible from the student.

A school is responsible for returning the lesser of:

- ◆ the full unearned amount of a student's FFEL funds *or*
- ◆ the amount of institutional charges multiplied by the unearned percentage of FFEL funds.

Nothing prohibits a school from requesting payment from a student for repayments the school was required to make under these provisions. However, the best way for a school to limit its exposure is to collect payment for tuition, fees, and other institutional charges from a student as soon as possible.

Some schools do not charge any institutional charges (tuition, fees, and other charges by the school) to students. In this case, a school is not responsible for returning any portion of unearned FFEL Program funds when a student withdraws. Further, because the unearned funds the student is responsible for returning (which in this case equal the full amount of unearned funds) are loan funds repaid in accordance with the original terms of the loan, no school collection action is required. The school must still determine whether a

student has received all of his or her earned FFEL funds. If not, the school must determine if a post-withdrawal disbursement of the earned funds the student has not yet received must be made. In addition, the school must report the student's withdrawal date to the lender.

### ***Post-Withdrawal Disbursements***

If a student who withdraws has not received all of his or her earned FFEL Program funds, the school must determine whether a post-withdrawal disbursement must be made. Because FFEL loans made to students who attend foreign schools are not required to be disbursed in more than one installment, most students receive all of their loan funds in one installment. If this is the case, there will be no post-withdrawal disbursement due the student because all the loan funds have been received by him or her. However, the school must determine whether any of the disbursed funds are unearned and must be returned to the lender.

Schools are prohibited from making a late second and subsequent disbursement of an FFEL loan to a student who is no longer enrolled at least half time unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. This also applies to post-withdrawal disbursements; that is, no second or subsequent disbursement of an FFEL loan may be made post-withdrawal.



#### **Laws & Regulations**

- 34 CFR 668.164(g)

## **General Requirements**

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

The change to the law makes clear that FFEL Program funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of FFEL Program funds that he or she was originally scheduled to receive.

Up through the 60 percent point in each payment period or period of enrollment, a *pro rata* schedule is used to determine the amount of FFEL funds that a student has earned at the time of withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the FFEL funds.

The new requirements do not prohibit a school from developing its own refund policy or complying with refund policies required by outside agencies.

Although an institutional or accrediting agency refund policy will determine the charges a student will owe after withdrawing, those policies will not affect the amount of aid the student has earned under the return of Title IV funds calculation.

Schools are still required to provide students with the details of all refund policies applicable at the institution as well as information on the requirements for determining the amount of Title IV funds a student has earned when he or she withdraws.

### **Consumer Information**

A foreign school must make available upon request to prospective and enrolled students a statement of:

- ◆ any refund policy;
- ◆ the requirements for the treatment of FFEL loan funds when a student withdraws; *and*
- ◆ the requirements and procedures for officially withdrawing from the school.

Because these new provisions no longer affect institutional refund policies, the school must provide the student with information on both the Title IV requirements and the school's refund requirements. A school should include some discussion of how the Title IV requirements and the school's refund requirements interact, including how the school might adjust a student's charges to take into account repayments of Title IV funds that the school was required to make.

### **Definition of a Title IV Recipient**

For purposes of these requirements, a Title IV recipient is a student who has actually received Title IV funds (grant or loans) or has met the conditions that entitle the student to a late disbursement.

Please note that if a student never actually begins attendance for the payment period or period of enrollment, the return of Title IV funds requirements do not apply. Likewise, if a student began attendance but was not and could not have been disbursed Title IV loan funds prior to withdrawing, the student is not considered to have been a Title IV recipient and these requirements do not apply.

### **Rounding**

Monetary amounts are to be reported in U.S. dollars and cents using standard rounding rules to round to the nearest penny. Final repayment amounts that the school and student are each responsible for returning may be rounded to the nearest dollar.



#### **Reference**

- 34 CFR 668.43



#### **Take a Look**

- See Chapter 2 for additional consumer information requirements.



## Reference

- 2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility

Percentages are calculated to three decimal places. The third decimal place is rounded up if the fourth decimal place is 5 or more. For example, .4486 would be rounded to .449, or 44.9 percent.

The one exception to this rule is in determining the percentage of Title IV funds earned. Students who withdraw at any point after the 60 percent point in the payment period or period of enrollment have earned 100 percent of their Title IV funds. If the standard rounding rules were used in this situation, a quotient of .6001 through .6004, which is greater than 60 percent, would be rounded down to .600 (60 percent). Therefore, to recognize that students completing more than 60 percent of the period (by any amount) earn 100 percent of their Title IV funds, amounts of .6001 through .6004 are not rounded for the purpose of determining whether a student has earned 100 percent of the Title IV funds for the term.

### ***Date of the Institution's Determination That the Student Withdrew***

Some aspects of the withdrawal process cannot occur until the school is aware that the student has withdrawn. For example, a school cannot be expected to return FFEL funds for a student who withdraws unless the school knows that the student is no longer in attendance. The date of the institution's determination that the student withdrew captures the point in time when a school could reasonably be expected to be aware that a student has withdrawn.

The date of the institution's determination that the student withdrew varies depending on the type of withdrawal. For example, if a student begins the official withdrawal process or provides official notification to the school of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be either the student's withdrawal date or the date of the student's notification, whichever is later. If a student does not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student has stopped attending. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on withdrawal dates on page 5-43 of this chapter.

**Note:** 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 earlier of (1) the payment period (see definition of payment period in the next section) or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

As noted above, the date of the institution's determination that the student withdrew is not necessarily the same as a student's withdrawal date. A student's withdrawal date is used to determine the percentage of the period



## Take a Look

- See page 5-43 for a chart on withdrawal dates.

of enrollment completed and, therefore, the amount of aid a student has earned. The date of the institution's determination that the student withdrew is used in the following circumstances:

- ◆ A school must offer any amount of a post-withdrawal disbursement that is not credited to the student's account to the student or parent within 30 days of the date of determination.
- ◆ If the student or parent submits a timely response that instructs the school to make all or a portion of the post-withdrawal disbursement, the school must disburse the funds in the manner specified by the student or parent within 90 days of the date of determination.
- ◆ A school must document a student's withdrawal date and maintain the documentation as of the date of determination.
- ◆ The school must return the amount of FFEL funds for which it is responsible no later than 30 days after the date of determination.
- ◆ The amount of aid disbursed as of the date of determination is used to determine the amount of unearned aid that must be returned.

### ***Use of Payment Period or Period of Enrollment***

The calculation worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or a period of enrollment. For students who withdraw from standard term-based educational programs (semester, trimester, or quarter), a school must determine the treatment of the student's FFEL Program assistance on a payment-period basis. For students who withdraw from a nonstandard term-based or a nonterm-based educational program, the school has the choice of determining the treatment of the student's FFEL Program assistance on either basis. The institution must use the calculations for all students within a program who stop attending.

#### **Payment Period**

Under the payment period definition, there are two sets of requirements; one for term-based credit-hour programs and one for nonterm credit-hour programs and clock-hour programs.

For a program offered in semester, trimester, quarter, or other nonstandard academic terms and measured in credit hours, the payment period is the term. For example, if a loan period includes all three quarters of an academic year, the loan must be disbursed in three substantially equal payments.

Programs that are offered in modules are not counted as programs measured in terms. The phrase “*other academic terms*” (also known as nonstandard terms) refers to those structured educational intervals at a school that do not fit into a normally defined semester, trimester, or quarter term. For example, other academic terms could include six five-week terms. A school may choose to group modules together and treat the entire period as a standard term.

Payment periods for programs measured in credit hours without terms and all clock-hour programs vary depending on whether the length of the program is:

- ◆ one academic year or less;
- ◆ a multiple of a full academic year;
- ◆ longer than an academic year with a remainder shorter than or equal to one half of an academic year; *or*
- ◆ longer than an academic year with a remainder shorter than an academic year but longer than one half of an academic year.

**Payment Periods for Nonterm Credit-Hour Programs and All Clock-Hour Programs Longer Than One Academic Year**

Program Length	First and Subsequent Full Academic Years		Remainder of Program	
	1 <sup>st</sup> Payment Period	2 <sup>nd</sup> Payment Period	1 <sup>st</sup> Payment Period	2 <sup>nd</sup> Payment Period
Multiples of a full academic year	Period of time in which a student completes the first half of the academic year	Period of time in which a student completes the second half of the academic year	N/A	N/A
Longer than an academic year, remainder shorter than or equal to half an academic year	Period of time in which a student completes the first half of the academic year	Period of time in which a student completes the second half of the academic year	Period of time in which a student completes the remainder of the program	N/A
Longer than an academic year, remainder shorter than an academic year but longer than half an academic year	Period of time in which a student completes the first half of the academic year	Period of time in which a student completes the second half of the academic year	Period of time in which the student completes the first half of the remainder of the program	Period of time in which a student completes the second half of the remainder of the program

### Definition of Coursework

The term “academic coursework” does not necessarily refer to credits. It may refer to the lessons or other measures of learning within a course. For instance, for a course made up of 40 equal lessons, the student reaches the halfway point in the coursework after completing 20 lessons.

- ◆ If the student completes the first 20 lessons before the calendar midpoint of the academic year, the second payment period does not begin until the calendar midpoint.
- ◆ If the student completes the first 20 lessons after the calendar midpoint of the academic year, the second payment period does not begin until the student completes the first 20 lessons.

