What happens to financial aid once a student withdraws or quits attending classes?

Federal regulations require Title IV financial aid funds (grant or loan) to be awarded under the assumption that a student will attend the institution for the entire period in which federal assistance was awarded. When a student withdraws from all courses for any reason, including medical withdrawals, he/she may no longer be eligible for the full amount of Title IV funds that he/she was originally scheduled to receive. The return of funds is based upon the premise that students earn their financial aid in proportion to the amount of time in which they are enrolled. A pro-rated schedule is used to determine the amount of federal student aid funds he/she will have earned at the time of the withdrawal. Once over 60% of the semester is completed, a student is considered to have earned all of his/her financial aid and will not be required to return any funds.

We are required to determine the earned and unearned portions of Title IV aid as of the date the student ceased attendance based on the amount of time the student spend in attendance. Murray State University's (MSU) tuition/fee refund policy is separate from the federal regulations to repay unearned aid. Whether or not a student receives a tuition/fee refund has no bearing on the amount he/she must repay to the federal aid programs.

Federal law requires schools to calculate how much federal financial aid a student has earned if that student:

- completely withdraws, or
- stops attending before completing the semester, or
- does not complete all modules (courses which are not scheduled for the entire semester or payment period for which he/she has registered at the time those modules began.)

Based on this calculation, students who receive federal financial aid and do not complete their classes during a semester or term could be responsible for repaying a portion of the aid they received. Students who do not begin attendance must repay all financial aid disbursed for the term.

Types of withdrawals

For financial aid purposes there are two types of withdrawals: Official and Unofficial.

Official

- Official withdrawal from MSU by the student. The online withdrawal form can be found on myGate under the Academic's tab.

Unofficial

- Federal financial aid regulations consider a student to be an unofficial withdrawal if the student receives no credit for the term. School must make this determination as soon as possible, but no later than 30 days after the end of the earlier period of enrollment.

Students who quit attending classes (classified as an unofficial withdrawal)

Financial aid is awarded under the assumption that the student will attend MSU for the entire term for which federal assistance was disbursed. When the student has not earned <u>any</u> credit for the semester and has not officially withdrawn, a return will be processed based on the latest date of an academically related activity,

reported by an instructor. MSU will return the calculated amount to the federal program and the student's account will be charged the amount and the student will be responsible for any balance due.

Students who are able to verify attendance beyond MSU's records must have the instructor submit supporting documentation to the Financial Aid Office. This supporting documentation must be received within 30 days from the last date of the term. Recalculations for aid eligibility will not be performed for documentation received after that date.

Definition of an academic related activity

Examples of academic-related activities include but are not limited the following:

- Physically attending a MSU class where there is opportunity for direct interactions between students and instructor
- Submitted academic assignments
- Taking an exam, interactive tutorial or computer-assisted instruction
- Attending a MSU required study group
- Participating in an online discussion about academic matters
- Initiating contact with a faculty member to ask a question about the academic subject studied in the course

Examples of documentation not acceptable as an academically related activity:

- Student's self-certification of attendance that is not supported by school documentation
- Logging into an online class without active participation (active participation is considered to be contributing to an online discussion or initiating contact with a faculty member to ask a course-related question)
- Living in MSU housing
- Participating in the school's meal plan
- Participating in academic counseling or advising

Return of Title IV funds for students enrolled in modules (summer and ½ semester classes)

Effective July 1, 2011

Overview

These regulations aim to provide for consistent and equitable treatment of students who withdraw from a program measured in credit hours, regardless of whether courses in the program span the entire term or consist of shorter modules.

Program integrity principles

- Title IV funds are awarded to a student to attend an entire payment period or period of enrollment, and the funds are intended to cover the student's educational and living expenses for the entire period.
- Federal law specifies that a student earns Title IV funds on a pro-rated basis through 60 percent of a period based on the actual days completed. For the purposes of federal aid programs, MSU must be able to document a student's active participation in an academically related activity.

