



USA Funds[®]

**Questions From USA Funds University
Return of Title IV Funds Webcast**

Feb. 22, 2011

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The following are USA Funds Ask PolicySM's answers to questions asked during and after the Feb. 22, 2011, USA Funds[®] University "Return of Title IV Funds" webcast. Note: Similar questions and responses were consolidated for the sake of brevity.

GENERAL QUESTIONS

Q1: Can we round to whole dollars for all aid being returned to Common Origination and Disbursement?

A1: We'll assume that the question relates only to the return of funds as determined by the Return of Title IV Funds calculation. Rounding rules for Return of Title IV Funds purposes stipulate that a school may round to the nearest dollar when determining the final amount of student aid funds that the school or student is responsible for returning.

Q2: If someone is deceased and a Return of Title IV Funds calculation is required, are we required to return the funds to the lender or just notify the lender that the student is deceased?

A2: If the student dies during the period of enrollment, then the school must perform the Return of Title IV Funds calculation and return any funds for which the school is responsible. The school is not permitted to make a late disbursement or post-withdrawal disbursement of Title IV assistance for a deceased student.

Additionally, if the student received loan funds, those loan funds may be discharged due to the student's death. If the school has reliable information regarding the student's death, we strongly encourage the school to notify the lender or servicer of that circumstance and to provide any information that may assist that lender or servicer in obtaining the documentation necessary to assist with the loan discharge process.

Q3: If a student registers for classes and is receiving federal grants, but has a grant/scholarship waiver for one or more of his classes, are the charges for these classes counted as initial charges when returning funds?

A3: If the school assesses the tuition and fee charges to the student and treats the "waiver" as a payment of tuition and fees, then the waiver is considered to be a financial aid resource and the Cost of Attendance would include the full amount of tuition and fees.

If, however, the school's policy for this waiver is such that students never are assessed all or any portion of the tuition and fees, then the waiver is not considered to be financial aid. The school would consider only the charges actually assessed for the Cost of Attendance for Return of Title IV Funds purposes.

Regulations state that the treatment of this kind of waiver under Return of Title IV Funds must be consistent with the treatment of the waiver when determining the student's Cost of Attendance. When determining school charges for Return of Title IV Funds purposes, therefore, the return calculation also is based on the full original charges for tuition and fees for the

payment period. Also note that a school may not reduce school charges (for example, when another source of aid, such as a scholarship or nonfederal grant, requires that those funds be used to pay all or a portion of the tuition).

Q4: By California regulations, how should we refund remaining credit after all required funds are returned? Should we refund this credit to the student, or are we required to refund all Title IV funds first and then give any remaining credit to the student?

A4: Federal regulations apply to funds drawn from federal programs governing the Return of Title IV Funds process. State law or regulations have no bearing on a school's compliance with these federal requirements. These regulations specify that:

- *The school may not disburse any of the credit balance to the student or return any of that amount until the school completes the Return of Title IV Funds calculation.*
- *The school must include the credit balance as "disbursed aid" in the Return of Title IV Funds calculation.*
- *The school must apply any pertinent school or state refund policy to determine if it would result in a large credit balance.*
- *The school must allocate the credit balance first to any grant overpayment owed by the student.*
- *The school then must use any remaining credit balance for any of the following:*
 - *To pay authorized charges at the school.*
 - *With the student's authorization, to reduce the student's loan debt.*
 - *To provide to the student (or parent, if the credit balance resulted from parent PLUS loan funds).*

If the school is unable to locate the student, or parent, as applicable, it must return to the appropriate Title IV program the credit balance that it normally would pay to the student or parent.

INSTITUTIONAL CHARGES

Q5: Our university does not apply institutional charges until two weeks after the term has started. For those students who withdraw prior to that date of assessment, should we use the charges that we determine that the student "should" have been charged based on enrollment if the assessment had already taken place?

A5: Institutional charges included in the school's Return of Title IV Funds calculation generally are those charges initially assessed to the student for the entire payment period prior to the withdrawal. Federal guidance specifically requires that the calculation include only those charges as they applied at the point that the student withdrew and explicitly states that adjustments to those charges after the date of withdrawal are not included in the Return of Title IV Funds calculation. Thus, if the school chooses to not assess its charges until later in the period of enrollment, and the student withdraws prior to the date that the charges apply, then we believe that same federal guidance would require that the school not include those charges in its Return of Title IV Funds calculations.

Q6: Can you include books in institutional charges?