### Period of Enrollment

For students who withdraw from a nonstandard term-based or nonterm-based educational program, the school has the choice of determining the treatment of the student’s FFEL Program assistance on either a payment-period basis or a period-of-enrollment basis. A school must use the chosen period consistently for all students in the program.

### Applicability

The use of a payment period or a period of enrollment is important for many aspects of the calculation. For example, if a school is determining the treatment of FFEL funds on a payment-period basis, the student’s FFEL Program assistance to be used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period. Also, the institutional charges used in the calculation must reflect the charges for the payment period.

Generally, the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school. In some cases this mitigates against a school using the period of enrollment as the basis for the return of Title IV funds calculation. An institution may prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment-period basis rather than the period-of-enrollment basis for the return calculations.

Nonterm and nonstandard-term schools should carefully examine the demographics of the students who withdraw, choose the basis (payment or enrollment) for the return calculations that best fits their situations, and appropriately adjust their policies and procedures manuals.

If, for a nonterm or nonstandard-term program, a school chooses to calculate refunds on a payment-period basis, but the school charges for a period longer



#### **Take a Look**

- See return of Title IV funds worksheet beginning on page 5-44.



than a payment period (for example, period of enrollment), total institutional charges for the period will be the greater of:

- ◆ the prorated amount of institutional charges for the period *or*
- ◆ the amount of FFEL funds retained for institutional charges as of the student's date of withdrawal.

### ***Step 1: Student's Title IV Aid Information***

The return of Title IV funds worksheet begins by gathering information about the student's Title IV aid grant and loan assistance.

#### **Funds to Include in the Calculation**

The calculation of earned Title IV program assistance includes all FFEL loan funds that were disbursed or that could have been disbursed to a student.

#### **Title IV Aid Disbursed**

Generally, a student's FFEL loan funds are disbursed when the lender disburses the check directly to the borrower or when a school credits a student's account with the funds or pays a student or parent directly with:

- ◆ FFEL funds received from a lender *or*
- ◆ institutional funds labeled as FFEL funds in advance of the school receiving actual FFEL funds.

A student's aid is counted as "disbursed" for the calculation if it is disbursed as of the date of the institution's determination that the student withdrew. A school may not alter the amounts of FFEL funds that were disbursed prior to its determination that the student withdrew.

#### ***Exceptions***

Because of other Title IV program requirements, there are two instances when crediting institutional funds labeled as Title IV program funds to a student's account in advance of receiving the actual Title IV program funds does not result immediately in a Title IV disbursement.

- ◆ If a school credits a student's account with the institutional funds in advance of receiving Title IV program funds earlier than 10 days before the first day of classes of a payment period, the Title IV disbursement does not occur until the 10th day before the first day of classes.
- ◆ For a student whose loan funds are subject to the 30-day disbursement delay, if a school credits the student's account with institutional funds in advance of receiving Title IV program funds



#### **Reference**

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

earlier than 30 days after the first day of the payment period, the Title IV disbursement does not occur until the 30th day after the beginning of the payment period.

### 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. FFEL funds that could have been disbursed are loan funds for which the student meets the conditions for a late disbursement.

A school must calculate the amount of earned FFEL funds by applying a percentage to the total amount of FFEL Program assistance that was disbursed or that could have been disbursed. Under Step 1 of the worksheet, a school fills in the amount of each type of aid that was disbursed or that could have been disbursed. When entering the amount of loan funds, a school should enter the net amount disbursed or that could have been disbursed. The determination of which funds were disbursed and which funds could have been disbursed is made as of the date of the school's determination that the student withdrew.

### Second or Subsequent FFEL Disbursements

A second or subsequent FFEL disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid if the institution would not have been prohibited from making the disbursement on or before the day the student withdrew. However, a student can never receive as a post-withdrawal disbursement funds made up all or in part by a second or subsequent FFEL disbursement.

A school must include in the return of funds calculation any second or subsequent disbursement that the institution could legally have made but did not make on or before the day the student withdrew.

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. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. Half of the Stafford Loan was disbursed at the beginning of the first payment period, and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and passed the midpoint in calendar time of the loan period and was otherwise eligible to receive the second installment of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the institution was not prohibited from making the second disbursement on or before the day the student withdrew, 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 [34 CFR 668.164(g)(2)] prohibit an institution from making a second or subsequent disbursement of an FFEL



#### Reference

- 2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility

**Take a Look**

- See return of Title IV funds worksheet beginning on page 5-44.

loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The return of Title IV aid requirements, including the post-withdrawal disbursement requirements, do not supercede this provision. Therefore, although in some circumstances a second or subsequent FFEL disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid, the funds may not be disbursed.

Consider a student who withdraws after completing 350 clock hours in a 900 clock-hour program. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Stafford loan for the first quarter 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 third and fourth scheduled disbursements of the loan may not be included in the calculation as aid that could have been disbursed because the student had not completed the second half of the clock hours on the loan period. The second scheduled disbursement of the loan is included in the calculation as aid that could have been disbursed because the institution was not prohibited from disbursing that amount to the student on or before the day the student withdrew. However, the institution may not make a post-withdrawal disbursement of the loan because of the prohibition on making second or subsequent disbursements of Stafford Loans when a student has stopped attending an institution.

When a student withdraws, no portion of any second or subsequent disbursement may be disbursed to a student as a post-withdrawal disbursement even though the amount of the second or subsequent disbursement is included as aid that could have been disbursed for purposes of determining earned Title IV funds.

If an institution receives a valid Student Aid Report (SAR) prior to or as of the withdrawal date, and an FFEL loan is certified as of or prior to that date, an institution can make an initial disbursement of that loan consistent with the provisions of 34 CFR 668.164(g)(2) for late disbursements.

A first-year, first-time borrower who withdraws before the 30<sup>th</sup> day of his or her program of study at a school that is not exempt from the 30-day delay provision is prohibited from receiving any FFEL funds at the time he or she withdraws. Therefore, no return of Title IV funds calculation is performed for this student.

#### Late-Arriving Aid

If a school is determining the treatment of FFEL funds on a payment-period basis, the student's FFEL 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 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 assistance, while it can be disbursed in the current term, is attributed to the previous term. Therefore, it is not included in the return calculation for the period in which the student withdrew.

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

### ***Step 2: Percentage of Title IV Aid Earned***

The percentage of Title IV aid earned is determined differently for credit-hour program withdrawals than for 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 withdrew so that 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 on or before the student completes 60 percent 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 is completed. If the day the student withdrew occurs after the student completes more than 60 percent of the payment period or period of enrollment, the percentage earned is 100 percent.

#### **Withdrawal Date**

This definition of withdrawal date is required for Title IV-program purposes only, including the withdrawal date that a school must report to a lender if FFEL program funds are received. A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

The definition of withdrawal date is for determining the amount of aid a student has earned. Do not confuse it with the date of the institution's determination that the student withdrew, which is used for other purposes in the return calculation.

**Take a Look**

- See page 5-21 for more information on leave of absence.

### ***Withdrawal Date for a Student Who Withdraws from a School That is Required to Take Attendance***

If a school is required to take attendance, a student's withdrawal date is the last date of academic attendance, as determined by the school from its attendance records. This date is used for all students who stop attending, including those who do not return from an approved leave of absence (see the discussion of leave of absence on page 5-21).

Only a school that is required to take attendance by an outside entity (see below) is considered to be a school that is required to take attendance for purposes of calculating the amount of Title IV program assistance earned when a student withdraws. A school that elects to take attendance, including a school that voluntarily complies with an optional attendance requirement of an outside entity, is not considered a school that is required to take attendance.

### **Attendance Requirements of Outside Entities**

The goal of the return of Title IV aid provisions is to identify the date that most accurately reflects the point when a student stops attending, not the date that maximizes Title IV aid to the institution or to the student. Generally, the most precise determination of a student's withdrawal date is made from institutional attendance records. If an institution has such records as the result of the requirements of an outside entity, the institution must use those records for determining a student's withdrawal date.

An example of an outside agency that might require a school to take attendance is a school's accrediting agency. An institution is required to take attendance if any requirements of an outside entity result in the institution having to take attendance, even if taking attendance is not directly required and even if the outside entity states that the institution is not required to take attendance.

In other words, if the only way an institution can comply with a requirement of an outside entity is to take attendance, the institution is considered to be an institution that is required to take attendance for return of Title IV aid purposes. If a school's accrediting agency requires the school to monitor the withdrawal date of its students, and the only way the school can comply is by taking attendance, then the institution meets the definition of an institution required to take attendance. ED considers such an institution to be one required to take attendance even if the accrediting agency does not specifically state that the institution is required to take attendance. This is true even if the accrediting agency specifically states that the institution is not required to take attendance.

An agency may require an institution to refund tuition and fees based on a student's last date of class attendance, or it may require an institution to drop a student if the student misses more than a certain number of days or hours in a term. In both instances, the only way a school can comply with the

requirements is by taking attendance. Therefore, in both instances, schools covered by the requirements are considered to be schools that are required to take attendance for purposes of the return of Title IV aid requirements. This is true even if the agency states that it does not require institutions to take attendance. If a school is required by an outside entity to take attendance for only some students, the school is required to use those attendance records for only the cohort of students under the outside agency's jurisdiction to determine the student's withdrawal date (the last date of academic attendance). The school is not required to take attendance for any of its other students or to use attendance records to determine any of its other students' withdrawal dates, unless the school is required to take attendance for those students by another outside entity.

