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Disbursements

Federal student aid funds are considered to have been disbursed when the school credits a student’s account or pays a student or parent directly with:

- FSA program funds received from the Department, or
- School funds labeled as FSA program funds and used in advance of receiving actual FSA program funds.

At the point FSA funds are actually disbursed, a student becomes a Title IV recipient with all of the rights and responsibilities of a recipient. When a loan borrower becomes a recipient, he or she assumes responsibility for the loan and any accrued interest, and has the right to cancel the loan. The date of disbursement determines when the college (and the university) must comply with regulatory requirements for the timely delivery of credit balances to students and other cash management issues.

Federal funds are not considered disbursed if the college simply makes a memo entry for billing purposes or credits the student’s account but does not identify it as an FSA credit (for example, “estimated” or “anticipated” Pell”). Disbursement occurs only when an actual dated check (or EFT) is issued by the Office of the University Controller (OUC) or when the posting on the student’s account is converted from an estimated or unlabeled credit to an actual FSA credit. The earliest that a school may disburse FSA funds by crediting the student’s account or by paying directly to the student or parents 10 days before the first day of classes for that payment period.

Determining If a Student Is a Title IV Recipient

A Title IV recipient is a student or parent who has either already received FSA program funds or has met the conditions that allow for a late disbursement of FSA funds. No disbursement may be made to a student until he or she is enrolled for classes for the payment period. A student is considered enrolled upon completing the college’s registration requirements (except for the payment of tuition and fees).

If a disbursement of FSA funds occurs on or after the first day of classes, except for Direct Loans, the school must confirm that students have begun attendance in each class on which eligibility is based. If a student withdraws (officially or unofficially), is expelled before the first day of classes or does not begin attending classes, or if the college cannot document that the student ever attended the classes for which payment is being made, the student would be considered not to have completed the registration requirements and would not be considered an enrolled student. The school would be required to return any FSA funds paid to this student for the payment period. See the section later in this chapter entitled “Treatment of Overpayments” for more information.

Allowable Charges

A college may debit a student’s account only for allowable charges. These are:

- Current year tuition, fees, room and board (if contracted with the college);
- Other current year charges incurred by the student for educationally-related activities other than tuition, fees and institutionally contracted room and board if the college has obtained the student’s (or parent’s) written authorization. Note: Current charges are those assessed to the student for the current award year or for the Direct Loan period as certified by the college. A Direct Loan certified for Fall semester only may not be automatically used for Spring semester charges.
Prior year charges that are less than $200. A student/parent's permission is not required to apply the $200 unless educational charges other than tuition, fees, room and board are included in the prior year charges. According to regulation 34 CFR 668.164(d)(2) schools may not apply current year Title IV funds to settle a prior year liability in excess of $200 even with student authorization. *Note: students who owe more than $200 in prior year charges may use their current year Title IV funds to settle the debt, but the college may not cash or split the check or use any other means which involves the college interceding in the disbursement process. The student must settle the debt by writing the college a separate check or presenting a money order or cash.*

University policy states that students who have prior year tuition and fee liability (receivables) cannot register if they have not settled their liability with the college. However, colleges do allow students that fall into this category to complete their registration when they have reason to believe the receivable will be settled.

**Required Student Authorizations**

The college must obtain authorization from the student (or parent borrower) before:

- Disbursing FSA funds by EFT to a student or parent designated bank account;
- Using FSA funds to pay for allowable charges other than tuition, fees, and room and board (if the student contracts with the college);
- Holding an FSA credit balance.

The college may not require or coerce the student’s (or parents’) authorization and must explain how the authorization may be modified or canceled. A student’s or parent’s authorization may be modified or cancelled at any time. Once the authorization is canceled or modified, the college may not perform the function, or must perform the function as modified from that date forward. Two or more items may be included on one authorization statement; however, the student must be informed that s/he may refuse to authorize any item on the statement. Any authorization must clearly explain how the college will carry out the activity. Even though the college does not need to detail every aspect pertaining to the activity, a blanket authorization that only identifies the activities to be performed is not acceptable. An authorization may be effective for the entire period a student is enrolled at a college unless a shorter period of time is specified. A cancellation or modification of an authorization is not retroactive. A cancellation or modification of an authorization to pay for charges other than tuition and fees is effective from the date the college receives it.

**Specific Program Disbursement Requirements**

**Pell Grant**

The college can use its discretion in disbursing Pell Grants within a payment period (or semester) to best meet a student’s needs. In all cases, the full amount of the award due the student must be disbursed by the end of the payment period (or semester). The college may choose to pay a student at the beginning of the semester or after a financial aid census date or in several installments throughout the semester. The college must notify the student of the amount s/he will be paid and the method of payment. If the college is paying the student by check, the college must tell the student when the check will be available and where the student must go to pick it up.
A student may be paid retroactively for any completed semester within the current award year as long as the student remains eligible for payment for those semesters. For example, if the student’s ISIR is processed with an official EFC while he or she is still enrolled in the spring semester, and the student was also in attendance and eligible for payment in the fall semester, the college may pay the student funds for both the fall and spring semesters. However, the amounts of the fall payment must be calculated based only upon the credits completed.

**Perkins Loan**
A Perkins Loan is made when the borrower has signed the promissory note and the college has disbursed the first payment under that promissory note. The student must also complete entrance counseling before payment may be made. If the loan proceeds are credited to a student’s account, the school must notify the student either in written or electronic form within 30 days of his/her right to cancel all or a portion of the loan. The college must return the funds within 14 days of receiving the student’s request.

**Direct Loan**
Before any Direct Loan funds can be disbursed, the student must have returned a legally enforceable promissory note; and this note must have been accepted by the Direct Loan Servicer. In general, Direct Loans must be paid in two or more installments – no disbursement may exceed half of the loan amount and half of the loan period must have elapsed before the second disbursement may be made. A loan may be paid in one disbursement if half of the loan period has elapsed before the first payment has been made or if the school’s cohort default rate is less than 15 percent for the 3 most recent years.

If a student is in the first year of undergraduate study and is a first-time Direct Stafford borrower, or if the school’s cohort default rate has been 15% or greater for the three most recent years for which data is available the schools may not disburse the first installment of the loan until 30 calendar days after the student’s program of study begins. Schools whose cohort default rate is less than 15% for the three most recent years are not required to delay the first disbursements for such students.

The borrower must have been provided with a disclosure statement at, or prior to, the first disbursement. The disclosure statement must include specific information about the loan, such as loan type, anticipated amounts and dates of disbursement, and loan cancellation instructions. The school must check the student’s eligibility at the time of disbursement (for example, checking enrollment status to see that the student has not dropped below half-time). The school must notify the student, or in the case of PLUS, the student’s parents, of the amount s/he will be paid, the method of payment and whether the loan is subsidized or unsubsidized.

When Stafford or PLUS loans are being credited to a student’s account, a written notice on paper or in electronic form must be sent no earlier than 30 days before and no later than 30 days after crediting the student’s account indicating:

- the date and amount of the disbursement;
- the borrower’s right to cancel all or part of the loan;
- the procedures and time by which the borrower must notify the school of their desire to cancel the loan.
**Timely Book Allowance**

The October 2010 Program Integrity Regulations require schools to ensure that certain students can obtain books and supplies by the seventh day of a payment period. Schools must comply with this provision if the following conditions are met:

- the student is eligible for a Federal Pell Grant;
- the school could disburse the student’s Title IV funds 10 days before the beginning of the payment period; and
- if all Title IV funds were disbursed, the student would have a remaining Title IV credit balance.

