



Return of Unearned Title IV Funds Policy

Federal regulations stipulate that students may forfeit a portion of their federal student financial assistance if they fail to complete the program of study in which they were enrolled. This policy affects students who:

a) received or were eligible to receive federal student financial assistance authorized under Title IV of the Higher Education Act (HEA), i.e., Federal Pell Grants, Federal SEOG awards, or Federal Direct Student Loan (FDSL) programs,

and

b) who withdrew or were terminated from the institution during the first 60% of any payment period or period of enrollment.

A student's withdrawal date for Return to Title IV purposes is the last date of physical attendance in an educationally-related activity for both official and unofficial withdrawals. An unofficial withdrawal happens when a student stops attending and does not notify the institution, and will be determined by the school director when the student does not return to class within 23 days. Tennessee School of Beauty will determine the last day of attendance using attendance records maintained by faculty attendance rosters. All students are expected to notify the School Director in writing if they plan to withdraw from school completely. For emergency situations, students may be able to take a Leave of Absence (see LOA policy and application).

Eligible Title IV federal aid recipients who fail to complete more than 60% of a payment period or period of enrollment are considered to have not earned all of the federal aid that may have previously been awarded for that payment period or period of enrollment. Accordingly, a required calculation will be performed to determine the portion of the unearned federal student aid that must be returned to the U.S. Department of Education. This calculation will be done before a tuition refund calculation is performed in accordance with the institution's refund policy. In many cases, the Return of Unearned Title IV Funds calculation will result in the student owing tuition and fees to the institution that would otherwise have been paid with federal student aid. This policy may also result in the student, as well as the school, owing a refund of unearned federal aid to the Department of Education. Unearned Title IV, HEA funds will be returned first to Unsubsidized Direct Loans, followed by Subsidized Direct Loans, Direct PLUS Loans, Federal Pell Grant awards and lastly, to any Federal SEOG awards. Unearned funds to be returned to the U. S. Department of Education by the institution, and any unearned grant

funds owed by the student, must be repaid within 45 days of the date the institution determined that a student has withdrawn. Unearned, Title IV funds owed by the student to a federal loan program must be repaid in accordance with the repayment terms of the student's loan.

In the event a student has earned federal aid in excess of the amount disbursed at the time of withdrawal, and is eligible to receive those funds, the school will process a post-withdrawal disbursement of such earned funds to the student in accordance with federal regulations and allowances.

Example of Return of Unearned Funds Calculation

Payment Period Length	450 Clock Hours
Title IV Federal Aid Awarded for Payment Period	\$6,000.00
Student's Scheduled Hours of Attendance as of Withdrawal Date	150 Clock Hours

In this brief example \$6,000 of federal financial aid was awarded to a student for a 450 hour period of training. The student withdrew from school after only 150 scheduled hours of attendance (example: the student was scheduled to attend 30 hours per week and withdrew at the end of the 5th week of enrollment). Accordingly, this student was enrolled for 33.3% (150/450) of the 450 hour payment period. Since the student was enrolled for only 33.3% of the payment period, only 33.3% of the federal aid was earned by the student. The remaining 66.7% of the aid that has not been earned must be returned to the U.S. Department of Education. In this case \$4,000 (66.7%) of the original aid awarded must be returned and only the \$2,000 (33.3%) of earned federal aid may be applied to the student's educational costs. A similar calculation is performed for all federal aid recipients who withdraw from school during the first 60% of the period of time for which monies were awarded. Once a student has been enrolled for more than 60% of the payment period, all of the federal aid that has been awarded for that period is considered to be fully earned.

All Pell grants must be disbursed within 45 days.

All Loans must be offered to the student within 30 days, and students are allowed at least 14 days to respond to accept or decline the funds.

If the R2T4 calculation results in a credit balance on the student's account, the credit will be disbursed within 14 days after the calculation of R2T4.

Section 12

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In the event a student withdraws or is terminated from the program, a tuition refund calculation in accordance with your institutional refund policy must be performed and any resulting refunds must be repaid by the school. For Title IV recipients, a Return of Unearned Title IV Funds calculation must be performed **before** an institutional refund calculation. Any unearned Title IV funds must be returned to your federal aid account within the regulatory 45-day deadline. When returning unearned Title IV funds, or making tuition refunds, the money must be returned in the following mandated order:

- **To unsubsidized, then subsidized FDSL Programs.**
- **To the Federal Pell Grant Program**
- **To the Federal SEOG Program**
- **To any other Title IV Program**

When making Pell, FDSL, or Campus Based refunds, notify our office immediately. GEMCOR's TEAM Software System provides users with the ease of electronic notification of your refund amounts. As with all award approvals, GEMCOR extracts all refund records entered in TEAM on a daily basis. We will record the refund in our records, account for the additional cash in your federal aid account, and reduce the student's expected disbursement in the USDE's designated computer systems. GEMCOR will also perform all necessary functions to adjust future unpaid disbursements and loan period lengths to ensure compliance with federal regulations regarding subsidized loan limitation rules.

Institutions must have policies in place regarding the Return of Unearned Funds process. This process is also commonly referred to as Return to Title IV, or R2T4. Included in Appendix G to this manual is a suggested policy and a *Return of Unearned Title IV Funds Calculation Form*. GEMCOR has also designed a very user friendly Excel spreadsheet program for clients to use to perform accurate and easy R2T4 calculations. Please incorporate the policy and related tools into your on-campus procedures. GEMCOR recommends that institutions have procedures in place to review student records for the purposes of identifying withdrawn students at least twice per month. Performing this analysis twice monthly will ensure that you remain in compliance with federal regulations and deadlines regarding the treatment of students when they withdraw from the institution.

Improper or untimely refund determinations is one of the most often cited audit and program review findings. To ensure your compliance GEMCOR can provide complete R2T4 training and review of your R2T4 calculations. Proper use of GEMCOR's spreadsheet program for R2T4 calculations will keep you compliant with this important area of federal aid administration.

As with any issue regarding the administration of your federal aid programs, contact one of GEMCOR's agents with any questions. A foolish question is the one that never gets asked. Our agents are available to you and your staff for assistance.