### Documentation

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. 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. A school must also determine which attendance records 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.

### *Determining a Student's Withdrawal Date at a School That is Not Required to Take Attendance*

If a school is not required to take attendance, the determination of a withdrawal date varies with the type of withdrawal. The chart on withdrawal dates on page 5-43 lists the withdrawal dates for the various types of withdrawals, as well as the date of the institution's determination that the student withdrew for each type of withdrawal.

### Official Notification

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 below), the withdrawal date is the date notification is provided. If a student both begins the school's withdrawal process and otherwise provides official notification orally or in writing of his or her intent to withdraw, the earlier of the two withdrawal dates is the withdrawal date that must be used for purposes of this calculation.

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. For example, if on May 5 a student provides notification of his intent to cease attending the school beginning on



#### Take a Look

- See the chart on withdrawal dates on page 5-43.

May 10, the withdrawal date is May 5. 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 below). Therefore, the school may use May 10 as the student's withdrawal date if the institution documents that date as the student's last date of attendance at an academically related activity.

Likewise, a school can use an earlier last documented date of attendance at an academically related activity if this date reflects the student's withdrawal date more accurately than the date the student begins the school's withdrawal process or notifies the school of his or her intent to withdraw.

These requirements for the treatment of Title IV funds do not apply to a student who does not actually stop attending the school. For example, when a student reduces his or her course load from 12 credits to 9 credits, the reduction represents a change in status, not a withdrawal. Therefore, no return calculation is required.

### *School's Withdrawal Process*

Again, for a student who provides official notification of his or her intent to withdraw by following the school's withdrawal process, the withdrawal date is the date the student begins the 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. The school is expected to identify the beginning of its process as a part of this information. A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

The distinction is that, 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.

### *Providing 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. If the student provides notification to an employee of that office while that person is not acting in his

or her official capacity (for example, the student runs into her dean at a restaurant), the employee should inform the student of the appropriate means for providing official notification of his or her intent to withdraw.

Official notification from the student is any official notification that is provided orally or in writing. Acceptable official notification includes notification by a student orally, whether in person or by telephone, or through a designated Web site. 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 considered to be provided to an institution until the institution actually receives the notification. An institution has the option of using another date if it has evidence of an academically related activity that the student attended on that date.

*Intent to withdraw* means that the student indicates that he or she has either stopped attending 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 stop attending the school. A student who contacts a school and only requests information about the withdrawal process, such as the potential consequences of withdrawal, is not considered to be a student who plans to withdraw. However, if the student indicates that he or she is requesting the information because he or she plans to stop attending, the student is considered to have provided official notification of his or her intent to withdraw.

#### ***When a Student Triggers Both Dates***

A student might both begin the school's withdrawal process and otherwise provide official notification to the school of his or her intent to withdraw. For example, on November 1, a student calls the school's designated office and states his or her intent to withdraw. Later, on December 1, the student begins the school's withdrawal process by submitting a withdrawal form. If both dates are triggered, the earlier date—November 1, in this case—is the student's withdrawal date.

Again, remember that a school that is not required to take attendance is always permitted to use the last date of academically related attendance as the student's withdrawal date.

#### ***Time Frame for the Determination of a Withdrawal Date for an Unofficial Withdrawal***

Some schools 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 FFEL funds are returned within a reasonable



period of time, a school must determine the withdrawal date (for a student who withdraws 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.

#### 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 from its consideration of circumstances beyond a student's control. The second category of unofficial withdrawals encompasses all other withdrawals where official notification is not provided to the school. For these withdrawals, commonly known as *drop outs*, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable. Once again, this is strictly for schools that are not required to take attendance.

#### *Withdrawal Without Student Notification Due to Circumstances Beyond the Student's Control*

There are two circumstances in which a special rule applies for defining a withdrawal date for a student who withdraws due to circumstances beyond the student's control. The rule applies when (1) a student who would have provided official notification to the school is prevented from doing so due to those circumstances; and (2) a student withdraws due to circumstances beyond the student's control and a second party provides 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 stops attending due to the circumstances beyond the student's control. This date is not necessarily the date the circumstance occurs. For example, if a student is assaulted, he or she may continue to attend school but ultimately may not be able to complete the period because of the trauma experienced. Because the student's withdrawal is the result of the assault, the withdrawal date is the date the student actually leaves the school, not the date of the assault. A school should document that the student leaves on the later date because of issues related to the assault.

#### *All Other Withdrawals Without Student Notification*

For all other withdrawals without notification, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable.

It is the responsibility of the school to develop a mechanism for determining whether a student who is a recipient of FFEL loan funds has stopped

attending without notification during a payment period or period of enrollment. The requirement that a school identify students who have dropped out during a payment period or period of enrollment is not new. Under the former Title IV refund requirements a school was required to identify students who dropped out. A school must have a mechanism in place for identifying and resolving instances where a student's attendance through the end of the period cannot be confirmed.

#### Leave of Absence-Related Withdrawals

At any institution not required to take attendance, if a student does not return to the school at the expiration of an approved leave of absence (or a student takes an unapproved leave of absence), the student's withdrawal date is the date the student began the leave of absence. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

#### 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 (without returning to school) 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.

As noted previously, a school may always use the last date of attendance at an academically related activity to take into account attendance by the student subsequent to the student's first notification of withdrawal. 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.

#### 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

above. 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 on which the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw.

The school must document:

- ◆ that the activity is academically related *and*
- ◆ the student's attendance at the activity.

The concept of using a last date of attendance at an academically related activity as a student's withdrawal date is a long-standing one for the Title IV programs. Examples of academically related activities are an exam, a tutorial, computer-assisted instruction, academic counseling, academic advisement, turning in a class assignment, or attending a study group that is assigned by the school. Examples of activities that are not academically related would be living in institutional housing or participating in the school's meal plan. A school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

#### [Withdrawals from Standard Term-Based Programs Using Modules](#)

When a student withdraws from a standard term-based program composed of a series of modules, the school must determine whether the return calculation is required and, if so, the length of the period of enrollment or payment period, as applicable. Among the variables a school must consider are whether the student has completed at least one course and whether the student intends to return for another module within the term.

The principles for determining the appropriate values to use in a return calculation are applicable only when the courses and modules have the following characteristics:

- ◆ Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. The modules may overlap.
- ◆ The institution has chosen to have two or more modules make up the standard term (semester, trimester, or quarter). For example, in each 15-week semester, courses are offered in three five-week modules.



## Reference

- DCL GEN-00-24

- ◆ Students can begin attending at the beginning of any one of the modules in a term. For example, a student enrolling in a three-module-per-semester program can start in module two or module three as well as in module one.
- ◆ Students may skip one or more modules within the term. For example, a student enrolling in a three module per semester program can attend module one, skip module two, and return for module three.
- ◆ Students enroll up-front for courses in all of the modules they plan to attend for the entire term; however, some students may subsequently add or drop a course in a later module.

For modular programs meeting the aforementioned criteria, the following principles apply to the application of the return of Title IV aid provisions:

- ◆ If a student withdraws from an institution after completing at least one course in one module within the term, the student is not considered to have withdrawn, and the requirements of 34 CFR 668.22 for the return of Title IV aid do not apply. Note, however, that other regulatory provisions concerning recalculation may apply.
- ◆ If a student withdraws from the institution before completing at least one course in one module, the student is considered to have withdrawn and the requirements for the return of Title IV aid apply, unless the institution has obtained a confirmation from the student that the student intends to continue in the program by attending a module later in the term.
- ◆ When a student withdraws without completing at least one course in one module, the payment period to be used in the return of Title IV aid calculation includes all of the modules that the student was scheduled to attend in the term. The payment period begins on the student's first day of attendance for the term and ends on the last day of attendance in the last module the student was scheduled to attend.
- ◆ A student who has not completed at least one course in the payment period does not have to be considered to have withdrawn if the institution has obtained a confirmation from the student that the student intends to continue in the program and attend a module later in the term.

A school may not rely on the student's previous registration. Rather, the confirmation from the student must be obtained after the student's withdrawal. If a student indicates an intention to continue in a subsequent module in the term but does not return for that module, the student would be

considered to have withdrawn, and the withdrawal date would be the withdrawal date that would have applied if the student had not indicated an intention to attend a module later in the term.

### Documentation

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. Note that the determination of a student's withdrawal date is the responsibility of the school. Therefore, if a school is using a last date of attendance at an academically related activity as the withdrawal date, the school, not the student, must document the student's attendance. A student's certification of attendance that is not supported by school documentation would not be acceptable documentation of the student's last date of attendance at an academically related activity.

### Leave of Absence

A leave of absence (LOA) must meet certain conditions to be counted as a temporary interruption in a student's education rather than as a withdrawal for the calculation of the treatment of Title IV funds when a student withdraws. If an LOA does not meet the conditions, the student is considered to have stopped attending the school and, therefore, to have withdrawn from the school.

An LOA refers to the specific time period during an ongoing program when a student is not in academic attendance. It does not include nonattendance for a scheduled break in a student's program.

Term-based credit-hour schools often allow students to receive an *incomplete* status for coursework that can be, and is expected to be, completed within a reasonable time frame after the term is over. For example, a student may request and receive an incomplete because he or she failed to turn in an assigned paper. If a student is assigned an "incomplete" status but the school determines that the student will likely complete the required coursework, the student could be considered not to have withdrawn. If the school assigns a student a leave status other than an LOA just to keep the student from having to reapply the next semester, the student would be considered to have withdrawn, unless he or she was granted an approved LOA under the provisions of this section. As discussed below, a student on an approved LOA must be permitted to complete the coursework he or she began prior to the LOA.