The student must have met all eligibility requirements for the funds and all conditions related to disbursement must have been met 10 days prior to the beginning of the payment period for this provision to apply. Therefore, schools would not have to comply with this provision for students who have not completed verification, or have an unresolved “C” code or unresolved conflicting information by this date. Likewise, if the student is subject to the 30 day disbursement rule for Stafford Loans, the school would not consider the amount of the Stafford Loan in determining the available Title IV credit balance.

The amount to be provided for books and supplies is the lesser of the anticipated Title IV credit balance or the amount the school determines the student needs as reflected in the books and supplies allowance used in the student’s cost of attendance budget for the payment period. Books and supplies are disbursed as refunds.

ED considers that a school should be able to confirm whether or not a student has actually begun attending classes within seven days of the start of the payment period and must ensure that eligible students be able to obtain or purchase books and supplies by the seventh day of the payment period. However, if a student never begins attendance in the payment period, the school would be liable for returning any Title IV funds except Direct Loan funds disbursed directly to the student. If a student withdraws from a payment period for which the institution provided a bookstore voucher, those expenses for the required course materials are considered institutional charges for R2T4 purposes.

**Interim Disbursements**

The school, prior to receiving the valid ISIR record, may make one disbursement from Federal Pell Grant, FSEOG and Federal Perkins Loan funds, may begin student participation in the FWS program for 60 days, and originate and disburse a subsidized Federal Direct Loan. However, if the school makes such a disbursement but does not receive the valid ISIR reflecting the corrections, it must reimburse the appropriate program account by making restitution from its own funds. The FWS student would have to be paid for all work performed but not from FWS program funds. Schools are not required to make interim disbursements and, given the potential for a high degree of institutional liability, it is not advisable for this option to be exercised.

**Late Disbursements**

A student who is no longer enrolled has lost Title IV eligibility and generally, may not be paid further FSA program funds for the enrollment period (semester). However, there are some cases where a late disbursement of FSA program funds may be made to an ineligible student if the student became ineligible solely because s/he is no longer
enrolled at the college for the award year.

In the case of a Direct Loan, if the student did not withdraw but ceased to be enrolled as at least half-time student the college may, but is not required to, make a late disbursement of the first disbursement of the loan to pay institutional costs. However, an institution may not make the late disbursement if the student was a first-year, first-time borrower unless the student completed the first 30 days of his/her program. This limitation does not apply if the institution is exempt from the 30-day delayed disbursement requirement.

A student who is no longer enrolled because he/she has completed the award year period of enrollment or program prior to all aid being disbursed must receive a late disbursement of funds. A student who withdrew before completing the payment period (semester) and did not receive all awarded Title IV funds must be offered a post-withdrawal disbursement to which he/she may be entitled following the rules for post-withdrawal disbursements contained in the R2T4 regulations (see the discussion on “Return to Title IV funds” later in this chapter). Though not the same as a late disbursement, a post withdrawal disbursement must meet the same conditions as a late disbursement.

In all late disbursement situations, a SAR/ISIR must have been processed with an “official” EFC while the student was still eligible (that is, before he or she withdrew or ceased to be enrolled). The official EFC on this initial ISIR needn’t be the final correct and payable EFC, but merely an EFC determined by CPS from the information on a processed ISIR. However, before making a late disbursement of FSA program funds, the school must receive a “valid” ISIR within 120 days of the student’s last day of enrollment (or by the September 2015 processing deadline, whichever is earlier). A valid ISIR is one that has been reviewed for correctness, has had all questions of incorrect, inconsistent or possibly conflicting information resolved, all Federal and CUNY edits appropriately addressed, all verification requirements (if selected) completed, and has been reprocessed (if necessary) with the final correct and payable EFC. Pell eligibility for a student whose ISIR requires reprocessing after they have ceased to be enrolled must be determined from the correct EFC on this final valid ISIR.

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

An ISIR with issues that were not resolved before the student’s last day of enrollment should be selected for verification [if not already selected by the CPS] so that the 120 day grace period for completing verification and making corrections may be utilized to resolve the remaining issues.

When a SAR/ISIR has been processed for a student but the school is not listed, and then that student ceases to be enrolled, the school must be added as one of the school choices so that payment may occur. When the school receives the ISIR, it will have a processing date that postdates the student’s last day of attendance. In this circumstance, the school must obtain a copy of the SAR/ISIR processed while the student was still enrolled in order to document his/her eligibility (e.g., was the record processed with an official EFC prior to student’s last day of attendance?).
A late first disbursement of a Direct Loan must occur within **180 days** after the student withdrew or otherwise became ineligible. The college may not make a second or subsequent disbursement of a Direct Loan unless the student successfully completed the period of enrollment for which the loan was intended. If a student receiving a first disbursement of a Direct Loan withdraws in the Fall semester but re-enrolls for the Spring semester, he or she may not receive the 2\textsuperscript{nd} disbursement of the loan. In this case, a new loan for the Spring term would have to be originated.

The college may pay a student Federal Work-Study funds after the last day of attendance for work performed while the student was still in school; however, FWS funds may not be used to pay a student for work performed after the student ceased to be enrolled.

Federal Pell, Federal Perkins and FSEOG funds must be disbursed no later than **180 days** after the student withdrew or otherwise became ineligible. Students who haven’t completely withdrawn may only be paid for courses completed. For Perkins and FSEOG funds, the college must also have awarded the aid before the student ceased to be enrolled. In the case of Perkins Loan funds, the student must sign the promissory note and complete entrance and exit counseling before receiving the disbursement.

A school may no longer request approval from the Department to make a late disbursement beyond the 180 day late disbursement period.

**NOTE:** Although **180 days** is the maximum time allowed by ED to make a late disbursement, both CUNY pay calendar limitations and CUNYfirst processing schedules may further limit the processing window for late disbursements.

### Required Disclosures Regarding College Refund Policies and Procedures

The college must provide written information to prospective and current students explaining the college’s refund and repayment policies and procedures, including the requirements for the return of FSA program funds when a student withdraws from school, information on any refund policy with which the school must comply, details on how refunds will be calculated and distributed, and other factors that determine the amount of the student’s refund. Students must be given a description of the procedures they must follow to officially withdraw from school and request a refund.

### Retaking Previously Passed Coursework

Students may receive FSA funds for **one repeat** of a previously passed course. The credits for the retaken course may be included in the total number of credits when determining enrollment status.
Federal Financial Aid Checks

There are three regulations pertaining to Title IV financial aid funds disbursed by check.

1. **21 day rule** A school cannot hold a federal financial aid check longer than 21 days from the issue date. For checks that are not mailed centrally and are picked up by the college for in-person distribution to the student, the college may either mail the check to the student within 21 days of the check issue date [if the student fails to pick up the check at the college] or return the funds by using the "void" check option of SFA system to return the student’s net payment. Deductions are not subject to the 21 day rule. The college does not avoid the 21 day time frame by depositing the student's federal financial aid check, applying funds to the student receivable and issuing a college check for the balance due to the student. *NOTE: where the college chooses to mail checks to students, the college must ensure that the checks are mailed within 3 business days of the check date.*

2. **45 day rule** When a student 's check is returned by the U.S. Post Office as undeliverable, the college must either distribute the check to the student or return the funds within 45 days from the date the college received the check as "undeliverable mail." This rule applies to both the centrally mailed checks that OUC is returning to the college for another distribution attempt and checks that the colleges are mailing directly to students. Thus, the 45 day rule requires that checks that are mailed and could not be delivered to the addressee must be returned within 45 days if another attempt to deliver the check is not made.

