

## **Process of Return of Title IV Funds**

The last date the student physically attended school would be the date of withdrawal. If the student officially withdraws from school by contacting the administration office, then that date will be the date of withdrawal.

At which time the school will determine the amount of Title IV aid that the student has earned during a payment period up to which point is determined by a specific formula. If the student has received (or your school or parents received on your behalf) less assistance than amount that you earn, you may be able to receive those additional funds period. If a student received more assistance than a student earned, the excess funds must be returned by the school and/or the student.

If a student did not receive all the funds that the student earned you may be due a post-withdrawal disbursement. The institution may automatically use all or a portion of your post-withdrawal disbursement of grant funds for tuition, fees, as agreed upon with the school. The institution needs the student's permission to use the post-withdrawal grant disbursement for all the institutional charges. If the student doesn't give his/her permission (some institutions as for this when you enroll) the student will be offered the funds. However, it may be in the student's best interest to allow the institution to keep the fund to reduce your debt at the institution.

If the post-withdrawal disbursement includes loan funds, the institution must get the student's permission before it can disburse the loan. A student may decline some or all the loan funds so that he/she does not incur additional debt. A notice will be sent out to the student, and the signed, original document must be returned to the institution within 14 days.

Any amount of unearned grant funds that the student must return is called an over payment. The student must make arrangements with the institution or the Dept. of ED to return the unearned grant funds.

The requirements for Title IV program funds when a student withdraws are separate from any institution's refund policy that our institution may have. Therefore, the student may still owe funds to the institution to cover unpaid institutional charges. The institution may also charge the student for any program funds that the institution was required to return.

## **Return of Funds by The School**

The institution will make the refund determination within thirty (30) days from the date of withdrawal/termination in return the unearned funds for which the institution is responsible as soon as possible but no later than 45 days after the Date of student withdrawal/termination.

The institution must return the unearned aid for which the institution is responsible by repaying funds to the following sources, and order, up to the total net amount disbursed from each source.

### **Determination of the amount of aid the Institute must return:**

The institution will remit the percentage of the unearned Title IV funds that were disbursed or that could have been disbursed to the federal programs. The funds will be returned no more than 45 days from the date the school recognizes that the student has withdrawn. The institution will return the lesser of the total

of unearned aid or an amount equal to institutional charges multiplied by the percentage of unearned aid. Unearned aid will be returned to the federal programs in the following order:

- 1<sup>st</sup> - Unsubsidized Federal/Direct Loans
- 2<sup>nd</sup> - Subsidized Federal/Direct Loans
- 3<sup>rd</sup> - Federal PLUS Loans
- 4<sup>th</sup> - Federal Pell Grant
- 5<sup>th</sup> - Other Title IV Programs

### **Amount of aid the student did not earn**

The amount of Title IV aid which must be returned is based on the percentage of unearned aid. That percentage is computed by subtracting the earned aid percentage from 100%. For example, if the earned aid percentage is 29.7%, the unearned aid percentage is 70.3% (100% - 29.7% earned = 70.3% unearned).

**Calculated amount of aid the student earned:** The student percentage of aid earned is based on the percentage of aid scheduled for the clock hour (payment period).

- a. The percentage of the payment period completed is calculated by dividing the total number of calendar days completed by the total number of calendar days in the payment period. Scheduled breaks of five or more days are excluded.
- b. The amount of aid the student has earned is calculated by multiplying this percentage by the total amount of Title IV aid disbursed (and that which could have been disbursed) to the student.
- c. For example, if a student completes 35 days of a 118-day, the percentage completed is 29.7% (35 completed days / 118 total days). If \$2000 has been disbursed, the student is entitled to only \$594, or 29.7% of that aid.
- d. A student who did not receive all of the funds earned may be due a post-withdrawal disbursement.
- e. Once 60% of the payment period is completed, the student is considered to have earned all federal aid and return of federal funds is not necessary.

Montana Barber Institute is a clock hour program that determines the amount of return for a student and institution is based on the R2T4 example as followed:

**number of clock hours the student was scheduled to complete in the period**

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**total number of clock hours in the period**

### **Calculation of the amount of aid the student must return:**

The student will be responsible for repaying any remaining unearned portion that was disbursed to them. If a student's portion of unearned Title IV funds is a loan, no action by the institution is necessary. Regular loan terms and conditions apply. If a student's portion of unearned Title IV funds is a federal grant, the student will be required to return no more than 50% of the amount received for the payment period.

### **Financial Aid Overpayments and Loss of Eligibility for Title IV Aid**

#### **Return of Title IV Grants by the student**

Within 30 days of the Calculation that the student owes Title IV funds, the student will be sent a notification indicating such. If no payment is received, the Institute will place registration and transcript holds on the student's account. The student will lose eligibility for Title IV aid unless the overpayment is paid in full or satisfactory repayment arrangements are made.