When a student returns from an approved LOA, the payment period or period of enrollment used for a return calculation would be adjusted to reflect the new ending date. To prevent a situation where a student is able to earn funds simply by taking an LOA, the days of the LOA must be excluded from the calculation of the percentage of the payment period or period of enrollment completed.

A student who is granted an approved LOA is considered to remain in an in-school status for FFEL loan repayment purposes. However, as discussed previously, if a student does not return from an approved LOA, the student's withdrawal date and the beginning of the student's grace period is:

- ◆ the date the student began the LOA for a student who withdraws from a school that is not required to take attendance *or*
- ◆ the last date of academic attendance prior to the beginning of the LOA, as determined by the school from its attendance records, for a student who withdraws from a school that is required to take attendance.

Subsequently, if a student on an approved LOA fails to return, a school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

### Approved Leave of Absence

For purposes of this calculation, a school does not have to treat an LOA as a withdrawal if it is an approved LOA. As noted above, the requirements for not treating an LOA as a withdrawal also apply to terminating a student's in-school status for a Title IV loan.

An LOA is an approved LOA if:

- ◆ it is the only LOA granted to the student in a 12-month period (see exceptions listed below);
- ◆ the school has a formal written policy regarding LOAs;
- ◆ the student followed the school's policy in requesting the LOA;
- ◆ the school approved the student's request in accordance with the school's policy;
- ◆ the school determines that there is a reasonable expectation that the student will return to the school;
- ◆ the LOA does not involve additional charges by the school;
- ◆ the LOA does not exceed 180 days in any 12-month period;
- ◆ upon the student's return from the LOA, the student is permitted to complete the coursework he or she began prior to the LOA; *and*
- ◆ for a student who is a Title IV loan recipient, the school explains to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan

repayment terms, including the exhaustion of the student's grace period.

### *Number of Leaves of Absence in a 12-Month Period*

Generally, only one LOA may be granted to a student in a 12-month period. However, more than one LOA may be granted for the limited, well-documented cases due to unforeseen circumstances that are listed below.

Provided that the total number of days of all LOAs does not exceed 180 days in any 12-month period, an institution may treat as an approved LOA:

- ◆ one additional LOA, if it does not exceed 30 days and the school determines that it is necessary due to unforeseen circumstances (this type of LOA would have to be subsequent to the granting of the single LOA, which is granted at the school's discretion) *and*
- ◆ subsequent LOAs if the school documents that they are granted for jury duty, military reasons, or circumstances covered under the Family and Medical Leave Act of 1993 (FMLA) (Public Law 103-3), enacted February 5, 1993.

The circumstances covered under the FMLA, as applied to students, are:

- ◆ birth of a child of the student and the need to care for that child (for 12 months beginning from the date of birth of the child);
- ◆ placement of a child with the student for adoption or foster care (for 12 months beginning on the date of the placement);
- ◆ need to care for the student's spouse, child, or parent, if the spouse, child, or parent has a serious health condition; *and*
- ◆ a serious health condition that makes the student unable to function as a student.

Two of the circumstances that are covered under the FMLA, birth and care of a child and adoption or foster care placement, are covered for up to 12 months for purposes of the FMLA. For purposes of the Title IV programs, this means a student may be granted an approved LOA for these circumstances, as long as:

- ◆ the entire LOA will occur during this 12-month period of time *and*
- ◆ the total number of days of all LOAs for the student does not exceed 180 days in the 12-month period that began on the first day of the student's first LOA.



#### Reference

- 2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility

A school may accept one request for multiple LOAs from a student when those leaves are initially requested for the same reason. For example, a student who will be receiving multiple chemotherapy treatments over the course of the student's enrollment could submit one request to cover the recovery time needed for each session.

### ***Formal Policy***

A *formal policy* is one that requires a student to provide a written, signed, and dated request for an LOA prior to the LOA, unless unforeseen circumstances prevent the student from doing so. For example, if a student were injured in a car accident and needed a few weeks to recover before returning to school, the student would not have been able to request the LOA in advance.

A school may grant an LOA to a student who did not provide the request prior to the LOA due to unforeseen circumstances if the school documents the reason for its decision and collects the request from the student at a later date.

A school must put its LOA policy in writing and publicize it to students. This requirement would be met by including the policy with the one-time dissemination of other consumer information.

### ***Reasonable Expectation of Return***

This condition is specified to make clear that a school may not grant a student an LOA merely to delay the return of unearned Title IV funds.

### ***No Additional Charges***

An LOA is a temporary break in the student's attendance during which, for purposes of determining whether a calculation for the treatment of Title IV funds when a student withdraws applies, the student is considered to be enrolled. Since students are not assessed additional charges for continuing enrollment, any additional charges to the student, even *de minimus* reentry charges, indicate that the student is not considered to be on an approved LOA.

### ***Does Not Exceed 180 Days in Any 12-Month Period***

The 12-month period would begin on the first day of the student's LOA.

### ***Completion of Coursework upon Return***

In order for an LOA to be an approved LOA, the school must permit the student to complete the coursework that he or she began prior to the LOA. Approved LOAs are viewed as temporary interruptions in a student's attendance. Therefore, when a student returns from an LOA, the student must be continuing his or her education where he or she left off.



Many institutions cannot meet this standard because they require the student to return at the beginning of a term and repeat some coursework previously completed. Even if a school does not charge for work repeated, if a school requires a student to return from an LOA at the beginning of a term rather than at the point at which the student interrupted his or her training, the school's LOA does not meet the standard required for a Title IV LOA.

### ***Explanation of Consequences of Withdrawal to Loan Recipients***

As discussed previously, if a student does not return from an approved LOA, the student's withdrawal date is the date the student began the LOA. One consequence of not returning from an LOA is that a student's grace period for a Title IV program loan might be exhausted. Therefore, for an LOA to be an approved LOA, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms, including the exhaustion of the student's grace period. A student who has exhausted his or her grace period and is unable to begin repayment of a loan may apply for a deferment or forbearance of payment.

### **Unapproved Leave of Absence**

A school may grant a student an LOA that does not meet the conditions for an *approved* LOA (for example, for academic reasons). However, any LOA that does not meet all of the conditions for an approved LOA is considered a withdrawal for Title IV purposes. The student's withdrawal date is the date the student begins the LOA.

An unapproved LOA may not be treated as an unofficial withdrawal. An unofficial withdrawal is one where the school has not received notice from the student that the student has ceased or will cease attending the school. If a school has granted a student an unapproved LOA, the school would be aware of when the student will cease attendance.

### **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 is equal to 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.

### ***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 total number of calendar days in a payment period or period of enrollment includes all days within the period, except for institutionally scheduled breaks of five or more consecutive



#### **Take a Look**

- See return of Title IV funds worksheet beginning on page 5-44.

days. Days in which the student was on an approved LOA would also be excluded. The day the student withdrew is counted as a completed day.

### ***Scheduled Breaks***

Institutionally scheduled breaks of five or more consecutive days are excluded from the return calculation as *periods of nonattendance* and therefore do not affect the calculation of the amount of Title IV aid earned. This provides for more equitable treatment of students who withdraw near the end of a scheduled break. In those instances, the 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 only an additional day or two more funds than a student who withdrew right before the start of the break. 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. For example, where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (nine days) would be excluded from the return calculation. If classes were taught on either weekend for the programs subject to the scheduled break, those days must be counted.

Please note that the beginning date of a scheduled break is defined by the school's calendar for the student's program. For a program that regularly meets each Saturday and/or Sunday, the days between classes are not excluded because they were not part of any regular scheduled break. If classes were not held on at least one of the normally scheduled days of a weekend, the period from the last scheduled day of class before the scheduled break until the next scheduled day of class after the break would be excluded from the number of days in the period of enrollment used in the return calculation.

If a student officially withdraws while on a scheduled break of five or more consecutive days, the withdrawal date is the last date of scheduled class attendance. 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 30 days after this date.

If a student officially withdraws while on a scheduled break of less than five days, the actual date of the student's notification to the institution is the student's withdrawal date. Remember that an institution may always choose to

**Take a Look**

- See return of Title IV funds worksheet beginning on page 5-44.

use a documented last date of attendance at an academically related activity as the student's withdrawal date.

### *Clock-Hour Programs*

Under the Title IV refund requirements, schools were allowed to use only clock hours actually completed by the student upon his or her withdrawal. Hours that were scheduled to be completed by the student at the time of withdrawal could not be used. The new law provides that for the determination of the treatment of Title IV funds when a student withdraws, scheduled hours may be used to determine the percentage of the period completed by the student if certain conditions are met.

Calculation 1 on the clock-hour worksheet determines whether the student withdrew after the student actually completed 60 percent of the payment period or period of enrollment. If the student withdrew after actually completing at least 60 percent of the payment period or period of enrollment, the student has earned 100 percent of his or her aid, so it is not necessary to determine whether scheduled hours may be used. If a student withdrew on or before the 60 percent point, the school should proceed to Calculation 2 to determine whether scheduled hours may be used.