3. **240 day rule** ED has established that where a Title IV check is not cashed, the funds must be returned within 240 days of the issue date. To comply with this regulation, all uncashed checks issued from the SFA disbursement system that are approaching the 240 day limit are selected for voiding. Federal funds are returned according to the requirements of the Federal Pell Grant, FSEOG, Direct and Perkins loan programs. Refund checks that colleges may issue to Title IV recipients are also subject to the 240 day rule. For example, if Pell funds are applied to the student tuition account and then reversed because TAP funds are received, the refund to the student contains Federal funds. The college will need to monitor refund checks made to Title IV recipients if they are not cashed within 240 days. The college can return the federal portion of the uncashed checks by using the “split” check option of the SFA disbursement system. In order to ensure that funds are returned to the federal programs by 240 days, it is recommended that colleges select refund checks approaching 210 days. Where a student is a recipient of multiple federal financial programs, use the return to Title IV hierarchy to return funds. The order should be:

- Unsubsidized Direct loan (SFA program code 916)
- Subsidized Direct loan (SFA program code 915)
- Federal Perkins loan (SFA program code 396)
- Direct Plus loan (SFA program code 917 & 918)
- Pell (SFA program code 107)
- FSEOG (SFA program code 312)
Declining or Returning Federal Pell Grant Funds by a Student

**Declining a Federal Pell Grant**
A student may decline all or part of a disbursement of Pell Grant funds that the student is otherwise eligible to receive. A student may wish to take this action as a strategy to conserve Pell eligibility for future semesters in light of the new 12 semester LEU limits.

To decline Pell Grant funds, a student must deliver to the school a signed, written statement clearly indicating that the student is declining Pell Grant funds for which he or she is otherwise eligible and that the student understands that those funds may not be available once the award year is over. The school must, if necessary, submit any adjustment records for the student to the Common Origination and Disbursement (COD) System.

**Returning a Federal Pell Grant**
A student may return all or a portion of Pell Grant funds that the student was otherwise eligible to receive, as long as this action is taken during the same award year. A student may not return any Pell Grant funds from a prior award year that the student was otherwise eligible to receive.

To return all or a portion of Pell Grant funds, the student must deliver to the school a signed, written statement clearly indicating that the student is returning Pell Grant funds for which he or she is otherwise eligible and that the student understands that those funds may not be available once the award year is over. The student must return the funds directly to the school, and the school must return those funds to its Pell Grant account. The school must then submit the required adjustment records for the student to the COD System.
**Disbursement Notification Requirements**

This chart details the various disbursement notification requirements. Note that all parent references below apply only to PLUS funds borrowed by the parent on the student’s behalf.

<table>
<thead>
<tr>
<th>Notification</th>
<th>Information To Be Conveyed</th>
<th>Who Must Be Notified</th>
<th>When</th>
<th>How</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title IV Eligibility &amp; Payment Information</td>
<td>For each Title IV program: • Amount to be received, including PLUS • Expected disbursement date; and • Method of disbursement. For FWS, notice must include amount authorized to be earned in the award period. For Stafford Loans both subsidized and unsubsidized amounts must be indicated.</td>
<td>Institution must notify student.</td>
<td>For all Title IV programs other than FWS, notice must be sent each award year before Title IV funds are disbursed. For FWS, notice must be sent each award period before initial disbursement of FWS wages.</td>
<td>Electronic or written notice sent directly to student.</td>
<td>For each Direct Loan, amount may be either full amount of loan originated or estimated net disbursement. For FWS, award period is period of time covered by student’s FWS award (e.g., academic year if awarded for fall and spring semesters). FWS award period may consist of parts of 2 award years (i.e., summer FWS award crosses over July 1).</td>
</tr>
</tbody>
</table>

<p>| Crediting Title IV Loan Proceeds to Student’s School Account | If school credits student’s school account with Direct Loan or Federal Perkins Loan proceeds: • Anticipated disbursement date and amount of disbursement; • Borrower’s right to cancel all or portion of loan; and • Procedures and deadline by which borrower must inform school of his or her decision to cancel all or portion of loan. | Institution must notify student. | School must make notification between 30 days prior to and 30 days after crediting student’s school account, if affirmative confirmation received; otherwise, no earlier than 30 days prior to and no later than 7 days after crediting the student’s school account. | Electronic or written notice sent directly to student. | School is considered to have disbursed student’s Title IV loan proceeds by crediting student’s school account, if it: • Disburses proceeds by means of EFT to bank account designated by student or parent; and then • Withdraws all or a portion of those funds to credit student’s school account to pay tuition, fees, room, board, or other authorized charges. If borrower wants to cancel all or a portion of the loan, he or she must respond: • By the later of the first day of payment period or 14 days after date of the school’s notification, if school uses an active confirmation process; or • Within 30 days after date school sent the notification, if school does not use an active confirmation process. |</p>
<table>
<thead>
<tr>
<th>Notification</th>
<th>Information To Be Conveyed</th>
<th>Who Must Be Notified</th>
<th>When</th>
<th>How</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crediting TEACH Grant Proceeds to Student’s School Account</td>
<td>If school credits student’s school account with TEACH Grant funds: • Amount of TEACH Grant funds to be received; • How and when those funds will be disbursed; and • Student’s right to cancel all or a portion of TEACH Grant.</td>
<td>Institution must notify student.</td>
<td>School must make notification each award year before funds are disbursed.</td>
<td>Electronic or written notice sent directly to student/parent.</td>
<td>Institution must return TEACH Grant proceeds, cancel TEACH Grant, or do both, if: • By the later of the first day of payment period or 14 days after date of the school’s notification, if school uses an active confirmation process; or • Within 30 days after date the school sent the notification, if school does not use an active confirmation process. Institution may return TEACH Grant proceeds, cancel TEACH Grant, or both, if student requests cancellation of a TEACH Grant after the applicable time period above, but within 120 days of TEACH Grant disbursement date. If institution does not return TEACH Grant proceeds, or cancel TEACH Grant, the institution must notify the student that he or she may contact ED to request TEACH Grant be converted to a Federal Direct Unsubsidized Loan.</td>
</tr>
</tbody>
</table>
Overawards and Overpayments

Correcting Overawards

An overaward of Federal Student Aid funds is created when a student’s aid package combined with all other resources exceeds a student’s financial need. While care must be taken not to overaward a student in creating the initial awards package, changed circumstances after a student is packaged may cause an overaward. For example, a student may be awarded an academic scholarship late in the term; or a student’s eligibility may decrease because of updates made to the application record, or the student may wish to extend his or her work-study employment. When circumstances such as these create an overaward, the FAA must adjust the federal student aid in the package or take other actions to eliminate the overaward.

Before making any such adjustments, the student’s financial need should first be re-evaluated to determine whether he or she has increased need that was not anticipated when the school initially awarded aid to the student. If the student’s need has increased and the total packaged aid does not exceed the revised need, no further action beyond documenting the change is required. However, if the school determines that total assistance still exceeds his or her need after a re-evaluation, the school must reduce or cancel any future Title IV or institutional disbursements. Beginning with any unsubsidized loans the student is scheduled to receive, the school must first reduce a student’s level of borrowing.

Institutional Responsibility

As a condition for participation in the FSA programs, each college president signs a program participation agreement that, as one of its provisions, requires that the school demonstrate administrative capability. Part of this provision requires the designation of an official who is responsible for coordinating all financial aid information at the college. This is intended to insure that awards are made appropriately and overawards of certain forms of FSA program funds are prevented. Colleges are responsible for insuring that students who receive campus-based FWS, FSEOG and Perkins funding have all other financial resources considered so that total funding from FSA programs does not exceed the allowable costs of attendance. Similarly, colleges are responsible for knowing and considering all other financial resources when certifying a student’s eligibility for Federal Direct Loans to prevent students from borrowing unnecessarily. Colleges have the further responsibility to continually monitor the receipt of other scholarships and awards during the year to insure that excess federal funds are not disbursed to students. The flow of information about these additional sources of funding must be maintained during the year to facilitate timely adjustment of the aid package to prevent overawarding students.

