

Overview of Refunds and Repayments

Instructor's Notes

Time Estimate:

Lecture 25 minutes

Exercise 10 minutes

Total Time: 35 minutes

By the end of the session, you will be able to:

- *recognize the difference between a refund and a repayment,*
- *choose the correct refund calculation, and*
- *process refunds and repayments in a timely manner.*

INTRODUCTION

When a student receives financial aid, the aid is intended to cover that period of enrollment for which the student is being charged.

As a result, a school has special responsibilities if the student: (OH 1)

- officially withdraws,
- drops out,
- is expelled,
- takes an unapproved leave of absence, **or**
- fails to return from an approved leave of absence.

In these cases, the student does not complete the enrollment period for which he or she was charged. Suddenly, a student might have (or the student's account might be credited with) unearned aid. Whenever a student fails to complete the period of enrollment for which he or she was charged, a school **must** determine:

- whether unearned aid credited to the student's school account must be refunded to Title IV programs, other sources of aid, and/or the student; **and**

- whether unearned aid paid in cash to the student must be repaid by the student and then returned to the sources of financial aid.

A **refund** is the return of unearned aid (both Title IV and outside assistance) that was originally **credited** to a student's **institutional charges**; any cash paid to the student is not involved in a refund calculation. (OH 2)

- The school must return the funds to Title IV programs first, outside aid second, and, if there are funds left, to the student third.

On the other hand, a **repayment** involves unearned **cash** originally paid directly to the student to cover **non-institutional charges**.

- In this case, the student must return the unearned funds.
- Direct Loans or FFEL Program loans are not considered in repayment calculations. By signing the promissory note, the student has already agreed to pay the funds back.

Federal Work Study (FWS) funds that students earn for hours worked are not considered when calculating refunds and repayments. Schools, though, are still required to perform the calculation for students whose only Title IV aid is FWS.

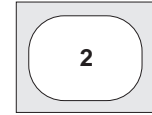
CHOOSING THE RIGHT REFUND

Each school participating in any Title IV program is **required** to have, in writing, a fair and equitable refund policy. A school meets the requirement of being “fair and equitable” by calculating all types of applicable funds, then determining and using the largest amount.

We will only go over the basic concepts of refunds and repayments while the Presidents/CEOs are here.

Instructor's Notes

PW 2



Note to Instructor:

In general, “institutional charges” refer to costs paid directly to the school, such as tuition and fees. In general, “non-institutional charges” are not paid directly to the school, or are passed on by the school to another party. An example of a non-institutional charge would be books students buy from a vendor. Session 27 covers this topic in more detail.

Instructor's Notes

Later in the week, during Session 27, we'll work on the specific calculations.

Let's look at the procedure for choosing the right refund.

Please look at the chart on page 4 of your Workbook. As you can see, there are two levels of refund calculations from which to choose. [IG, pg. 10]

The first level, which includes *pro rata*, state, and accrediting agency policies, is considered first. You would calculate all that apply and make a refund at least equal to the largest.

- If none of the first level refunds apply, you would drop down to the second level and compare the federal refund policy to your school's own refund policy.

Let's look more closely at the first level.

- The **statutory *pro rata*** refund applies to Title IV recipients who meet two criteria: (OH 3)
 - they are attending the school for the first time; and
 - they withdraw from school on or before the 60% point in the period of enrollment for which they were charged.
 - A student is considered to be attending the school for the **first time** when he or she:
 - ◆ has not previously attended at least one class at the school **or**
 - ◆ has received a 100% refund of any charges for tuition and fees (less any allowable administrative fee) for previous attendance at the school.
 - A student remains a "first-time student" at the school until he or she withdraws, drops out, takes an unapproved leave of absence, fails to return from an approved leave of absence, or is expelled after

PW 4

3

Note to Instructor:
Some schools choose to charge for the entire year, while other schools charge in segments (terms, quarters, and so on).

Instructor's Notes**Note to Instructor:**

DCL GEN-95-22 provides guidance on what qualifies as a state refund policy.

- attending at least one class, **or** completes the period of enrollment for which he/she was charged.
- A state refund policy only applies if the state in which your school is located has such a policy.
- Although the law says an approved accrediting agency policy must be considered, no accrediting agency policy has been approved by ED.
- As I said earlier, you must complete **all** first-level refund calculations that apply, then make a refund equal to at least the largest amount.
 - Since there are no approved accrediting agency policies, schools actually end up comparing the state policy to the statutory *pro-rata* policy.
- If *pro rata* does not apply, use only the state policy.
- If there is no state policy and *pro rata* applies, then you would only calculate the *pro rata* refund.

If no first-level refund policies apply, you must drop down to the second level of the chart. Here, you calculate the federal refund policy and the school's own institutional refund policy. Then make a refund that equals at least the larger of the two.

Let's practice identifying the correct refund policy. Take a look at "Exercise 1—Choosing the Right Refund" on pages 6 and 7 of your Workbook. Please take a few minutes to complete this exercise now.

» Give them 3 minutes to complete the exercise, which is found on the next page. Then, review the answers.