A6: Institutional charges may include books and supplies, provided the student would not have a real and reasonable opportunity to obtain books and supplies from any source other than the school. But a school may not include books and supplies as institutional charges if the school can document that the student does have a real and reasonable opportunity to obtain them elsewhere.

Also note that to document a “real or reasonable” opportunity to obtain books, supplies, equipment or materials elsewhere, the school must document both of the following:

- *That its students could obtain the course materials at a convenient location unaffiliated with the school.*
- *That the school provided financial aid funds to students in a method that assured they could purchase the materials in a timely manner.*

Q7: If a graduate student attends the first module and does not attend the second module, should the funds from the second module be considered as "Aid That Could Have Been Disbursed" in the Return of Title IV Funds calculation?

A7: Our answer assumes that the school uses the payment period to calculate Return of Title IV Funds. “Aid that could have been disbursed” may include the sum of all undisbursed Title IV funds for the period, provided the criteria for late disbursement are met before the student withdraws. Note that the school may include aid only for the period for which the school is calculating the Return of Title IV Funds. If the school calculates the Return of Title IV Funds using the payment period, that period would include both modules.

Q8: Since modules may remain separate, would the payment period be the length of the mini-term or the entire term? For example, if the student originally was awarded for the term (combination of two modules) and then withdraws from module 2 after aid was paid for module 1, do we need to complete a return?

A8: We are basing our answer on the assumption that the student completes the first module and then withdraws from module 2.

Under current regulations, a student who is enrolled in a standard term-based program offered in modules is considered to be withdrawn only if the student does not complete at least one course in one module in the term. If the student withdraws prior to completing one course in the term but provides the school with confirmation that the student will return to attend another module later in the same term, then that student is not considered to be withdrawn from the term. If the student is not considered to be withdrawn, then the school is not required to perform the Return of Title IV Funds calculation.

Another scenario could be that the student is enrolled in a program of study offered in modules — according to your school’s policies — and then withdraws from all classes, and does not state an intent to attend a later module. In this case, for the purpose of completing the Return of Title IV Funds calculation, the school must count in the numerator the number of days completed from the first day of the module the student first attended in that term to the last day the student attended. The denominator includes all of the modules the student was scheduled to attend in the term.

With respect to your question as to whether the payment period is the mini-term or the full term, the school may choose to originate loans for either period. If the school defines the mini-term, or module, as the payment period, then it should carefully review the applicability of rules regarding substantially equal nine-week terms (sometimes referred to as SE9W) in the construction of its academic year. In some cases, such a decision results in the school's administering a nonstandard term-based academic year (falling into the "BBAY3" category of academic years), when perhaps that was not its intent.

Q9: We have programs in which adult and/or graduate students may take more than six hours during a semester, but they take one class at a time. (For example, the first class is Jan. 12-Feb. 23; the second class is March 2-April 13.) If loans were disbursed based on the six hours, but the student withdraws from the second class with a 100 percent refund since the class had not started, do we need to perform the return calculation?

A9: If the student withdraws from a term that is part of a program of study offered in modules after completing one course in that term, then the school is not required to perform a Return of Title IV Funds calculation. Refer to Question #8 for additional information and parameters related to how the school determines if a Return of Title IV Funds calculation is required.

Under the new regulations that will become effective July 1, 2011, the Return of Title IV Funds calculation for programs offered in modules changes substantively. A student who completes a single module but fails to complete subsequent modules in the term still is subject to a Return of Title IV Funds calculation. That calculation is based on the number of days or hours the student was scheduled to attend. A brief overview of the July 1 changes to Return of Title IV Funds provisions is included in USA Funds' Program Integrity Final Rules Summary, at www.usafunds.org/schools/NPRM%20Publications/ProgramIntegrityFinalRulesSummary.pdf. Information in this summary is arranged alphabetically by subject, and the Return of Title IV Funds information regarding programs offered in modules is under the subheading "Return of Title IV Funds — Modules" that begins on page 9.

Q10: We have two seven-week sessions, with dates from Jan. 10 to March 7, and March 14 to April 30. We want to make sure that we are using the right dates for a withdrawal date. Should we complete the withdraw calculation based on each session?

A10: We will assume for purposes of this response that the two sessions you describe are offered as part of a single term, and that the student is permitted — but not required — to enroll in both sessions offered in that term. If each of these assumptions is accurate, then we believe that the term you describe falls under provisions related to programs offered in modules.