Estimated Financial Assistance or Not

Colleges should take into account the nature and purpose of an institutional or outside award or scholarship before including it as estimated financial assistance. If a student receives the award because of their postsecondary enrollment, it should count as estimated financial assistance unless the award is considered wages for employment according to state or federal rules, or wages for employment based on need. Awards that take the form of wages for employment or would otherwise be reportable as taxable income on a tax return (and thus the FAFSA) would not be counted as estimated financial assistance.
Overaward Tolerance
There is no longer an over tolerance of $300 for campus-based programs the current tolerance is now $0.

Pell Grant/Iraq & Afghanistan Service Grants
These grants are never adjusted to take into account other forms of aid, except in the case when an IASG recipient subsequently becomes Pell eligible.

Federal Direct Loan
If the loan has not been originated or the loan proceeds have not been already completely disbursed, the overaward must be eliminated by canceling or reducing the requested loan amount and/or canceling or reducing other aid in the student’s package, as necessary. In general, there is no $0 overaward tolerance for Direct Loans.

If the overaward is discovered after the school has received the funds, and a reassessment of the student’s financial need shows no increased need for assistance, the school may:
- Use some or all of the amounts of packaged unsubsidized, PLUS, or non-federal loans to replace the EFC rather than using these funds as a resource (if this was not already done), thereby reducing or eliminating the overaward. [Remember that if the sum of the loan amounts exceeds the EFC, the excess must be treated as a resource.]
- Cancel or reduce the second or subsequent loan disbursements.
- If the overaward still exists after these adjustments have been made, withhold and return any loan monies that the student has not yet received to ED. [Note: Federal Direct Loan funds must be returned before campus-based aid is canceled or adjusted.]
- If the student is ineligible for only part of the disbursement, either return the amount of the loan for which the student has become ineligible or cancel the entire loan and originate a new loan for the lower amount.

If the overaward situation occurs after the entire loan has been fully disbursed, there is no loan overaward (unless the student was ineligible for the entire loan). The borrower is responsible for repayment of the loan according to the terms of the promissory note. However, the school may have to adjust the aid package to prevent an overaward of campus-based funds. The school may elect to return loan funds applied directly to the student’s account, though this is not required. Note: if a student received more than the annual or aggregate loan maximum due to inaccurate information provided inadvertently, he or she may continue to receive federal student aid if the excess amount is repaid or satisfactory arrangements to repay the excess are made.

Campus-Based Aid
If the aid package does not contain a Federal Direct Loan, or if the school has eliminated the loan overaward, and if the student’s total resources still exceed the student’s need the school must resolve the overaward by reducing or eliminating campus-based awards. If it is found after reevaluating the student’s need that his or her need has increased and the total resources do not exceed the need, then no further action is necessary.

FSEOG and Perkins Loan
If the school recalculates the student’s need and determines that the total resources still exceed need by more than an applicable overaward tolerance, the school must try to
eliminate the overaward by reducing or canceling future disbursements. If the overaward cannot be eliminated in this manner, the amount of the loan or grant that exceeded the student’s need is an overpayment and must be repaid (see below).

Federal Work-Study
A student can’t be required to repay FWS wages legitimately earned; a FWS overaward can only be remedied by adjusting future payments. Students who continue to be employed after that point cannot be paid from FWS funds. If the work study earnings exceeded need then the school must reimburse the FWS program from its own funds.

Treatment of Overpayments
An overpayment is created whenever a student has received federal grant or loan disbursements in excess of his or her eligibility. Overpayments may occur when a student receives additional assistance that was not considered when he or she was first packaged. Overpayments may also be caused by misreported information on the ISIR that is later corrected, miscalculated EFCs or costs of attendance, payments to an ineligible student, or payments made in excess of grant or loan maximums. An overpayment may result when a student withdraws or drops out before the end of the payment period and has received a disbursement in excess of the amount s/he was entitled to for the time period he or she was actually enrolled. (See “Return of Title IV Funds” below for more complete discussion of this last topic.)

A student who owes an overpayment is ineligible for additional federal student aid payments until the overpayment is satisfied. In some cases, however, it may be the school which is required to repay the overpayment.

Federal Pell Grant/IASG
If a student receives an overpayment of these funds that is not the result of an institutional error, he or she may continue to receive SFA funds if the overpayment can be eliminated by reducing later disbursements of these funds in the same award year.

NOTE: the school cannot reduce awards from the current award year to eliminate overpayments from a previous year.

If the overpayment cannot be eliminated by adjusting later disbursements in the award year, and the overpayment was not the result of the school’s error, the student may not receive additional federal student aid funds until the overpayment is repaid in full or satisfactory repayment arrangements with the school are made.

A student may not be held accountable for an overpayment of these funds due solely to an institutional error or the school’s failure to follow regulatory requirements. The institution must immediately restore the overpayment to the appropriate program account.
An overpayment of Pell/IASG funds for which the institution alone is liable may not be considered a Title IV debt of the student, though the institution may pursue collection of the overpayment with the student as an institutional debt. The student’s eligibility for receipt of additional Pell Grant disbursements or other federal student aid funds remains unaffected.

If returning the funds causes the student to have an open balance of institutional charges for the current award year, any subsequent disbursements for that award year may be applied to that balance, if it is for an allowable charge, or if the institution has the student’s written permission to apply aid to other charges.

A student may not receive Pell/IASG funds from more than one school for the same period of enrollment. The COD system identifies students who have been reported as recipients at multiple schools for the same enrollment period. The schools involved must coordinate their response so that the student receives these funds for attendance at only one of the schools for the period. If after 30 days the schools haven’t resolved the matter, the payments at both schools are disallowed and the matter may require ED involvement to be resolved.

**FSEOG or Perkins Loan**

If a student receives a Federal SEOG or Perkins Loan overpayment that is not the result of an institutional error, he or she may continue to receive federal student aid funds if the overpayment can be eliminated by adjusting subsequent disbursements, other than Federal Pell Grant, within the same award period. If the overpayment cannot be eliminated by adjusting later disbursements in the award year, and the overpayment was not the result of the school’s error, the student may not receive additional federal student aid funds until the overpayment is repaid in full or satisfactory repayment arrangements are made.

A student may not be held accountable for a Perkins or FSEOG overpayment which is due solely to an institutional error or the school’s failure to follow program requirements. The institution must immediately restore both the amount of the overpayment along with any administrative cost allowance claimed on that amount to the appropriate program account. The school may not correct the overpayment by reducing subsequent disbursements within the award year.

A Perkins or FSEOG overpayment for which the institution alone is liable may not be considered a Title IV debt of the student. The institution may pursue collection of the overpayment with the student as an institutional debt. The student’s eligibility for receipt of additional federal student aid funds would remain unaffected.

If returning the funds causes the student to have an open balance of institutional charges for the current award year, subsequent disbursements for that award year may be applied to that balance if the open balance is for an allowable charge, or if the institution has the student’s written permission to apply aid to other charges.

**Student Fails To Begin Attendance**

If a student never attends any classes, officially withdraws, drops out or is expelled before the first day of classes, all Federal Pell Grant, FSEOG or Perkins Loan funds must be returned by the school to the respective programs within 30 days of learning the student did not begin attendance. At a school that has a census date on which it reports its
enrollment levels to a state, local jurisdiction or outside agency, it would be reasonable to expect the school to return funds no later than 30 days following the census date. The student would not be considered a Title IV overpayment. The institution may pursue collection of the overpayment with the student as an institutional debt. The student’s eligibility for receipt of additional federal student aid funds would remain unaffected.