If the clock hours completed by the student as of his or her withdrawal are equal to at least 70 percent of the hours that were scheduled to be completed by the student as of his or her withdrawal, scheduled hours may be used to determine the percentage. Put another way, students who complete at least 70 percent of their scheduled hours before they withdraw earn Title IV funds based upon their total scheduled hours for the time they were enrolled, rather than the hours they completed. Calculation 2 first determines the percentage of scheduled hours completed. If this amount is equal to or greater than 70 percent, scheduled hours are used and the school should proceed to the second part of Calculation 2. If the percentage of scheduled hours completed is less than 70 percent, completed hours must be used in the calculation of the percentage of the period completed. Because Calculation 1 determined the percentage of the period completed using completed hours, the result of that calculation is the percentage of the period completed.

For example, if a student withdraws after completing 230 hours in a 450 clock-hour payment period, and the student was scheduled to have completed 280 hours of the program at the time he or she withdrew, that student has completed 82 percent of the scheduled hours ( $230/280$ ) for the time he or she was enrolled. In this case, the student exceeded the attendance threshold of 70 percent and, therefore, the school would use the 280 scheduled hours rather than the 230 hours that were actually completed in calculating the percentage of the period completed. If the same student had completed 230 clock hours while he or she was scheduled to have completed 335 hours at the point of withdrawal, the student's attendance rate would have been less than 70 percent ( $230/335=.687$ ), and only the 230 completed hours would be used in the calculation.

**Take a Look**

- See return of Title IV funds worksheet beginning on page 5-44.

The second part of Calculation 2, which uses scheduled hours to determine the percentage of the period completed, notes that when using scheduled hours, the percentage of the period completed may be greater than 60 percent. This is because only students who actually complete more than 60 percent of the hours in the payment period or period of enrollment earn 100 percent of the Title IV funds. In the example above, the school determined that the student may be paid for 280 scheduled hours in the 450 clock-hour payment period. The percentage of the payment period completed would be 62.2 percent ( $280/450$ ), even though the student actually completed only 51.1 percent of the total hours ( $230/450$ ). However, the student would not earn 100 percent of the Title IV funds, because the 230 clock hours completed were less than 60 percent of the 450 clock hours in the payment period. The student would earn 62.2 percent of the Title IV funds that were disbursed or that could have been disbursed rather than the 51.1 percent the student would have earned if completed hours were used in the calculation.

If a student has completed more hours than he or she was scheduled to complete as of his or her withdrawal, completed hours rather than scheduled hours may be used (for example, when a student accelerates attendance).

### Excused Absences

Excused absences do not count as completed hours in the treatment of Title IV funds when a student withdraws. For students who withdraw from their programs, the absences must be counted as scheduled hours that were not completed. To be paid for those hours, the student must satisfy the 70 percent attendance measure. The allowance of up to 30 percent of the scheduled hours to be missed is sufficient to cover most of the situations for unexpected absences. Remember that a school may grant a student an LOA if he or she is unable to attend the school for a period of time but is planning to return to academic attendance (see the previous discussion on LOA). For students who do not withdraw from their programs, the existing policy of not requiring clock hours to be completed for excused absences of up to 10 percent of the program remains.

### **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 C on the worksheet) by the total of Title IV aid disbursed plus the Title IV aid that could have been disbursed to the student or on the student's behalf (Box B on the worksheet).

### Effects of a Post-Withdrawal Reduction in Charges

If a student withdraws and a school's refund policy does not assess any charges to the student, regardless of the reason for which a school reverses or cancels a student's charges, the return of Title IV aid requirements still apply.

**Take a Look**

- See Chapter 2 for more information on cash management.

- ◆ An otherwise eligible student who began attendance at a school and was disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal has earned a portion of those Title IV funds.
- ◆ After a student withdraws, any adjustment or elimination of a student's institutional charges, changes to the student's enrollment status, or other administrative determinations made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22.

#### ***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 make a disbursement of the earned aid that was not received. This is called a post-withdrawal disbursement. If the student received more Title IV aid than that amount earned, the school, the student, or both must return the unearned funds in a specified order.

#### **Post-Withdrawal Disbursements**

If a post-withdrawal disbursement is due, a school stops here on the Return to Title IV 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 locally. A school must track post-withdrawal disbursements.



#### **Take a Look**

- See post-withdrawal disbursement tracking worksheet on page 5-48.

Any post-withdrawal disbursement due must meet the current required conditions for late disbursements. For example, the school must have received the student's SAR [or Institutional Student Information Record (ISIR) if the school has electronic access] with an official Expected Family Contribution. Post-withdrawal disbursements differ from late disbursements in several ways. While a school has the discretion to determine whether to make a late disbursement to a student who became ineligible solely because of a change in enrollment status, a school is required to make post-withdrawal disbursements. A late disbursement must be for incurred educational costs and must be made within 90 days of the date the student becomes ineligible. 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. Moreover, a post-withdrawal disbursement made as the result of a withdrawal must be made within 90 days of the date that the student becomes ineligible.

#### ***Crediting a Student's Account***

An institution should not request FFEL Program funds for a post-withdrawal disbursement unless and until it has determined:

1. that a post-withdrawal disbursement is due;
2. the amount of the post-withdrawal disbursement;
3. that the student meets the criteria for a late disbursement; *and*
4. that the school can disburse any post-withdrawal disbursement within three business days of receiving the funds.

If the student is due a post-withdrawal disbursement of an FFEL loan, 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, the school should include information about the advantages of using a post-withdrawal disbursement to pay down Title IV loans. With a student's permission, 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 requirements for the treatment of Title IV funds when a student withdraws reflect the cash management requirements for disbursing Title IV funds. Specifically, a school is permitted to credit a student's account with a post-withdrawal disbursement without the student's (or parent's, in the case of a PLUS Loan) 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. An institution must obtain a student's or parent's authorization to credit a student's account for charges other than current charges for tuition, fees, and room and board (if the student contracts with the school).

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 really owe for the current term after his or her withdrawal, any other current charges, plus any permitted minor prior year charges.

For example, consider a student who is due a post-withdrawal disbursement of \$450. The institutional charges that the student was originally assessed by the institution totaled \$2,300. However, under the institution's refund policy, the institution may keep only \$700 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes \$50 for a bus pass. The outstanding charges on the student's account that would be entered in Box B of the Post-Withdrawal Disbursement Tracking Sheet are \$750 (the \$700 in institutional charges plus the \$50 owed for the bus pass). All or a portion of the \$450 the institution must disburse under the post-withdrawal disbursement provisions may be used to satisfy this balance.

A school is permitted to use a student's or parent's authorization, obtained prior to the student's withdrawal date for this purpose 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 it could credit the student's account for other current charges for educationally related activities.

The school's request for the student's or parent's authorization must make clear that if the student or parent does not give permission for the school to credit the student's account with the FFEL funds, these funds will be disbursed directly to the student or parent, if the student or parent accepts the funds. If a school does not have permission from the student (or parent, in the case of a PLUS Loan) prior to the student's withdrawal, the undisbursed earned funds must be offered to the student and cannot be used by the school to pay remaining institutional charges other than for tuition, fees, and room and board (if the student contracts with the school).

A school may credit a student's account for minor prior award year charges in accordance with the cash management requirements. 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.

These requirements also mirror the current cash management provisions that require a school to provide notice to a student (or parent, in the case of a PLUS Loan) when the school credits a student's account with FFEL Program funds.

#### *Notice to a Student Offering a Post-Withdrawal Disbursement*

Earned funds in excess of those credited to a student's account must be provided to the student. ED recognizes the difficulty a school may have in locating a student who withdrew; however, a school is required to offer in writing to the student (or parent, in the case of PLUS Loan funds) any amount of a post-withdrawal disbursement that is not credited to a student's account. The written notification must include the information necessary for the student or parent to make an informed decision as to whether the student or parent would like to accept any of the disbursement.

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. The notice must identify the type and amount of the FFEL funds that make up the post-withdrawal disbursement and explain that the student or parent may decline all or a portion of those funds. This information must be provided to permit a student or parent to determine which funds, if any, he or she wishes to decline.

In the notification, the school must advise the student or parent that he or she has 14 calendar days from the date the school sent the notification to accept 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 acceptance by a student or parent after the 14 calendar days. If a response is not received from the student or parent within the permitted time frame, or the student declines the funds, the school would return any earned funds that the school was holding to the lender.

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal disbursement, the school must disburse the funds within 90 days of the date of the institution's determination that the student withdrew. Note that the date of the institution's determination that the student withdrew is the same date that triggers the 30-day period 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.

A school may use one notification to:

- ◆ inform the student or parent that loan funds were credited to the student's account;
- ◆ request permission to credit the student's account for other current charges for educationally related activities, if prior authorization was not obtained; *and*
- ◆ notify the student or parent of the availability of any remaining earned FFEL Program assistance.

If authorization from a student (or parent for a PLUS Loan) is received after the 14-day deadline and the school chooses not to make a post-withdrawal disbursement, 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 or sent electronically. Notification is required because a student or parent may assume incorrectly that his or her acceptance of a post-withdrawal disbursement has been received within the time frame and that the post-withdrawal disbursement will be made. If an authorization from the student (or parent for a PLUS Loan) is never received or if the school chooses to make a post-withdrawal disbursement on an authorization received after the 14-day deadline, the school does not need to notify the student.

The regulations do not address how a school should ensure that Title IV funds are disbursed to the proper individual. However, a school may not require a student who has withdrawn from a school (or a parent of such a student, for PLUS Loan funds) to pick up a post-withdrawal disbursement in person.