The student has option as to returning the Title IV funds to maintain their eligibility and allow acceptance to another school, such as

Grant overpayment may be resolved through:

- Full and immediate repayment to the institution;
- Repay arrangements satisfactory to the institution; or
- Overpayment collection procedures negotiated with Default Resolution Group

Students who owe overpayments as a result of withdrawals initially will retain their eligibility for Title IV funds for a maximum of 45 days from the date the institution sends the students notice of the overpayment.

Within 30 days of determining that a student who withdrew must repay all or part of a Title IV grant, the institution will notify the student that he or she must repay the overpayment or make satisfactory arrangements to repay it. In its notification, the institution must inform the student of the following items:

1. The student owes an overpayment of Title IV funds.
2. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the institution sent or was required to send notification to the student.
3. There are three positive actions a student can take to extend his or her eligibility for Title IV funds beyond 45 days:

A student may repay the overpayment in full to the institution.

A student may sign a repayment agreement with the institution. **Two years is the maximum time the institution may allow for repayment.**

The institution must have procedures in place that ensure the institution immediately refers for collection (to the Default Resolution Group) any student who violates the terms of the repayment agreement (including failing to repay the full amount within two years).

The Department may take enforcement action against institutions that fail to refer students for collection as required by the regulations.

The student may sign a repayment agreement with the Department of ED.

3. If the student fails to take one of the positive actions during the 45-day period, the institution will report the student's overpayment to NSLDS and refer the student to the Default Resolution Group for collection.
4. The student should contact the institution to discuss his or her options.

If the student takes no positive action during the 45-day period, the institution should both refer the student for collection AND report the overpayment immediately to NSLDS on the NSLDS Professional Access website under the AID tab, "Overpayment List" menu option after the 45-day period has elapsed.

5. The student should contact the school to discuss his or her options. If the student takes no positive action during the 45-day period, the school should both refer the student for collection AND report the overpayment immediately to NSLDS on the NSLDS Professional Access website under the AID tab, "Overpayment List" menu option after the 45-day period has elapsed. (Because making this change in the NSLDS system is a simple process, we expect an institution will complete making the change within a few days of the end of the 45-day period.)

#### **Over payment of \$50.00 or less**

A student does not have to repay a grant overpayment of \$50.00 or less for grant overpayments resulting from the student's withdrawal. As a result, a grant overpayment of \$50.00 or less will not make the student ineligible to receive Title IV aid should the student return to institution. The institution is not required to attempt recovery of that overpayment, report it to NSLDS, or refer it to Default Resolution Group.

#### **The Institution responsibility for reporting student over payment to Dept. Of ED.**

Montana will not enter into a repayment agreement with a student; rather, the institution may refer an overpayment to the Department at any time after the student has had the opportunity to pay off the overpayment in full to the Dept of ED. When the student indicates his or her intent to negotiate repayment arrangements with Default Resolution Group, the student will retain their eligibility for 45

days. The institution will provide students with every opportunity to repay their debt or negotiate repayment arrangements before reporting it to NSLDS and referring it to Default Resolution Group.

Default Resolution Group - Oversees the collections process for all defaulted loans that are held by ED.

Default Resolution Group is unable to respond to a student-initiated request to negotiate a repayment arrangement until the institution has referred the student's account for collection. In addition, Debt Resolution Services uses the information about the student in the NSLDS while conversing with a student. To ensure a student overpayment has been reported and referred to the Department, when the institution is communicating with a student about making repayment arrangements with the Department, **the institution will make it clear that the student should contact the institution before contacting the Department.** Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Institutions are encouraged to negotiate similar repayment agreements with students. However, **institutions' repayment arrangements with students must provide for complete repayment of the overpayments within two years** of the date of the institution recognizes that the students withdrew.

After the institution has reported and referred a student's overpayment, the institution should provide the student with the phone number and postal address for Default Resolution Group. A student can contact Default Resolution Group by calling 1-800-621-3115 or by writing Default Resolution Group at the following address:

U.S. Department of Education  
Default Resolution Group  
P.O. Box 5609  
Greenville, Texas 75403

After the institutional refund has been credited in this order to the appropriate federal programs, any remaining amount will be returned to the student.

#### **Post-Withdrawal Disbursement**

If the student receives less Title IV aid than the amount earned, the institution must offer a disbursement of the earned aid that was not received. Any post- withdrawal disbursement due must meet the current conditions for late disbursement. A post-withdrawal disbursement must be made no later than 180 days and grants as soon as possible but no longer than 45 days.

The calculations for the (PWD) are then made by stopping at Step 4, Box J on the worksheet. The institution will use the post-withdrawal Disbursement Tracking Sheet to track the handling of the post-withdrawal disbursement. The institution will maintain a written record of its (PWD).

#### **Return of Direct Loan Funds for the Institution**

Montana Barber Institute returns unearned Direct Loan funds to the Department using the same procedures the Institute follows when making other G5 refunds/returns. MBI will notify via email or written notice to the borrower informing them of the amount of funds the institution will be returning to title IV, HEA program funds to the Secretary on behalf of the borrower as well as the amount the borrower will have to return to title IV as established commitment by promissory letter.