If a student begins attending some but not all of his or her classes, the student’s Pell Grant or IASG must be recalculated based on the student’s actual enrollment status. Any amount disbursed for a class or classes the student never attended must be returned to the program. Though the student is liable for the overpayment, the school may return the funds to ED on the student’s behalf and pursue the collection of the overpayment as an institutional debt.

If a Federal Direct Loan recipient withdraws or is expelled before the term begins, or doesn’t begin attendance, or if the school cannot document any attendance, the school must return within 30 days of learning the student did not begin attendance any Direct Loan funds that were credited to the student’s account at the institution for the payment period or period of enrollment. In addition, the school must return the amount of any tuition/fee payments made directly by or on behalf of the student to the school for the payment period or period of enrollment, up to the total amount of the loan funds disbursed. For any remaining loan funds disbursed directly to a student, the school must notify the applicable loan servicer that the student did not begin attendance, so that the lender or Department can issue a final demand letter to the student for immediate return of any loan funds that were disbursed directly to the student.

**Student Begins Attendance on a Less Than Half-Time Basis**

If a student who received a Direct Loan disbursement begins attendance for the loan period, but does so on a less than half-time basis despite having originally enrolled (registered for classes) on at least a half-time basis, neither the institution nor the student is required to return any loan proceeds. However, the institution must not make any subsequent disbursements of the loan, unless the student resumes enrollment on at least a half-time basis.

**Overpayments Due to Interim Disbursement**

When an overpayment results from interim disbursements made before verification was complete, and the verification ultimately showed the student to be ineligible, the school shares liability with the student for the repayment of the overpayment.

If an overpayment is the result of an interim disbursement, the student may continue to receive federal student aid funds if the overpayment can be eliminated by adjusting subsequent financial aid payments, or if the student repays the overpayment in full, or makes satisfactory repayment arrangements with the school.

If the student doesn’t repay the overpayment, the school must repay the overpayment from its own funds within 60 days of the student’s last day of enrollment, or by the last day of the award year, whichever comes first. Once the school satisfies the overpayment, the student regains eligibility for FSA funds. However, nothing in the regulations prohibits the college continuing to treat the amount owed by the student as an institutional debt and continuing its collection efforts.
**Overpayments Due to Student Error**

If a student’s error or failure to report information on a FAFSA caused the overpayment, the student is responsible for repayment. If the overpayment cannot be eliminated by adjusting later disbursements in the award year, the student cannot receive additional federal student aid payments until he or she repays the overpayment in full or makes satisfactory repayment arrangements with the school. If the student doesn’t repay the overpayment, the school is not liable for the overpayment, but must make a reasonable attempt to contact the student and collect the overpayment.

For an FSEOG or Perkins Loan overpayment, the school must promptly try to recover the overpayment by sending the student a written notice requesting payment in full and must consider and respond to any claims by the student that the overpayment is a mistake.

If the student is found to be responsible for repaying the overpayment, the school may elect to make the repayment for the student from its own funds. When the school makes the repayment on the student’s behalf, the student is no longer considered an overpayment and may once again receive federal student aid funds. Instead of being an overpayment, the amount owed becomes an institutional debt that is repaid according to the school’s normal collection procedures.

**Overpayments – Minimum Thresholds**

A student does not owe an overpayment if the amount is less than $25. The $25 threshold does not apply to amounts that are remaining balances of an initial larger amount, nor does it apply to amounts remaining after applying the $300 tolerance. If an overpayment results from an R2T4 calculation, the student will not owe the overpayment if the amount is less than $50. These minimum amounts are considered program specific.

**Reporting Overpayments to NSLDS**

Overpayments resulting from student error must be reported to NSLDS within 30 days of the date the school learned of the overpayment using the on-line NSLDS screens. Only unresolved overpayments that are the result of student error are reported to NSLDS. Overpayments that are the result of an institutional error must be repaid by the school using school funds.

Once an overpayment is reported to NSLDS, the student’s future application output documents will be flagged with an overpayment indicator. The Financial Aid History section of the SAR/ISIR record will contain information about the overpayment including whether or not the student has made satisfactory repayment arrangements.

*Note: in the case of a grant overpayment resulting from an R2T4 calculation, the school will report the overpayment to NSLDS if the student fails to establish a repayment arrangement with either the school or the Department within 45 days after the student was first notified of the overpayment. If the student repays in full by the 45th day of the period of extended eligibility, there is no NSLDS reporting requirement. (See the next section of this chapter, “Return of Title IV Funds,” for more information.)*
Referring Overpayment Cases to ED’s Borrower Services
The school must notify ED’s Borrower Services in addition to NSLDS if a reasonable but unsuccessful effort to collect a grant overpayment not due to the school’s error. Once an overpayment is referred to ED for collection, the school is not required to make any further attempts to collect the overpayment. Though it may continue accept payments from the student for amounts that have been referred to ED for collection, these payments may not be returned to the appropriate program account via OUC’s SFA system. Instead, the school must prepare a check and send it to the National Payment Center with appropriate student account information. (For more complete information on procedures for the referral of overpayments including contact information, required reporting formats, and collections procedures, see the most recent FSA Handbook, Volume 5 “Overawards, Overpayments and Withdrawal Calculations”.)
# Examples of Institutional & Student Liability

<table>
<thead>
<tr>
<th>Overpayment Scenario</th>
<th>Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student reports incorrect information on FAFSA.</td>
<td>Student liability only – student erred in reporting incorrect data.</td>
</tr>
<tr>
<td>School fails to resolve conflicting information on original or subsequent transaction before making a disbursement based on that transaction.</td>
<td>Institutional liability only – school must resolve all conflicting information before disbursing Title IV aid.</td>
</tr>
<tr>
<td>Student receives outside scholarship and is awarded FSEOG. Bursar fails to notify financial aid office of the outside scholarship and student receives overpayment of FSEOG funds.</td>
<td>Institutional liability only – school had information about the outside scholarship when FSEOG was disbursed.</td>
</tr>
<tr>
<td>School properly makes interim disbursement to student selected for verification but final verified EFC results in reduced award amount.</td>
<td>Joint institutional and student liability – student erred in reporting incorrect data and school chose to make the interim disbursement. School must try to recover overpayment from student and if unsuccessful after 60 days, must repay from its own funds.</td>
</tr>
<tr>
<td>School makes disbursement based on unselected ISIR for which it had no conflicting information. Student fails to complete verification.</td>
<td>Student liability only; as long as no further disbursements were made, school would not have violated any disbursement rules.</td>
</tr>
<tr>
<td>School makes disbursement based on unselected ISIR for which it had no conflicting information. Verification of subsequent transaction results in reduced award amount.</td>
<td>Student liability only – student erred in reporting incorrect information; school did not violate any disbursement rules. Note: overpayment may be recovered by adjusting later disbursements</td>
</tr>
<tr>
<td>School's cost of attendance is miscalculated.</td>
<td>Institutional liability only – school erred in determining the student's Scheduled Award.</td>
</tr>
<tr>
<td>School disburses Pell Grant based on incorrect Scheduled Award.</td>
<td>Institutional liability only – school erred in determining the student's Scheduled Award.</td>
</tr>
<tr>
<td>School disburses Pell Grant to transfer student without checking the student's remaining eligibility within the required time frames.</td>
<td>Institutional liability only – school is required to check a transfer student's remaining eligibility for the award year before disbursing a Pell Grant.</td>
</tr>
<tr>
<td>Student fails to begin attendance in all classes for which s/he was enrolled; school recalculates Pell award as required by regulations.</td>
<td>Student liability only – student's change in enrollment affected the enrollment status on which the amount of the Pell award was based.</td>
</tr>
<tr>
<td>Student drops classes for which s/he registered; school recalculates Pell award as required by school's policy.</td>
<td>Student liability only – student's change in enrollment affected the enrollment status on which the amount of the Pell award was based.</td>
</tr>
<tr>
<td>School disburses Title IV funds but cannot document that student attended any class.</td>
<td>Institutional liability only – school must be able to document student attended each class at least once.</td>
</tr>
<tr>
<td>Student withdraws; R2T4 calculations result in student owing a Title IV overpayment.</td>
<td>Student liability only – student received unearned Title IV funds.</td>
</tr>
</tbody>
</table>
Return of Title IV Funds (R2T4)

Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which assistance was awarded. Under the Return of Title IV (R2T4) regulations, a student is considered to have withdrawn from a payment period or period of enrollment if he or she does not complete all of the days in the payment period he or she was scheduled to complete. Students “earn” the assistance they have been awarded in direct proportion to the number of days of the payment period (semester) they remain enrolled, through the 60% point in the semester. A student who withdraws after the 60% point earns 100% of the aid for that term.