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

### 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 stopped attending. When Michael withdraws, only \$1,100 of the \$2,000 in Federal Stafford Loan funds that could have been disbursed have been disbursed. 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. The school determines that Michael has \$50 in outstanding tuition charges and \$100 in outstanding parking fines for the payment period. The school credits Michael's account with \$50 of the Stafford Loan funds. The school wants to use another \$100 of his post-withdrawal disbursement to cover the outstanding parking fines. However, the school has not received permission from Michael prior to his withdrawal to credit his account for educationally related charges other than tuition, fees, and room and board.

On November 12, the school sends a notification to Michael stating that:

1. He is due a post-withdrawal disbursement of \$900 that is made up of \$900 in Federal Stafford Loan funds.
2. \$50 was credited to his account for tuition charges, so he has a remaining potential post-withdrawal disbursement of \$850.
3. He may accept all, a portion, or none of the \$850.
4. The school is obligated to make a post-withdrawal disbursement of funds only if he accepts the funds by November 26, 14 days after the school sent the notification.
5. The school is requesting permission to credit his account with an additional \$100 to cover his unpaid parking fines.
6. If he does not authorize the school to credit his account with the \$100 of the Stafford Loan funds, those funds will be disbursed to him if he chooses to accept them. The school could have sent the notification no later than December 10<sup>th</sup>, that is, 30 days after the date of the institution's determination that he withdrew.

Michael responds on November 19. He authorizes the school to apply \$100 to his outstanding parking fines. He declines the additional \$750 in Federal Stafford Loan funds to minimize his overall loan debt.

### 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 D) from the amount of Title IV aid that was actually disbursed to the student, NOT including aid that could have been disbursed (Box A).

The amount of aid that was actually disbursed rather than the total amount of aid that was disbursed and that could have been disbursed is used, because the only amount of Title IV aid that needs to be returned is the amount of disbursed aid that exceeds the amount of earned aid.

### ***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 both have a responsibility for returning funds. Whatever funds are not returned by the school 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 calculation of the amount of assistance the school is responsible for returning to the FFEL lender that must be calculated first. 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 is determined by subtracting the percentage of Title IV aid earned (Box C) from 100 percent.

### Institutional Charges

The institutional charges used in the calculation are always the charges that were initially assessed the student for the payment period or period of enrollment. Because FFEL funds are provided for the entire payment period or period of enrollment, as applicable, the calculation uses institutional charges assessed for that entire payment period or period of enrollment. An institution may not use the unpaid charges on the student's account at the time of withdrawal or the adjusted amount of institutional charges that result from the institution's refund policy or from a *retroactive withdrawal* of the student.

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



#### **Take a Look**

- See page 5-40 for more information on determining institutional and noninstitutional charges.

charges when an outside agency that is supplying aid requires that aid to be used for tuition. The allocation of repayment responsibilities looks first to the institution to repay unearned FFEL Program funds. The presumption embodied in the current regulations is that FFEL Program funds are used to pay institutional charges ahead of all other sources of aid. The regulations do not provide for institutions to adjust this allocation by taking into consideration other sources of aid that might be used to pay institutional charges for a student.

Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status). If after a student withdraws the institution changes the amount of institutional charges, those changes affect neither the charges nor aid earned in the calculation.

As stated previously, for students who withdraw from a nonterm-based educational program, the school has the choice of determining the calculation on either a payment-period basis or a period-of-enrollment basis. If a school with a nonterm program chooses to base the calculation on a payment period but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. In this situation, the student's institutional charges for the payment period are the prorated amount of institutional charges for the longer period. However, if a school has retained Title IV funds in excess of the institutional charges prorated amount, including allocating costs for equipment and supplies to the front of the program, the funds retained by the school are attributed to that payment period, because they are a better measure of the student's institutional charges for that period.

For example, institutional charges are \$8,000 for a nonterm-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of Title IV funds on a payment-period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is \$4,000. However, the school has retained \$5,000 of the Title IV funds for institutional charges for the payment period. Therefore, the institutional charges for the payment period are \$5,000—the greater of the two elements from the proration calculation.

### *Effects of Waivers on Institutional Charges*

If the institution treats a *wavier* as a payment of tuition and fees actually charged to a student, then that payment would be considered to be a financial aid resource and the cost of attendance (COA) calculation would include the full amount of the tuition and fees. Any return of Title IV aid calculation would be based on the full original charge for the tuition and fees for the period used in the calculation.



#### **Take a Look**

- See page 5-40 for more information on determining institutional and noninstitutional charges.



## Reference

- ED Policy Bulletin, “Calculating Institutional Refunds: What are Institutional Charges?” (January 7, 1999)

On the other hand, if the institution’s policy for these waivers is that the student was never actually assessed the higher amount and the waiver is not considered to be financial aid, only the actually assessed charges would be used for COA and return of Title IV aid purposes.

### Institutional Versus Noninstitutional Charges

Tuition, fees, room and board, and other charges have been collectively and historically referred to as institutional charges. Institutional and noninstitutional expenses are not defined by whether an actual charge has been made to a student’s institutional account. As a general rule, institutional charges are defined as expenses that a school assesses a student for educational expenses, and they are paid directly to the school.

#### **Principle 1: Most costs are institutional.**

The most important principle to keep in mind is that all tuition, fees, room and board, and other charges a school assesses a student are institutional charges, unless demonstrated otherwise. Thus, a school is never compelled to classify a charge as noninstitutional if it wishes to classify the charge as institutional. However, if a school wishes to exclude specific charges or costs from a calculation, it must demonstrate that the charges are noninstitutional charges.

#### **Principle 2: An institutional charge does not need to be assessed to all students.**

Schools sometimes mistakenly assume that a charge is not an institutional charge because it was not assessed to all students or the charge was not included in the enrollment agreement. For example, general guidance provides that “other charges assessed the student by the school include, but are not limited to,” all items issued by the school to the student when those charges are specified in the enrollment agreement as separate charges. However, it should be noted that other charges are not limited to items that are listed in the enrollment agreement. Although a charge must be assessed to all students carrying the same academic workload to be considered an allowable cost of attendance, and Title IV funds may only be used to pay allowable cost of attendance charges, it is not true that a charge must be assessed to all students or be listed in an enrollment agreement to be considered an institutional charge for purposes of this calculation.

#### **Principle 3: Institutional charges may or may not be charged to a student’s account.**

Note the following points about institutional charges:

1. All charges to a student’s account are not necessarily institutional charges.

With the student’s permission, a school may credit a student’s account with Title IV funds to pay for noninstitutional charges. Consequently,

if a student withdraws from the school with charges for noninstitutional charges on his or her account, the school must use those charges to determine whether the student owes a repayment.

2. Charges that do not appear on the student's institutional account may still be institutional charges.

For example, a student does not have to charge the purchase of required course materials to his or her institutional account for the course materials to be classified as *institutional charges*. If a school disburses funds to a student to buy equipment that he or she is required to have by the first day of class but the disbursement is so late that the student only has time to purchase the equipment at the school, those costs must be classified as institutional charges, because the student does not have a real and reasonable opportunity to purchase the equipment from someplace other than the school.

### General Guidelines for Defining Institutional Charges

The following educational expenses must be considered institutional charges:

- ◆ all charges for tuition, fees, and room and board (if contracted with the school) *and*
- ◆ expenses for required course materials, if the student does not have a “real and reasonable opportunity” to purchase the required course materials from any place but the school.

**Exceptions:** Excludable costs are defined as costs that a school may exclude from the total amount of institutional costs, such as an administrative fee, the documented cost of unreturnable equipment, and the documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Noninstitutional charges include:

- ◆ a charge for any required course materials that a school can document are noninstitutional because the student had a real and reasonable opportunity to purchase them elsewhere (see the discussion that follows);
- ◆ a charge to a student's account for room charges that are collected by the school but are *passed through* to an unaffiliated entity;
- ◆ a charge to a student's account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal; *or*

- ◆ a charge to a student's account for discretionary educationally related expenses (for example, parking or library fines, the cost of athletic or concert tickets, etc.).

### Demonstrating a Real and Reasonable Opportunity

A school may treat certain charges as noninstitutional charges when the school can show that its students have the option of obtaining required course materials from the school or receiving payment of the funds from the school to purchase the items from alternative sources.

If a school does not have a separate charge for equipment and the student has the option of purchasing the equipment from more than one source, the school would not have to include the equipment charge in the return-of-funds calculation.

With regard to this exception, note that if a school wishes to classify the cost of required books, supplies, and equipment as noninstitutional charges, it must be able to substantiate that an option actually existed for its students. For example, the school must be able to demonstrate that (1) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school, and (2) the school did not restrict the availability of financial aid funds, so its students could exercise the option to purchase the required course materials from alternative sources.

A school would not be able to demonstrate that a student has had a real and reasonable opportunity to purchase his or her required course materials from alternative sources if one of the following is true:

- ◆ The required course materials are not available elsewhere (that is, they were only available at the school), or they are not conveniently available for purchase from another vendor unaffiliated with the school;
- ◆ When financial aid is available to the school for disbursement to the student, the school does not make those funds available to the student in time to purchase the required materials from another vendor before those materials are required for academic purposes;
- ◆ The school's practices do not allow or actually discourage a student (for example, the use of vouchers that are only good at the campus bookstore or the late disbursement of funds to students to pay for noninstitutional charges) from exercising his or her option to purchase the required course materials from another vendor; *or*
- ◆ The school has the student sign a statement that says the student has the option to purchase course materials from someplace other than the school, but the school is unable to document that an option truly existed.