Regulatory requirements

- A student is considered to have withdrawn from a payment period or period of enrollment in which the student began enrollment if the student ceased attendance in all scheduled courses without completing all of the days the student was scheduled to complete in the period.
- However, if a student provides written confirmation to MSU before ceasing attendance that the student plans to attend another course later in the same period, the student is not considered to have withdrawn. If a student does not resume attendance within the scheduled timeframe (14 days), the student is considered to have withdrawn as of the date on which attendance ceased.
- If a student does not provide written confirmation of plans to return to school later in the same period, a school considers the student to have withdrawn and performs a return of Title IV funds (R2T4) calculation to determine if any funds must be returned. However, if the student does return to school in the same period — even if the student did not provide written confirmation of plans to do so — the student is not considered to have withdrawn and is eligible to receive Title IV funds for which the student was eligible before ceasing attendance. MSU must reverse the R2T4 process and provide any additional funds the student is eligible to receive at the time of return.
- If a student enrolled in a term-based, credit hour program offered in modules who withdrew without confirming intent to return to a module later in the period of enrollment re-enters the same program prior to the end of the period of enrollment, the student is treated as he/she did not cease enrollment.
- The rule impacts all programs offering courses shorter than an entire term, including ½ semester-based programs and summer classes.
- If a student officially drops courses in a later module while still attending a current module, the student is not considered as withdrawn based on not attending the later module. However, a recalculation of aid based on a change in enrollment status, may still be required.

Withdrawing prior to completing more than 60 percent of a term

Unless a student completes more than 60 percent of the term in which federal aid was disbursed, the student will be required to return all or part of the financial aid disbursed in the term. This applies to students who have officially (including medical), or unofficially withdrawn.

When a student fails to begin attendance

If a student receives financial aid, but never attends classes, our office must return all disbursed funds to the respective federal, state, and institutional aid programs.

Repayment calculation of unearned aid as a result of a withdrawal

As a result of a withdrawal, students who received federal funds will be required to repay "unearned" aid. The repayment calculation is performed by our office.

How the earned financial aid is calculated

Students who receive federal financial aid must "earn" the aid they receive by staying enrolled and attending classes. The amount of federal financial aid assistance the student earns is on a pro-rated basis. Students who withdraw or do not complete all registered classes during the semester may be required to return some of the financial aid they were awarded.

We are required to determine the percentage of Title IV aid "earned" by the student and to return the unearned portion to the appropriate aid programs. Regulations require schools to perform calculations within 30 days from the date the school determines a student's complete withdrawal. The school must return the funds within 45 days. The R2T4 calculation process and return of funds is completed by the Financial Aid Office.

The following formula is used to determine the percentage of unearned aid that has to be returned to the federal government:

- The **percent earned** is equal to the number of calendar days completed up to the withdrawal date, divided by the total calendar days in the payment period (less any scheduled breaks that are at least 5 days long).
- The **payment period** for most students is the entire semester. However, for students enrolled in modules (courses which are not scheduled for the entire semester or term), the payment period only includes those days for the module(s) in which the student is registered.
- The **percent unearned** is equal to 100 percent minus the percent earned.

Steps in determining Institutional Charges

- Institutional charges are used to determine the portion of unearned Federal Student Aid that MSU is responsible for returning. Title IV program funds are used to pay institutional charges ahead of all other sources of aid. The institutional charges used in the calculation are always the charges that were assessed the student for the entire period of enrollment until census but prior to the student's withdrawal. Student's institutional charges are generally defined as charges for tuition/fees and room and board that are paid to the school directly.
- MSU does not include books, supplies, equipment, and materials as institutional charges because students are able to purchase these materials at convenient locations not affiliated with MSU and we provide financial aid funds in a way and at a time that makes it possible for students to purchase the materials in a timely manner. Generally, the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school.

