

RETURN OF TITLE IV FUNDS POLICY

Division: Student Affairs

Policy Statement

In accordance with federal regulations under the Higher Education Act of 1965, as amended, Terra State Community College is required to determine the amount of Title IV federal financial aid that a student has earned as of their withdrawal date from the institution. Title IV programs include Federal Pell Grants, Federal SEOG Grants, Federal Direct Subsidized and Unsubsidized Loans, and Federal Direct PLUS Loans.

Policy Details

Title IV funds are awarded to a student under the assumption that the student will attend courses for the entire enrollment period for which the assistance is awarded. Students who do attend and successfully complete 60% of the enrollment period are assumed to have 'earned' 100% of the Title IV funding disbursed. Schools are required to perform a Return of Title IV calculation for Title IV eligible students who do not successfully complete the entire enrollment period due to withdrawal (official or unofficial). If the amount disbursed to the student exceeds the amount the student earned, the unearned funds must be returned. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, the student is eligible to receive a post-withdrawal disbursement of the earned aid that was not received.

Procedures

- Withdrawal Determination:
 - A student is considered withdrawn if they cease attendance in all courses prior to the end of the payment period, with or without officially notifying the institution.
 - The withdrawal date is determined based on the date the student began the official withdrawal process, provided official notice, or last attended an academically related activity.
- Calculation of Earned and Unearned Aid:
 - Title IV funds are earned based on the percentage of the payment period completed.
 - The percentage is calculated by dividing the number of calendar days completed by the total number of calendar days in the payment period (excluding scheduled breaks of five days or more).
- Return of Unearned Funds:
 - If the student earned less aid than was disbursed, the unearned portion must be returned by the school and/or the student in accordance with federal regulations.
 - Funds are returned in the following order:
 - Federal Direct Unsubsidized Loan
 - Federal Direct Subsidized Loan
 - Federal Direct PLUS Loan
 - Federal Pell Grant
 - Federal Supplemental Educational Opportunity Grant (FSEOG)
- Post-Withdrawal Disbursement:
 - If a student is eligible for additional funds after withdrawal, the school will notify the student and obtain their permission before disbursing loan funds. Grant funds will be disbursed without requiring student permission if eligible.
- Module courses:
 - A student is considered withdrawn if the student does not complete all of the days in the payment period that the student was scheduled to complete. Terra State will track enrollment in each module to determine if a student began enrollment in all scheduled courses. 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.

- Overpayment of Federal Grant Funds
 - The maximum amount of a grant overpayment the student must repay is half the grant funds disbursed and could have been disbursed. The student does not have to repay a grant overpayment if the original amount of the overpayment is \$50 or less and is not a remaining balance. Arrangements must be made with Terra State Community College or the Department of Education (ED) to return the unearned grant funds. The student will be notified of any grant overpayment within 30 days of the date the school determined the student withdrew. The institution will refer the overpayment to ED and report it to NSLDS if, within the 45-day period, the student does not repay the overpayment or sign a repayment agreement with ED.
- Timeframes:
 - The return of funds calculation will be completed within 30 days of the date the institution determines the student has withdrawn.
 - Any funds owed by the institution will be returned within 45 days of that date.
- Student Responsibility:
 - The student may owe a balance to the school if returned funds create an outstanding account balance.
 - Students are encouraged to consult with the Financial Aid Office before withdrawing to fully understand the financial implications.
- Resolve grant overpayment:
 - If you do not repay or make satisfactory arrangements to repay your grant overpayment within 45 days of being notified, your school will report the unresolved overpayment to the National Student Loan Data System (NSLDS). This will make you ineligible for further federal student aid at any school until the debt is resolved.
- Complete Loan Exit Counseling (for loan borrowers):
 - You can log into www.studentaid.gov to complete your exit counseling requirements.
- Future Aid Eligibility:
 - An official or unofficial withdrawal could impact your financial aid eligibility for future terms. Please refer to the Satisfactory Academic Progress (SAP) Policy for additional details.
If a withdrawal resulted in financial aid needing to be returned, this will reflect as a balance owed on your account. Any outstanding balance will need to be resolved before you will be able to register for future terms.
- Loan Repayment:

The student's grace period for loan repayments for Federal Direct Unsubsidized and Subsidized Loans will begin on the day of the withdrawal from the school. If the student is not enrolled part-time for more than 6 months, the loans will go into repayment.

Resources

- [FAFSA Application](#)
 - Terra State school code: 008278
- Federal Student Aid Handbook (<https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2024-2025/vol5/ch1-general-requirements-withdrawals-and-return-title-iv-funds>)
- Student Aid (studentaid.gov) for loan history/servicer information
- Exit Counseling
- Terra State SAP Policy

Definitions

<i>Term</i>	Definition
<i>FAFSA</i>	The Free Application for Federal Student Aid is a form completed by current and prospective college students in the United States to determine their eligibility for student financial aid.
<i>Federal Pell Grant</i>	The Federal Pell Grant is a form of financial aid that does typically not need to be repaid, and is awarded to eligible undergraduate students who demonstrate exceptional financial need.
<i>Federal SEOG Grant</i>	The Federal Supplemental Educational Opportunity Grant (FSEOG) is a campus-based federal grant for undergraduate students with exceptional financial need. Unlike the Federal Pell Grant, FSEOG funds are limited and are distributed directly by the financial aid office of each participating school.
<i>Parent PLUS Loan</i>	Federal student loans are issued directly to parents. Parents are responsible for repayment.
<i>Subsidized Loan</i>	Loans for undergraduate students that do not accrue interest while you are in school at least half-time or during deferment periods.
<i>Unsubsidized Loan</i>	Loans for undergraduate and graduate students accrue interest as soon as they are disbursed.
<i>Overpayment</i>	An overpayment of financial aid is when a student receives more federal financial aid funds than they were eligible to receive, often due to a change in enrollment status, updated financial information, or errors in reporting. This excess amount of aid creates a debt, and the student may be required to return the funds, leading to reduced or canceled future disbursements, or a repayment plan.
<i>Unofficial Withdrawal</i>	An unofficial withdrawal for financial aid purposes is when a student stops attending all classes and academic activities for a semester without formally notifying the school of their withdrawal, often leading to a status where they receive all failing or "withdrawal" (WF) grades for their courses, triggering a review by the financial aid office to determine the unearned portion of federal aid that must be returned.
<i>Official Withdrawal</i>	An official withdrawal for financial aid is the process of a student formally notifying their college of their intent to leave all classes for an academic period, which is then documented as their withdrawal date. This official date determines how federal student aid is calculated under the Return of Title IV Funds (R2T4) policy, which may require some students to repay unearned aid.
<i>Satisfactory Academic Progress</i>	Satisfactory Academic Progress (SAP) means meeting a school's standards for academic performance and completion to remain eligible for federal and state financial aid. SAP typically includes maintaining a minimum cumulative GPA of 2.), completing 67.7% of credits attempted, and graduating within a maximum timeframe, usually 150% of the normal program length.

Approval History

<i>Date</i>	<i>Policy/Procedure or Entire Document</i>	<i>Notes (Types of Actions)</i>	<i>**Approved by</i>
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09/09/2025	Entire Document	Transferred to new form	Jessica McCarthy, Dean of Enrollment Services
9/25/2025	Entire Document	Approved by CASA	Dr. Doug Mead, CASA Co-Chair

Effective Date: 08/25/2020

Next Review Date: 9/30/2028