PW 6-7

		Instructor's Notes
For each student, identify which refund policies must be calculated.		
1.	<p>Student: Bill</p> <p>School: Kaler College</p> <p>Student Grade: first-time freshman</p> <p>Classes Begin: September 1</p> <p>Enrollment Period: 9/1 - 5/12</p> <p>Refund Information: - state refund policy available - no accrediting agency policy approved</p> <p>Withdrawal Date: 4/1</p> <p>Required Calculations: <i>state refund policy only</i></p>	
2.	<p>Student: Kathy</p> <p>School: Davis University</p> <p>Student Grade: first-time freshman</p> <p>Classes Begin: 9/1</p> <p>Enrollment Period: 9/1 - 5/12</p> <p>Refund Information: - no state policy available - no accrediting agency policy approved</p> <p>Withdrawal Date: 10/24</p> <p>Required Calculations: <i>pro rata only</i></p>	PW 7
3.	<p>Student: Scarlett</p> <p>School: Brock Community College</p> <p>Student Grade: junior</p> <p>Classes Begin: 9/1</p> <p>Enrollment Period: 9/1 - 5/12</p> <p>Refund Information: - no state policy available - no accrediting agency policy approved</p> <p>Withdrawal Date: 12/1</p> <p>Required Calculations: <i>federal refund policy and (if one exists) school policy</i></p>	
Do you have any questions about choosing the right refund?		

Instructor's Notes**OTHER RELATED REQUIREMENTS****Published policies and procedures**

Schools must provide a “clear and conspicuous written statement” to prospective and enrolled students that covers several topics. Take a moment to read the list of published policies and procedures on page 2 of your Workbook.

PW 2

» Give participants a chance to read over the list.

Once refunds and repayments are calculated, the funds are distributed back to the appropriate programs. Refunds and repayments allocated to a particular program may never exceed the aid originally paid to the student from that program. (OH 4)



- In other words, if a student originally received \$1,000 from the Pell Grant program, you would never return more than \$1,000 back to the Pell Grant Program when distributing the refund.

Any questions about distributing refunds?

Schools must also have a consistent policy on repaying aid disbursed for noninstitutional, education-related expenses incurred by students while they were enrolled.

- One school, for instance, might maintain that a student who has attended three weeks has, for repayment calculation purposes, incurred 50% of the cost of books and supplies.
 - A percentage of this sort is needed when actually performing the calculation.

Timely Processing

Regulations specify the maximum time in which any refund and repayment must be made.

PW 3

	Instructor's Notes
Refunds	
<p>Please take a moment to read over the chart on page 5 of your Workbook. This chart outlines the processing requirements for refunds. [IG, pg. 11]</p>	PW 5
<p>What questions do you have about this chart?</p>	
<p>OK, here are some questions for you. Turn to page 8 of your Workbook and answer the questions.</p>	PW 8
<p>Q1: A student unofficially withdraws from school during the fall semester. The school does not discover he has withdrawn until the start of the spring semester. This school's enrollment period for which the student is charged is the fall term. The school must return funds to the FFEL lender within 60 days of when?</p>	
<p>A1: The school has up until 60 days from the end of the fall term.</p>	
<p>Q2: A student never returns from an approved leave of absence. He notifies the school three days after the end of his leave that he is not coming back. The school has up to 30 days from when to return the non-FFEL funds to all sources?</p>	
<p>A2: The school has 30 days from the student's last date of recorded attendance.</p>	
<p>Q3: Another student notifies the school three days before the end of her leave of absence that she is not coming back. When must the school return the non-FFEL funds in this scenario?</p>	
<p>A3: In this case, the school has 30 days from date the student informed the school that she is not returning to return the funds.</p>	

Instructor's Notes**Repayment**

If the repayment amount is less than \$100, no repayment is owed.

The school must return repayments of \$100 or more of a Federal Perkins Loan, Federal Pell Grant, or FSEOG to the appropriate program account within 30 days of the date the student makes the repayment. The order in which you must make the allocation is listed at the bottom of the repayment worksheet. (This worksheet is provided for you in Session 27.)

Although the school is not liable for any part of a repayment that a student owes, the school is responsible for: (OH 5)

- notifying and billing the student for the amount due and
- collecting the repayment.

Until the repayment is resolved:

- the student is ineligible for further Title IV assistance, and
- the school must report the repayment owed on any financial aid transcript completed for the student or on any submission to NSLDS.

In addition, if the school is unable to collect an FSEOG or Federal Pell Grant repayment from the student, the school must refer the student to ED for collection. Follow the procedures specified in Chapter 5 of *The Verification Guide*. (OH 6)

Are there any general questions about refunds and repayments? Remember, we will be covering the specific calculations in Session 27.

5

6

BACK AT THE OFFICE

When you return to your office, you should get hold of your state's refund policy. If there is no state policy, then you must become familiar with the federal refund policy and create or review your institution's own refund policy.

Also, make sure your school does in fact give current and prospective students your refund policies and procedures in writing.