If the school's return policies are reasonable, consistent, and fair to all students, and students were notified, in writing, of the school's policies when they enrolled, the school may exclude documented costs for:

- ◆ nonreturnable equipment *and*
- ◆ returnable equipment, if not returned in good condition within 20 days of withdrawal.

**Note:** The \$100 or 5 percent fee (whichever is less) that was excludable under the former refund and repayment regulations is not excluded in the return of Title IV funds calculation.

The school is responsible for demonstrating that its policy on nonreturnable equipment is reasonable, consistent, and fair to students. For example, it is not reasonable or fair to students to classify all used books or equipment as nonreturnable. A school must be able to demonstrate that there are specific circumstances that would prevent the school from selling the books or equipment to other students. Also, if the school's students are not notified in writing about the school's return policy when they enroll or the policy is not consistent with federal regulations on excludable costs, the school may not exclude the documented cost of the books, supplies, and equipment from any refund calculation.

## Determining Institutional Charges

To see how the guidelines for defining institutional charges can be applied, consider how a school would determine whether a charge for tools is noninstitutional or institutional.

### Applying the Rules: Is This an Institutional Charge?

Chris Cross is required to purchase, by the first day of class, certain types of high-quality tools for his program of study.

1. The school's enrollment agreement does not contain a charge for the tools, and it does not say that the student is required to purchase the tools from the school or a vendor affiliated with the school.
2. The required tools are available for purchase from the school and from a retailer across the street from the school.
3. As a routine practice, the school obtains permission to credit all financial aid to students' institutional accounts, and establishes a line of credit for students at the campus bookstore so they can purchase the required tools by the first day of class.
4. All students buy the tools at the campus bookstore and charge the purchase to the institutional accounts.

### *Is this an Institutional or Noninstitutional Charge?*

The first step would be to determine whether the purchase of the tools falls under the category of expenses that are generally considered institutional charges. Although the cost of the tools is not listed as a charge in the student's enrollment agreement, the school requires the student to purchase the tools for his or her program of study.

Therefore, as a general rule, the tool charges will be considered institutional charges. However, under the exceptions rule, the tool charges may be considered noninstitutional if the school can document that its students had a "real and reasonable opportunity" to purchase the tools from someplace other than the school.

The real and reasonable test is whether the school could demonstrate all of the following:

1. The tools were available for purchase elsewhere.
2. The school made financial aid available to students in time to purchase the tools from another vendor before the first day of class.
3. The school's practices provide students with an equal opportunity to purchase the tools from the campus bookstore or from the retailer across the street.

In this case, the school meets the first criterion; the tools are available at the store across the street, so an opportunity could exist. However, the school fails to satisfy the second and third criteria, because the school's routine practice of crediting students' accounts with all financial aid and extending lines of credit for purchases at the campus bookstore does not allow its students the option of purchasing the required tools from the retailer across the street. Therefore, the only choice this school's students have is to purchase the tools at the campus bookstore. As a result, the cost of the tools must be classified as institutional charges.



### Key Points for Determining Institutional and Noninstitutional Charges

- √ Institutional charges are defined as charges that a school assesses a student for educational expenses; they must be paid to the school directly.
- √ A school either disburses financial aid to the student directly to pay for noninstitutional charges, or the school may, with the student's permission, credit the student's account to pay for noninstitutional charges.
- √ All tuition, fees, room and board, and other charges a school assesses a student are institutional charges, unless demonstrated otherwise.
- √ If a school wishes to exclude specific charges from institutional charges, it must demonstrate that the charges are either noninstitutional costs or excludable costs.
- √ An institutional charge does not have to be charged to all students or be listed as a charge in an enrollment agreement to be classified as an institutional charge.
- √ All charges to a student's account are not necessarily institutional charges.
- √ If a charge does not appear on the student's institutional account, it may still be an institutional charge.
- √ Tuition, fees, and room and board (if contracted with the school) are always institutional charges.
- √ Expenses for required course materials are institutional charges if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school he or she is attending.
- √ For a school to classify the cost of required course materials as noninstitutional charges, it must be able to substantiate that (a) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school and (b) the school made financial aid funds available to students in a timely manner so its students could exercise the option to purchase the required course materials from alternative sources.
- √ *Excludable costs* are costs a school may exclude from total institutional charges, such as an administrative fee, the documented cost of unreturnable equipment, and the documented cost of returnable equipment if it is not returned in good condition within 20 days of withdrawal.
- √ *Noninstitutional charges* include charges for any required course materials that a school can document are noninstitutional because the student had a *real and reasonable opportunity* to purchase them elsewhere; charges to a student's account for room charges that are collected by the school but are *passed through* to an unaffiliated entity; charges to a student's account for group health insurance fees (if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal); and charges to a student's account for discretionary educationally related expenses (for example, parking or library fines, the cost of athletic or concert tickets, etc.).

**Take a Look**

- See return of Title IV funds worksheet beginning on page 5-44.

### ***Step 6: Return of Funds by the School***

A school must return FFEL loan 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 Federal Stafford Loans
- ◆ Subsidized Federal Stafford Loans
- ◆ Federal PLUS Loans.

A school has 30 days from the date it determines that the student withdrew to return all unearned funds for which it is responsible.

### ***Step 7: Initial Amount of Unearned Title IV Aid Due from the Student***

U.S. law 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 PLUS Loan funds) is determined by subtracting the amount returned by the school from the total amount of unearned Title IV funds to be returned.

### ***Step 8: Return of Funds by the Student***

The student (or parent, if a Federal PLUS Loan) returns funds to the loan programs according to the terms of the promissory note he or she signed. In other words, the student will repay any unearned loan funds in the same manner that he or she will be repaying earned loan funds.

## **Return of Title IV Funds Software**

ED has developed software, which is known as return of Title IV funds software, to assist schools with performing return of Title IV aid calculations. When using the software, a school can set up predetermined values for such “standard” items as its tuition, fees, room and board (if contracted through the school), and books and supplies (if they are available only through the school).

**Web site**

- <http://sfadownload.ed.gov>

The software, along with reference materials and user guides, can be downloaded from ED’s SFA Download Web site.

<b>Determining the Date a Student Has Withdrawn</b>			
<b>Withdrawal Type</b>	<b>Circumstance</b>	<b>Withdrawal Date<sup>1</sup></b>	<b>Date of the School's Determination the Student Has Withdrawn<sup>2</sup></b>
Official Notification	<p>The student begins the school's withdrawal process.</p> <p>The student otherwise provides official notification to the school of intent to withdraw.</p>	<p>The date the student begins the school's withdrawal process.</p> <p>The date the student otherwise provides the notification.</p> <p>If both circumstances occur, use the earlier date.</p>	<p>The later of the student's withdrawal date</p> <p>or</p> <p>The date of notification.</p>
Official Notification Not Provided	<p>Official notification not provided by the student because of circumstances beyond the student's control.</p> <p>All other instances where student withdraws without providing official notification.</p>	<p>The date the school determines is related to the circumstances beyond the student's control.</p> <p>The midpoint of the payment period or period of enrollment, as applicable.</p>	<p>The date the school becomes aware that the student has ceased to attend.</p>
Leave of Absence-Related	<p>The student does not return from an approved leave of absence.</p> <p>The student takes an unapproved leave of absence.</p>	<p>The date the student began the leave of absence.</p>	<p>The earliest of the dates of the end of the leave of absence, or the date the student notifies the school that he or she will not be returning to the school.</p> <p>The date the student began the leave of absence.</p>
Withdrawal After Rescission of Official Notification	<p>The student withdraws after rescinding a previous official notification of withdrawal.</p>	<p>The student's original withdrawal date from the previous official notification.</p>	<p>The date the school becomes aware that the student did not, or will not, complete the program period or period of enrollment.</p>

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 earlier of (1) payment period or period of enrollment (as appropriate), (2) academic year, or (3) educational program.



### Treatment of Title IV Funds When a Student Withdraws from A Clock Hour Program

Student's Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

Date Form Completed \_\_\_\_/\_\_\_\_/\_\_\_\_ Date of the institution's determination that the student withdrew \_\_\_\_/\_\_\_\_/\_\_\_\_

Period used for calculation (check one)  payment period  period of enrollment

Monetary amounts should be in dollars and cents (rounded to the nearest penny). Round to three decimal places when calculating percentages. For example, .4486 would be .449, or 44.9%.

**STEP 1: Student's Title IV Aid Information**

	Net Amount Disbursed	Net Amount That Could Have Been Disbursed	Amount Disbursed	Amount That Could Have Been Disbursed
1. Unsubsidized FFEL/Direct Stafford Loan _____	_____	_____	_____	_____
2. Subsidized FFEL/Direct Stafford Loan _____	_____	_____	_____	_____
3. Perkins Loan _____	_____	_____	_____	_____
4. FFEL/Direct PLUS _____	_____	_____	_____	_____
			5. Pell Grant _____	_____
			6. FSEOG _____	_____
			7. Other Title IV programs* _____	_____

\*Do not include FWS.