Determination of the withdrawal date

- The withdrawal date used in the return calculation is the date the online withdrawal form is completed by the student or the date the student requests to be contacted by a department (through the contact section of the online withdrawal form) prior to deciding to withdrawal, whichever is earlier. If a student stops attending classes without notifying MSU, the withdrawal date will be the latest date of an academically related activity as reported by the instructor.
- In order to document attendance for web courses, simply logging into an online class is not sufficient. The student must demonstrate he/she participated in class or was otherwise engaged in an academically related activity (contributing to an online discussion or initiating contact with a faculty member to ask a course-related question).

Steps in the return of Title IV funds policy

Step 1: Student's Title IV information

Our office will determine:

- The total amount of Title IV aid disbursed for the semester in which the student withdrew. A student's Title IV aid is counted as aid disbursed in the calculation if it has been applied to the student's account on or before the date the student withdrew.
- The total amount of Title IV aid that could have been disbursed for the semester in which the student withdrew.

Step 2: Percentage of Title IV aid earned

Our office will calculate the percentage of Title IV aid earned as follows:

The number of calendar days completed by the student divided by the total number of calendar days in the semester in which the student withdrew. The total number of calendar days in a semester shall exclude any scheduled breaks of more than five days.

Days Attended ÷ Days in Enrollment Period = Percentage Completed

If the calculated percentage completed exceeds 60% (not equal to), then the student has "earned" all the Title IV aid for the enrollment period.

Step 3: Amount of Title IV aid earned by the student

Our office will calculate the amount of Title IV aid earned as follows:

The percentage of Title IV aid earned (Step 2) multiplied by the total amount of Title IV aid disbursed or that could have been disbursed for the term in which the student withdrew (Step 1).

Total Aid Disbursed x Percentage Completed = Earned Aid

Step 4: Amount of Title IV aid to be disbursed or returned

- If the aid already disbursed equals the earned aid, no further action is required.
- If the aid already disbursed is greater than the earned aid, the difference must be returned to the appropriate Title IV aid program.

Total Disbursed Aid – Earned Aid = Unearned Aid to be Returned

- If the aid already disbursed is less than the earned aid, then we will calculate a post-withdrawal disbursement.

Student notification of repayment

An email will be sent to the student, that instructs what occurred and to check myGate for the adjustment to the financial aid. MSU will return funds to the appropriate federal and institutional aid program(s) and subsequently

will bill the student's account. The student is responsible for all charges and overpayments resulting from a Return of Title IV calculation.

Repayment to federal and institutional aid programs

Federal regulations require that the following aid programs be subject to the repayment calculation if the student did not attend more than 60% of the term:

- Federal Direct Loans: Unsubsidized and Subsidized
- Federal Perkins Loans
- Federal Direct Grad PLUS Loans
- Federal Direct Parent PLUS Loans
- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- TEACH Grant.
- Iraq and Afghanistan Service Grant

FWS funds are **not** included

Steps in determining a Post-withdrawal disbursement

Any undisbursed Title IV aid for the period that MSU uses as the basis for the return calculation is counted as aid that could have been disbursed as long as certain conditions are met before the date the student became ineligible-

- For all programs, the Department processed a SAR or ISIR with an official EFC for the student
- For an FSEOG award, MSU made the award to the student
- For a Direct Loan and TEACH grant, MSU originated the loan
- For Perkins loan, MSU made the award to the student

A promissory note must be signed for a loan to be included as "Aid that could have been disbursed" in the return calculation.

MSU is required to make Post-withdrawal disbursements within 180 days of the date MSU determines a student withdraws. The disbursement must be made from available grant funds before available loan funds. MSU must obtain confirmation from a student or parent for PLUS before making any disbursement of loan funds from a post-withdrawal disbursement. Without obtaining students' permission, Title IV grant funds from post-withdrawal disbursement are credited to their account to pay for tuition, fees, room and board or disbursed directly to the student. This is allowed up to the amount of outstanding charges.

MSU will notify a student or parent for PLUS loan, in writing before making any post-withdrawal disbursements within 30 days of the date MSU determines a student withdrew.