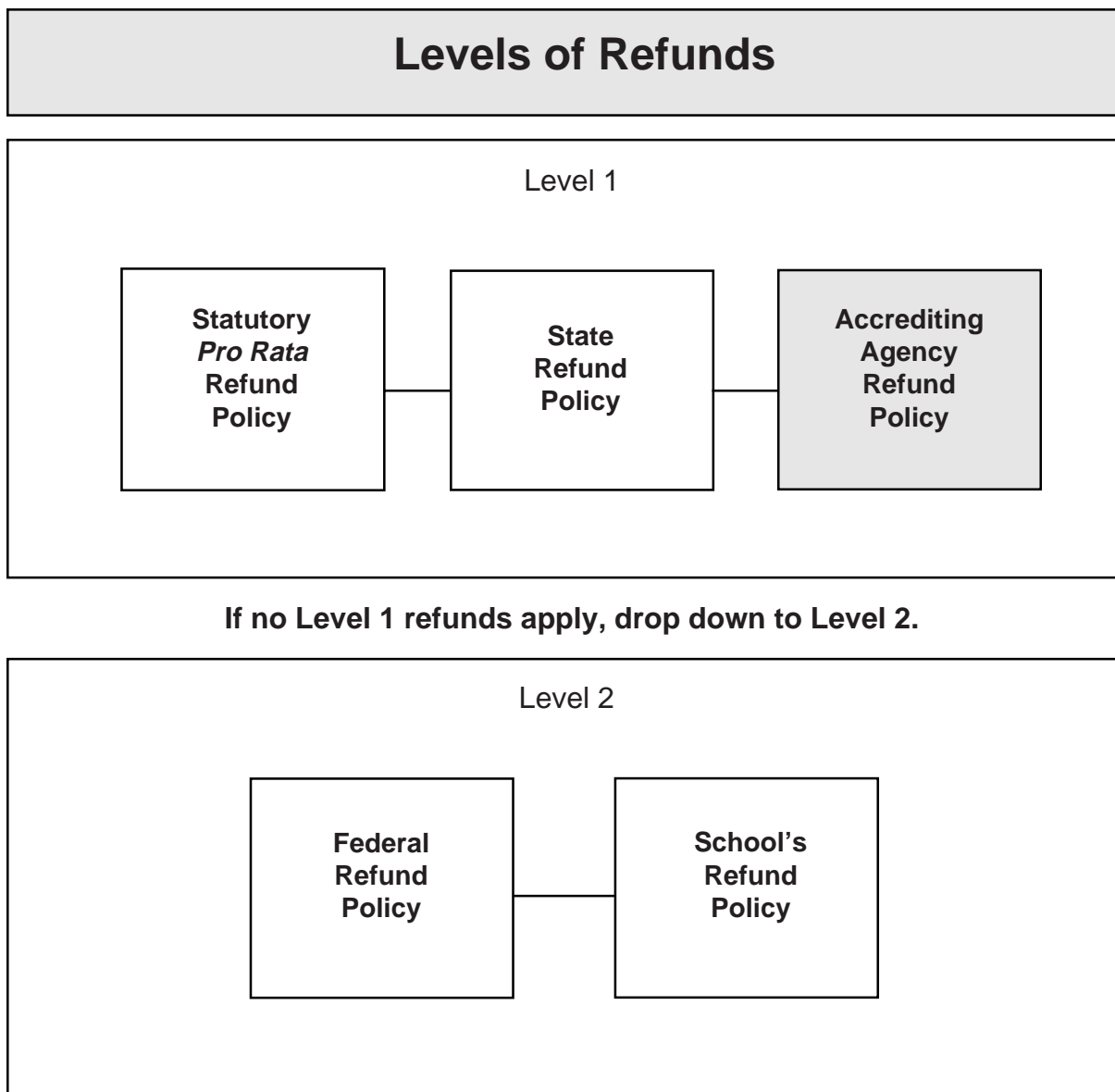
What else should you do when you return to your office?

Instructor's Notes**PW 9**

There are two levels of refund calculations from which to choose.

The first level, which includes pro rata, state, and accrediting agency policies, is considered first. You would calculate all that apply and make a refund at least equal to the largest.

If none of the first level refunds apply, you would drop down to the second level and compare the federal refund policy to your school's own refund policy.



Refunds — Timely Return of Funds

Student	Title IV Aid (non-FFEL)		FFEL
Official Withdrawal or Expulsion	30 days from later of: <ul style="list-style-type: none"> last date of attendance date student notifies school of withdrawal 		60 days from later of: <ul style="list-style-type: none"> last date of attendance date student notifies school of withdrawal
Unofficial Withdrawal (drop out)	30 days from: <ul style="list-style-type: none"> date school has determined student has withdrawn 	30 days from earliest of: <ul style="list-style-type: none"> date of determination end of term end of period of enrollment for which student was charged 	60 days from: <ul style="list-style-type: none"> date school has determined student has withdrawn
Never Return from Approved Leave of Absence (LOA)	30 days from: <ul style="list-style-type: none"> student's last date of recorded attendance 		60 days from: <ul style="list-style-type: none"> student's last date of recorded attendance
Unapproved Leave of Absence (LOA)	30 days from earlier of: <ul style="list-style-type: none"> end of LOA date student notifies school 		