A. Total Title IV aid disbursed (NOT aid that could have been disbursed) for the payment period or period of enrollment A \$  

B. Total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment B \$  

**STEP 2: Percentage of Title IV Aid Earned**

C. • Withdrawal date \_\_\_\_/\_\_\_\_/\_\_\_\_

- Percentage of payment period or period of enrollment completed

**Calculation 1** - Determine the clock hours completed\* in the payment period or period of enrollment divided by the total clock hours in the payment period or period of enrollment  $\frac{\text{completed hours}}{\text{total hours}} = \text{ . } \%$

If this percentage is greater than 60%, enter 100% in Box C and proceed to Step 3.

If this percentage is less than or equal to 60%, proceed to Calculation 2.

**Calculation 2** - Determine the clock hours completed\* in the payment period or period of enrollment divided by the clock hours scheduled to be completed as of the date the student withdrew.  $\frac{\text{completed hours}}{\text{scheduled to complete}} = \text{ . } \%$

If this amount is less than 70%, enter the percentage from Calculation 1 in Box C and proceed to Step 3. If this amount is 70% or greater, determine the clock hours scheduled to be completed as of the date the student withdrew divided by the total clock hours in the payment period or period of enrollment and enter this amount in Box C (this amount may be greater than 60%).

\*Excused absences do NOT count as completed hours.  $\frac{\text{scheduled to complete}}{\text{total hours}} = \text{ . } \%$  C   %

**STEP 3: Amount of Title IV Aid Earned by the Student**

D. Percentage of Title IV aid earned (Box C) x the total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box B)  $\frac{\text{Box C}}{\text{Box B}} = \text{ . } \%$  D \$  

**STEP 4: Total Title IV Aid to be Disbursed or Returned**

If the amount in Box D is greater than the amount in Box A, go to item E. If the amount in Box A is greater than the amount in Box D, go to item F. **If the amounts in Boxes A and D are equal, STOP. No further action is necessary.**





**Treatment of Title IV Funds When a Student Withdraws from a Credit Hour Program**

Student's Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

Date Form Completed \_\_\_\_/\_\_\_\_/\_\_\_\_ Date of the institution's determination that the student withdrew \_\_\_\_/\_\_\_\_/\_\_\_\_

Period used for calculation (check one)  payment period  period of enrollment

Monetary amounts should be in dollars and cents (rounded to the nearest penny). Round to three decimal places when calculating percentages. For example, .4486 would be .449, or 44.9%.

**STEP 1: Student's Title IV Aid Information**

	Net Amount Disbursed	Net Amount That Could Have Been Disbursed		Amount Disbursed	Amount That Could Have Been Disbursed
1. Unsubsidized FFEL/Direct Stafford Loan	_____	_____	5. Pell Grant	_____	_____
2. Subsidized FFEL/Direct Stafford Loan	_____	_____	6. FSEOG	_____	_____
3. Perkins Loan	_____	_____	7. Other Title IV programs*	_____	_____
4. FFEL/Direct PLUS	_____	_____	<small>*Do not include FWS.</small>		

A. Total Title IV aid disbursed (NOT aid that could have been disbursed) for the payment period or period of enrollment **A** \$ \_\_\_\_\_.

B. Total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment **B** \$ \_\_\_\_\_.

**STEP 2: Percentage of Title IV Aid Earned**

C. • If school is not required to take attendance and student withdrew without notification, enter 50% in Box C and proceed to Step 3 OR school may enter a last date of attendance at an academically-related activity for "withdrawal date" and proceed from there.

• Withdrawal date \_\_\_\_/\_\_\_\_/\_\_\_\_ Payment period/period of enrollment start date \_\_\_\_/\_\_\_\_/\_\_\_\_ end date \_\_\_\_/\_\_\_\_/\_\_\_\_

• Percentage of payment period or period of enrollment completed

Determine the calendar days completed in the payment period or period of enrollment divided by the total calendar days in the payment period or period of enrollment (exclude scheduled breaks of 5 days or more AND days that the student was on approved leaves of absence).

$$\frac{\text{completed days}}{\text{total days}} = \text{_____ \%}$$

If this amount is less than or equal to 60%, enter this amount in Box C. If this amount is greater than 60% (with or without rounding), enter 100% in Box C. **C** \_\_\_\_\_ %

**STEP 3: Amount of Title IV Aid Earned by the Student**

D. Percentage of Title IV aid earned (Box C) x the total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box B) **D** \$ \_\_\_\_\_.

**STEP 4: Total Title IV Aid to be Disbursed or Returned**

If the amount in Box D is greater than the amount in Box A, go to item E. If the amount in Box A is greater than the amount in Box D, go to item F. **If the amounts in Boxes A and D are equal, STOP. No further action is necessary.**

E. **Post-withdrawal disbursement.** Subtract Title IV aid disbursed for the payment period or period of enrollment (Box A) from the amount of Title IV aid earned (Box D). This is the amount of the post-withdrawal disbursement due. Stop here and go to the post-withdrawal disbursement tracking sheet.

$$\text{Box D} - \text{Box A} = \text{E } \$ \text{_____}$$

F. **Title IV aid to be returned.** Subtract the amount of Title IV aid earned (Box D) from Title IV aid disbursed for the payment period or period of enrollment (Box A). This is the amount of Title IV aid that must be returned.

$$\text{Box A} - \text{Box D} = \text{F } \$ \text{_____}$$

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Student's Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

**STEP 5: Amount of Unearned Title IV Aid Due from the SCHOOL**

G. Institutional charges for the payment period or period of enrollment

Tuition and Fees \_\_\_\_\_ Board \_\_\_\_\_ Other \_\_\_\_\_  
 Room \_\_\_\_\_ Other \_\_\_\_\_ Other \_\_\_\_\_

Total Institutional Charges **G** \$ \_\_\_\_\_ .

H. Percentage of Title IV aid unearned (100% - Box C) **H** \_\_\_\_\_ . %

I. Multiply institutional charges for the payment period or period of enrollment (Box G) times the percentage of Title IV aid unearned (Box H).

x  % = **I** \$ \_\_\_\_\_ .

Box G                      Box H

J. Compare the amount of Title IV aid to be returned (Box F) to Box I and enter the lesser amount. **J** \$ \_\_\_\_\_ .

**STEP 6: Return of Funds by the SCHOOL**

The school must return the unearned aid for which the school is responsible (Box J) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

	Amount for School to Return		Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	_____	5. Pell Grant	_____
2. Subsidized FFEL/Direct Stafford Loan	_____	6. FSEOG	_____
3. Perkins Loan	_____	7. Other Title IV programs	_____
4. FFEL/Direct PLUS	_____		

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the STUDENT**

K. Subtract the amount of Title IV aid due from the school (Box J) from the amount of Title IV aid to be returned (Box F).

-  = **K** \$ \_\_\_\_\_ .

Box F                      Box J

**STEP 8: Return of Funds by the STUDENT**

The student (or parent for a PLUS loan) must return unearned aid for which the student is responsible (Box K) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source, after subtracting the amount the school will return. Amounts to be returned to grants are reduced by 50%.

	Amount for Student to Return		Initial Amount to Return		Amount for Student to Return
1. Unsubsidized FFEL/Direct Stafford Loan*	_____	5. Pell Grant	_____	x 50%=	_____
2. Subsidized FFEL/Direct Stafford Loan*	_____	6. FSEOG	_____	x 50%=	_____
3. Perkins Loan*	_____	7. Other Title IV programs	_____		
4. FFEL/Direct PLUS*	_____	(x 50% for grant funds)			

\*Loan amounts are returned in accordance with the terms of the promissory note. No further action is required other than notification to the holder of the loan of the student's withdrawal date.

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**Post-Withdrawal Disbursement Tracking Sheet**

Student's Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

**Amount of Post-Withdrawal Disbursement**

A. Amount from Box E of "Treatment of Title IV Funds When a Student Withdraws" Worksheet **A** \$

**Post-Withdrawal Disbursement Credited to Student's Account**

B. Total outstanding charges on student's account **B** \$

C. Total amount of post-withdrawal disbursement credited to student's account

- Amount of post-withdrawal disbursement credited for tuition, fees, room and board (if student contracts with the institution) \$ \_\_\_\_\_
- Amount of post-withdrawal disbursement credited for other current charges + \$ \_\_\_\_\_
- Amount of post-withdrawal disbursement credited for minor prior year charges + \$ \_\_\_\_\_

Total Amount Credited to Account **C** \$

D. Student and/or parent authorization to credit account for other current charges or minor prior year charges (if necessary) obtained on \_\_\_\_ / \_\_\_\_ / \_\_\_\_

E. If a post-withdrawal disbursement of loan funds is credited to account, date of notification to student and/or parent \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Post-Withdrawal Disbursement Offered to Student/Parent**

F. Total amount of post-withdrawal disbursement (Box A) – amount of post-withdrawal disbursement credited to student's account (Box C) = Total amount to offer to student/parent **F** \$

G. Notification sent to student and/or parent on \_\_\_\_ / \_\_\_\_ / \_\_\_\_

H.  Response received from student/parent on \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Response not received

I. Amount accepted **I** \$

J. Accepted funds sent on \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Post-Withdrawal Disbursement Made From**

Pell Grant	_____	Subsidized FFEL/Direct Stafford Loan	_____
FSEOG	_____	Unsubsidized FFEL/Direct Stafford Loan	_____
Other Title IV programs (grants)	_____	Perkins Loan	_____
		FFEL/Direct PLUS	_____
		Other Title IV programs (loans)	_____

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