If a recipient of FSA grant or loan funds withdraws from school after beginning attendance during a semester, the college must calculate the amount of assistance the student earned. If the amount disbursed to the student is greater than the amount the student earned, the unearned funds must be returned. If the amount disbursed to the student is less than the amount earned, then the student is eligible to receive a post-withdrawal disbursement.

If the student has received excess funds that must be returned to ED, the college shares the responsibility of returning those excess funds with the student. The college’s portion of the excess funds to be returned is equal to the lesser of the entire amount of the excess funds, or the student’s total tuition and fee charges multiplied by the percentage of unearned funds. If the college is not required to return all of the excess funds, the student may be required to return a portion of the remaining amount. The college must return its share of unearned funds to the Department of Education through the Office of University Controller (OUC). The student may repay his or her share to the college or, if the overpayment has been referred to DCS, make arrangements to repay the Department of Education directly.

Eligible Student

The student must be fully eligible to receive federal funds prior to the date of withdrawal, that is, the conditions that make a student eligible for a “late disbursement” of Title IV funds must be met in order for Title IV aid to be considered “aid that could have been disbursed” and included in the R2T4 calculation.

Determining Student’s Withdrawal Date

Some aspects of the R2T4 process cannot occur until the college learns that the student has withdrawn. The date the college determines the student withdrew captures the point in time when the college could reasonably have been expected to know that a student withdrew.

- For official withdrawals, this date is either the date the student began the withdrawal process or the date of his or her withdrawal notification, whichever is later.
- For unofficial withdrawals, this date is the date the college becomes aware that the student is no longer in attendance (usually after the end of the semester). [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 or the period of enrollment (as applicable), (2) the academic year, or (3) the student’s educational program.]
- For approved leaves of absence, this date is the date the leave began.
In the case of a student who stops attending after rescinding a withdrawal, this date is the date the college becomes aware that the student did not or will not be able to complete the semester (usually reverts to the original withdrawal date).

The date the college determines that the student withdrew is used in the following circumstances:

- A post-withdrawal disbursement of loan funds not credited to the student’s account must be offered within 30 days of the date of determination;
- The college must disburse grant funds within 45 days of the date of determination (written acceptance by the student is no longer required for post-withdrawal disbursements of grant funds);
- The college must disburse loan funds within 180 days of the date of determination if the student or parent accepts the offer of all or a portion of a post-withdrawal disbursement of loan funds;
- The college must document a student’s withdrawal date and maintain the documentation as of the date of determination;
- The college must notify a student if a grant overpayment is due within 30 days of the date of determination;
- If the college is collecting the overpayment, it must require repayment of the full amount of the overpayment within two years of the date of determination;
- The college must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of determination; and
- The amount of aid disbursed as of the date of determination is used to determine the amount of unearned aid that must be returned.

The types of withdrawal and the corresponding withdrawal trigger date are summarized in the chart on p. 11-21.

Official Withdrawals

When a student officially withdraws, the college may use any one of the following dates that best represents the student’s last date of attendance:

- Date student began the withdrawal process prescribed by the college;
- Date student provided official notification;
- Last date of attendance at an academically related activity as documented by the college.

Unofficial Withdrawals

When a student leaves without notice, the college may use any one of the following dates that best represents the last documentable date of attendance:

- Last date of an academically related activity;
- Date provided by an instructor;
- Date college determines illness, accident, or grievous personal loss occurred;
- Mid-point of the semester.

Administrative Withdrawals

If a school administratively withdraws a student (e.g., expels, suspends, or cancels the student’s registration) who has not notified the school of his or her intent to withdraw, the last possible date of withdrawal for the student is the date the school terminates the student’s enrollment.
Rescinding Withdrawal
A college may allow a student to rescind a notification of withdrawal. The student must give written notice that s/he is continuing in academic activities and that s/he intends to complete the semester. This rescission would be negated if the student subsequently ceases attendance prior to the end of the semester. In this instance, the student’s withdrawal date would revert to the original date of notification (unless the college can document student’s later attendance at an academically-related activity). The college must have a formal published policy on rescinding withdrawals.

Approved Leaves of Absence
A college may grant a student multiple leaves of absence; but the total of all leaves of absence may not exceed 180 days within a 12 month period. The college must have a reasonable expectation that the student will be able to return and complete the course work within the semester. The student must return by the end of the leave of absence or s/he must be treated as a withdrawal. In the case of a student who fails to return from an approved leave of absence, the withdrawal date reverts to the date the leave of absence commenced. If the student has received a loan, s/he must be told that failure to return will affect the grace period of the loan. The college must have a formal published policy on leaves of absence. The school’s written policy must require that a student submit a written, signed and dated request that includes the reason for the request.

Determining the Amount of Aid the Student Earned
The semester begins on the first day of class and ends on the last day of final exams. Any scheduled breaks of five consecutive days or more should be excluded from the count of days. This includes Spring Break and the breaks between the modules in each semester at LaGuardia and Kingsborough Community Colleges. The amount of aid a student has earned is determined by dividing the number of days that the student attended by the number of days in the semester, then multiplying the result by the amount of federal aid the student “could have been disbursed”. This amount is compared to the amount of aid the student actually was disbursed to determine whether FSA funds must be returned or whether the student will receive a post-withdrawal disbursement.

Aid That Could Have Been Disbursed
The calculation of earned Title IV program assistance includes all Pell Grant, TEACH Grant, FSEOG, and FFEL/Direct/Perkins Loan funds that were disbursed or could have been disbursed to a student. Federal Work-Study (FWS) funds are not included in the calculation.

For purposes of determining earned Title IV aid, the college includes as “aid that could have been disbursed” any undisbursed Title IV aid for the period for which the return calculation is performed so long as the conditions for late disbursements in 34 CFR 668.164(g)(2) were met prior to the date the student became ineligible. This is true regardless of whether the college was prohibited from actually making the disbursement on or before the day the student withdrew so long as the conditions for late disbursements listed below are met prior to withdrawal.
Crediting the Student’s Account

The conditions for a late disbursement that must be met before the date the student became ineligible are:

- the Department processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student (except in the case of a PLUS loan);
- for a Direct Loan, the college originated the loan; and
- for a Federal Perkins Loan or FSEOG, the college made the award to the student.

Note: A promissory note must be signed for a loan to be included as aid that could have been disbursed in an R2T4 calculation. The signature may be obtained after the student withdraws but the note must have been completed before the school performs the calculation (see DCL GEN-05-16 published October 27, 2005 for more information).

Some funds included in “aid that could have been disbursed” are funds that the student may not actually be eligible to receive. Specific examples of “aid that could have been disbursed” that would not be offered as a post-withdrawal disbursement are:

- Second or subsequent disbursements of Direct Loan funds;

If a student who has withdrawn did not begin attendance in enough courses to establish a half-time enrollment status, the school may not make a first disbursement of a Direct Loan to the student after the student withdraws. However, the funds are included as aid that could have been disbursed in the Return calculation.