Under current regulations, a student who is enrolled in a standard term-based program offered in modules is considered to be withdrawn only if he does not complete at least one course in the term. If a student withdraws prior to completing one course in the term but provides the school with confirmation that he will return to attend another module later in the same term, he is not considered to be withdrawn from the term. In each of these cases, since the student is not considered withdrawn, the school is not required to perform the Return of Title IV Funds calculation.

However, if the student was enrolled in a program of study offered in modules, according to your school's policies, and withdrew from all classes prior to completing a single course in a single module without stating his intent to attend a later module, then the withdrawal date is the date on which the school can last document that the student attended if the student formally

withdrew. For the purpose of completing the Return of Title IV Funds calculation, the school must count (in the numerator) the number of days completed from the first day of the module the student first attended in that term to the last day the student attended. The denominator includes all of the modules the student was scheduled to attend in the term.

Also note, under the new regulations that become effective July 1, 2011, the Return of Title IV Funds calculation for programs offered in modules changes substantively. A student who completes a single module but fails to complete subsequent modules in the term still is subject to a Return of Title IV Funds calculation. That calculation is based on the number of days or hours the student was scheduled to attend. If the student in your example never planned to attend — never registered for — that first module, then the days/hours in the first module are not part of the Return of Title IV Funds calculation. If the student was scheduled to attend both modules but failed to attend module one, then those days/hours for which the student registered must be included in the calculation.

Q11: What happens if a student completes a module and earns a failing grade? Must the calculation still be performed? What do the new regulations require in this situation?

A11: When a student who receives Title IV funds fails to receive a passing grade in at least one of the courses for which the student was enrolled, the student is considered to have unofficially withdrawn. If, however, the school can document that the student completed the period — often referred to as having “earned the fail” — the school may use its records to determine that the student had not withdrawn. If the student is considered to have withdrawn, unless the school can otherwise document the student’s attendance in that module through the completion of the course, the school would be required to perform a Return of Title IV Funds calculation.

Under new regulations, the school is required to consider the student withdrawn if the student withdraws during the term, even if that student completed one course in one module in the term. If the school cannot document that the student attended through the end of the module — and so must consider the student to be withdrawn from that module — then the school also must consider the student to be withdrawn from the term. If the student has notified the school that he or she will re-enroll in a subsequent module in the term, then the school is not required to consider the student to be withdrawn.

AID THAT COULD HAVE BEEN DISBURSED

Q12: I have a question as a follow up to discussion of a Perkins loan that was not yet disbursed: If we, per school policy, do not originate a Direct Loan until the Master Promissory Note is signed, but the student withdraws after the MPN is signed but before the loan is originated, is that loan considered “aid that could have been disbursed”?

A12: Your inquiry mentions both Perkins loans and Direct Loans. We will respond to the question from both perspectives to ensure that we completely address your concern.

For a school to be able to count Direct Loan funds as aid that could have been disbursed, the school must have originated the loan prior to the last day of the student’s at-least-half-time attendance or the last day of the loan period for which the funds are intended, whichever is earlier. The loan and student also must have met all other Direct Loan “late disbursement” parameters. Note: There is no late disbursement requirement that the MPN must have been endorsed prior to the date that the loan is originated, though the school may not disburse funds until there is a valid, signed MPN to support the loan. The description you provide appears to

indicate that the school had not originated the Direct Loan funds prior to the withdrawal and, therefore, would be prohibited from including those funds as aid that could have been disbursed.

With respect to Perkins loans, similar to Direct Loans, the school must have awarded the funds to the student prior to the date that the student withdrew for that award year in order for the Perkins loan funds to be considered as aid that could have been disbursed.

Q13: If a student withdraws and has a Stafford loan that the school originated, and there is a valid MPN on file, but the student hasn't completed all of his other requirements that our school says is necessary to receive the loan (for example, entrance counseling), would this be considered aid that could have been disbursed? At our school, students aren't entitled to their loans until all requirements for the loan funds are satisfied, so it really couldn't have disbursed.

A13: Assuming that the other requirements for the inclusion of Stafford or PLUS loan funds are met, aid that could have been disbursed may include the sum of undisbursed but originated Stafford loan funds, even if the student has not completed entrance counseling. For instance, the school may consider as aid that could have been disbursed the sum of any Stafford loans subject to delayed delivery (such as for first-year students who are first-time borrowers), even if the student did not attend the full first 30 days of the period of enrollment. The requirements for entrance counseling would be similarly exempted.

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