What should be noted, for loans with WN grades that result in less than half time enrollment is that colleges are required to return any money taken for tuition and fees and must notify the servicer that the student is not meeting the half time enrollment status but are not required to return money disbursed to the student. As noted above, R2T4 calculations should include the loan funds as “aid that could have been disbursed”.

Note: if a student was disbursed excess Pell Grant based on enrollment in classes for which non-attendance dates were subsequently reported, the school must recalculate the Pell enrollment status, return the amount the student was overpaid, and then perform the R2T4 calculation excluding this amount from either aid disbursed or aid that could have been disbursed. The school must regard the entire amount it had to return as a student liability to the college separate and beyond any additional liability that might result from the R2T4 calculation. The same holds true for any other disbursed grant based on enrollment for which non-attendance dates have been subsequently reported; that is, the overpayment must first be repaid and the R2T4 calculation is then performed on what remains.

The college may credit the student’s account with Title IV grant funds from a post-withdrawal disbursement without his or her authorization to satisfy current year tuition and fee or contracted room and board charges (incurred prior to withdrawal). Before crediting a student’s account with Title IV loan funds from a post-withdrawal disbursement to cover allowable charges, the college must obtain authorization from the student (or the parent in case of a PLUS loan). The college must also have written authorization from the student (or parent in case of PLUS) to credit the student’s account
with Title IV loan funds from a post-withdrawal disbursement for other than the allowable current charges.

The school no longer has to obtain confirmation from a student before making a post-withdrawal disbursement of Title IV grant funds. These may be either credited to a student’s account to pay allowable charges or disbursed directly to a student without the student’s or parent’s authorization.
College Return of Unearned Aid
The university must return unearned aid for which it is responsible to the Department of Education within 45 days after the college determines the date of withdrawal. The college’s portion of the excess funds to be returned is equal to either the entire amount of the excess funds disbursed, or the total tuition and fee charges multiplied by the percentage of unearned funds, whichever is less.

Student Return of Unearned Aid
The student is assumed to have possession of Title IV funds only if the amount of disbursed Title IV funds exceeds institutional charges. The student’s share of unearned aid that must be returned is derived by subtracting the college’s share from the total unearned amount. Any loan funds that the student must return are repaid according to the terms of the promissory note. Grant funds in excess of $50 that the student must return are regarded as an overpayment. Under the HERA, the amount of a grant overpayment due from a student is limited to the amount by which the original grant overpayment amount exceeds half the total Title IV grant funds received (or that could have been received) by the student.

The student who owes a grant overpayment due to a withdrawal retains Title IV eligibility for a maximum of 45 days from the earlier of the date the college sends the student notice of the overpayment, or the date the school was required to notify the student. If the student repays in full, or enters into a repayment agreement with either the school or ED within 45 days, the student retains eligibility. If the student fails to take action to resolve the overpayment within the 45 days, the school must report the overpayment to NSLDS immediately after the 45 days has elapsed and must refer the overpayment to ED’s Debt Collection Service (DCS) in accordance with instructions in the most recent FSA Handbook, Volume 5 “Overawards, Overpayments and Withdrawal Calculations”. Unresolved overpayments not referred to DCS ultimately become the school’s responsibility to repay.

Order of Return of Title IV Funds
Amounts returned to the Department of Education must be credited to the FSA programs in the following order:

1) Federal Unsubsidized Loan
2) Federal Subsidized Loan
3) Federal Perkins Loan
4) Federal PLUS
5) Federal Pell Grant
6) FSEOG
7) TEACH Grants for which a Return is required
8) Other Title IV Grants
Post-Withdrawal Disbursement

If a student has received less Title IV funds than s/he has earned, the student (or parent) must receive a post-withdrawal disbursement of any grant funds within 45 days from the date of determination. The school no longer must obtain written confirmation from the student or parent of their acceptance of a post-withdrawal disbursement of grant funds.

The college must notify in writing to the student within 30 days of the college’s determination of withdrawal prior to making a post-withdrawal disbursement of loan funds. The notification must:

- Identify the type and amount of the loan funds
- Ask whether those loan funds are to be credited to the student’s account or disbursed directly to the student (or parent)
- Include the information necessary for the student, or parent for a parent PLUS loan, to make an informed decision as to whether the student or parent would like to accept any disbursement of loan funds
- Request confirmation of any post-withdrawal disbursement that the student or parent, as applicable, wishes the school to make

The school must document the result of the notification process and the final determination made concerning the disbursement, and maintain that documentation in the student’s file. Once a school has received confirmation from a student, or parent in case of a PLUS loan, that he or she wants to receive the post-withdrawal disbursement of loan funds, a school must make the post-withdrawal disbursement of Title IV loan proceeds as soon as possible, but no later than 180 days after the date of the school’s determination that the student withdrew.

Verification Not Completed Before Withdrawal

A school must offer any post-withdrawal disbursement of loan funds within 30 days of the date of the school’s determination that the student withdrew, and return any unearned funds and make a post-withdrawal of grant funds within 45 days of that date.

Schools must disburse any Title IV grant funds within 45 days of making a withdrawal determination and disburse any loan funds the student accepted within 180 days. If verification is not completed in time for the school to meet the 45 day R2T4 deadline, the school should include in the R2T4 calculation only that Title IV aid that was not subject to verification (PLUS and unsubsidized loans).

If the student completes verification after the initial R2T4 calculation but within the 120 day verification extension deadline, the school must perform a new calculation and make the appropriate return or post-withdrawal disbursement. The post-withdrawal disbursement must be made within 180 days after the student’s last date of attendance in the semester the withdrawal occurred.

If the student fails to provide all required verification documents in time for the school to meet the 45-day return deadline, the school must return any funds disbursed on an interim basis (PELL, ACG, FSEOG, and Perkins).
R2T4 Treatment for Students Called to Active Duty

Provisions of the Higher Education Relief Opportunities for Students (HEROES) Act of 2003 now codify treatment of Title IV eligible students who must withdraw from school because of active duty service during a war or other military operation or national emergency; or, qualifying National Guard duty during a war or other military operation or national emergency; or who reside or are employed in an area that is declared a disaster area by any Federal, State or local official in connection with a national emergency; or who suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary. Under the HEROES Act, effective December 12, 2003, the school must perform an R2T4 calculation for students who withdraw due to their status as an affected individual. If these calculations result in the school being required to return funds to one or more of the Title IV programs, it must do so as it would for any student who completely withdraws. However, for these students, the school is to exclude from the student’s total institutional charges those amounts covered with non-Title IV sources of aid, such as tuition covered by a NYS TAP grant.

If these calculations result in an overpayment that is the student’s responsibility to repay, s/he is not required to return or repay the overpayment. Consequently, the school should not contact the student for repayment, report the student as an overpayment to NSLDS or refer the overpayment to DCS. However, the school must document in the student’s file the amount of any overpayment as part of the school’s documentation of the applicability of this waiver.

If an affected student is entitled to a post-withdrawal disbursement, he or she has up to 45 calendar days to respond to a school’s notification of their eligibility for the disbursement (the usual deadline is 14 days).

The HEROES Act encourages schools to provide a full refund of tuition, fees, and other charges for the portion of the instruction period an affected student could not complete, or for which s/he did not receive academic credit. The CUNY Tuition & Fee Manual, p. 46 prescribes that “in instances where students who are...recalled to active duty do not attend for a sufficient time to qualify for a grade, there shall be a 100% refund of tuition and all other fees except application fees.” Any refund request for military service must be documented in order for it to be processed. (No refund can be made to a student so called who has been assigned an earned grade, regardless of whether the grade is passing or failing.)

Before making a refund to these students, the school should perform the required R2T4 calculations based upon the originally assessed charges. Any reduction of institutional charges may take into account the funds the school is required to return. Therefore, the school would not return funds to the federal programs and at the same time provide a refund of those same funds to the student.

NASFAA has created a Reserve/Guard Financial Aid Resources Page at: http://www.nasfaa.org/linklists/reservistguidance.asp to provide guidance related to the call to active duty of students who are members of the Reserves and National Guard.
Consumer Information

The college must provide information about R2T4 when a student withdraws. This information must include the requirements for withdrawing from the college as well as a summary of the requirements of 668.22 of the federal regulations.

For Further Guidance

For a more comprehensive treatment of the R2T4 regulations, readers should turn to the *most recent FSA Handbook*, Volume 5 “Overawards, Overpayments and Withdrawal Calculations”. Here you will find extended discussion of each element of the R2T4 calculation with definitions, examples, worksheets, case studies and regulatory citations to assist in a better understanding of this process. Additional guidance can be found in Dear Colleague Letters GEN-04-03 (February 2004); GEN-00-24 (December 2000); GEN-98-28 (November 1998). This guidance is easily referenced from http://www.ifap.ed.gov/ifap/

The CUNY Office of the University Controller publishes its “R2T4 through SFA Manual,” a comprehensive user’s guide to the University’s centralized R2T4 process which can be found in an Appendix to the SAM.

Detailed information about managing R2T4 in CUNYfirst is published and available separately.
CUNYfirst has automated the R2T4 process and funds are no longer returned by OUC. Returns are calculated and returned by running E-033 which resides in the financial aid module of CUNYfirst (OSFA).

<table>
<thead>
<tr>
<th>Party Responsible</th>
<th>Requirement</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>College</td>
<td>Determining withdrawal date for a student who withdraws without providing notification</td>
<td>30 days after the end of the earlier of either the semester, academic year, educational program (as appropriate)</td>
</tr>
<tr>
<td>College/OSFA</td>
<td>Return of unearned Title IV Funds</td>
<td>45 days from the date the college determined that the student withdrew</td>
</tr>
<tr>
<td>College/OSFA</td>
<td>Post-withdrawal disbursement to the student’s account for: tuition and fees and other allowable charges for the current year; prior year charges for less than $200 with written authorization from the student</td>
<td>180 days from the date that the college determined that the student withdrew in accordance with requirements for disbursing Title IV funds (34 CFR 668.164)</td>
</tr>
<tr>
<td>College/OSFA</td>
<td>Written notification providing the student (or parent) the opportunity to accept all or part of a loan (Perkins, Direct, or Plus) for post-withdrawal disbursement to pay institutional charges</td>
<td>Within 30 days of the disbursement of loan funds in accordance with requirements for authorizations and notifications (34 CFR 668.22(a)(4)(i)(B))</td>
</tr>
<tr>
<td>College/OSFA</td>
<td>Written notification of student’s eligibility for post withdrawal disbursement of loan funds in excess of outstanding current charges</td>
<td>Within 30 days from the date the college determined the student withdrew</td>
</tr>
<tr>
<td>College/OSFA</td>
<td>Post withdrawal disbursement to student of earned Title IV funds in excess of outstanding current charges</td>
<td>Grants: no later than 45 days from the date of determination; Loans: no later than 180 days from the date of determination</td>
</tr>
<tr>
<td>College</td>
<td>Notification to the student (parent) of the outcome of a late request for a post withdrawal disbursement</td>
<td>Not specified (but should be ASAP)</td>
</tr>
<tr>
<td>College/OSFA</td>
<td>Notice to the student of a grant overpayment</td>
<td>30 days from the date the college determined that the student withdrew</td>
</tr>
<tr>
<td>College</td>
<td>Report to NSLDS if the student does not pay the overpayment in full or does not enter into a repayment agreement within 45 day grace period after notification of grant overpayment or fails to meet the terms of the repayment agreement</td>
<td>No later than 45 days after student is notified of overpayment</td>
</tr>
<tr>
<td>College</td>
<td>Referral of the student to ED Borrower Services if the student does not pay the overpayment in full or does not enter into a repayment agreement within 45 day grace period after notification of grant overpayment or fails to meet the terms of the repayment agreement</td>
<td>ASAP after the expiration of the 45 day grace period</td>
</tr>
</tbody>
</table>
## Return of Title IV Funds – Notification Requirements

<table>
<thead>
<tr>
<th>Party Responsible</th>
<th>Notification</th>
<th>Requirements</th>
</tr>
</thead>
</table>
| College           | Consumer Information | 1. College’s withdrawal policy  
2. College’s refund policy  
3. Office(s) where students should file withdrawal forms  
4. Requirements for the return of Title IV funds |
| College/OSFA      | Written notification of the student’s eligibility for post-withdrawal disbursement of Title IV loan funds in excess of outstanding current charges. | 5. Identify the type and the amount of Title IV loan funds that make up a post-withdrawal disbursement to the student.  
6. Explain that the student (or parent) may accept all or part of the disbursement  
7. Advise the student or parent that no post-withdrawal disbursement of loan funds will be made unless the college receives a response within time frame set by the college.  
8. Explain that the student (or parent) may cancel all or a portion of loans that may be credited to institutional charges. |
| College           | Response (may be electronic) to a late request for a post-withdrawal disbursement (that the college chooses not to make). | 9. Negative outcome of request. (If it was positive, the college would be sending payment.) |
| College           | Repayment Agreement | 10. Terms permitting the student to repay the overpayment while maintaining eligibility for Title IV funds.  
11. Repayment in full must be made within 2 years of the date the college determined that the student withdrew. |
# Return of Title IV Funds – Determining Trigger Dates

<table>
<thead>
<tr>
<th>Withdrawal Type</th>
<th>Circumstance</th>
<th>Student’s Withdrawal Date&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Date of School’s Determination that Student has Withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Notification (Official Withdrawal)</td>
<td>Student began the school’s withdrawal process</td>
<td>Date the student began the school’s withdrawal process</td>
<td>Date student began withdrawal process or date of withdrawal notification, whichever is later</td>
</tr>
<tr>
<td></td>
<td>Student provides official notification to school of intent to withdraw</td>
<td>Date the student otherwise provides notification</td>
<td></td>
</tr>
<tr>
<td>Official Notification Not Provided (Unofficial Withdrawal)</td>
<td>Official notification not provided by student because of circumstances beyond student’s control</td>
<td>Date the school determines is related to the circumstance beyond the student’s control</td>
<td>Date the school becomes aware student has ceased attendance&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>All other instances where student withdraws without providing official notification</td>
<td>Midpoint of the payment period, or period of enrollment, as applicable</td>
<td></td>
</tr>
<tr>
<td>Leave of Absence Related</td>
<td>Student does not return from an approved leave of absence or takes an unapproved leave of absence</td>
<td>Date the student began the leave of absence</td>
<td>The earliest of the dates of the end of the leave of absence or the date student notifies school that s/he will not be returning to school (for unapproved leaves of absence, the date the leave of absence began)</td>
</tr>
<tr>
<td>Withdrawal After Rescission of Official Notification</td>
<td>Student withdraws after rescinding previous official notification of withdrawal</td>
<td>Student’s original withdrawal date from previous official notification</td>
<td>Date the school becomes aware the student did or will not complete the period of enrollment</td>
</tr>
</tbody>
</table>

<sup>1</sup>In place of the dates listed, school may always use as a student’s withdrawal date the student’s last day of attendance at an academically related activity, if this can be documented.

<sup>2</sup>For a student who withdraws without notification, the school must determine the withdrawal date no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment (as appropriate), (2) academic year, or (3) the student’s educational program.
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