

Federal Policy on Return of Title IV Student Aid

The law tells a school how to calculate the amount of Federal Student Aid (FSA) you earn if you withdraw from school. That means the financial aid office at Continental Academie is required by federal statute to recalculate federal financial aid eligibility for you if you withdraw, drop out, or are dismissed **prior to completing 60% of a payments period or other period of enrollment.** (Although the law does allow for a leave of absence to be taken without requiring that your aid be recalculated, if you take leave of absence that does not meet certain criteria you might also be subject to a reduction in your aid.)

The FSA Programs which are covered by this law are Federal Pell Grants, Federal Direct Loans, PLUS Loans, Federal Supplemental Educational Opportunity Grants (FSEOGs), Federal Perkins Loans, and in some cases certain state grant aid.

If you leave the institution prior to completing 60% of a payment period or period of enrollment, the school's financial aid office recalculates your eligibility for Title IV funds. Recalculation is based on something called, "the percentage of earned that has been earned" using the Federal Return to Title IV (R2T4) formula. This formula basically calls for a proration of your aid based on the time you attended school.

In this formula, the clock hours completed (or scheduled to be completed if you have completed 60% or more of what you were scheduled to complete) is divided by the clock hours in the payment period or period of enrollment. This percentage is the payment period or period of enrollment is equal to the percentage of the aid that has been earned.

If you earned less aid than the aid that was disbursed to you, your institution would be required to return a portion of the funds to the Federal government. The portion of the funds the institution would be required to return is equal to the lesser of 1) your institutional charges multiplied by the unearned percentage of your funds, or 2) the entire amount of the unearned funds. It's important to understand something here, though. **Continental Academie may end up charging you for any FSA program funds it was required to return, is the return of those funds causes you to owe the school money to cover charges that were formerly covered (paid for) by the Title IV funds.**

For example, Student A decided to withdraw after accruing 225 hours at the institution. The student has already received their first \$2,721.00 disbursement of Federal aid. According to the R2T4 calculation, this student has only earned 50% of the money received on their behalf. The payment period for this payment is 450 hours. If you take Student A's total class hours, and divide it by the total hours in the payments period (225/450) you come up with 50%. This is below the 60% threshold mentioned above, so it must be returned. If this student received \$2,721.00, then \$1,360 will be returned, and the student will see their account balance increase by the same amount.

Student B, on the other hand, decided to continue on a little bit before withdrawing, and accrued 280 class hours. By using the same calculation (280/450) we can see that this student has earned 62.2% of their first disbursement. This is above the 60% threshold, so no Federal Loans will need to be returned.

In other words, if the school is required to return less than 100% of the unearned funds to the government (based on the above noted rule), YOU will be required to return the balance of those unearned funds. However, to the extent that you have any outstanding Title IV loan balances, you may return any amounts you are required to return in accordance with the conditions of your promissory note. That is, you can make monthly payment of those loan balances in the same way you would have done, if you have not withdrawn from school.

If you earned more aid than was the aid that was disbursed, your institution may owe you a post-withdrawal disbursement. BUT, if that post-withdrawal disbursement consists of a loan, you can decline those funds if you do not wish to incur additional debt (and if it may be in your best interest to do so).

There are some FSA funds that you might be scheduled to receive that you cannot earn because of eligibility requirements. For instance, if you are a first-time, first year undergraduate student and you have not completed the first 30 days of your program (before you withdraw) you will not earn any of the Direct Loan funds you would have received if you had remained in school past your 30th day.

FSA program funds (when you withdraw) are completely separate from any institutional refund policy. If a student withdraws, two refund calculations will be made: the institutional and the Federal R2T4. If you don't know what your school or state's refund policy is, ask for a copy of the financial aid office. The financial aid office can also answer any questions you have and provide you with requirements and procedure for officially withdrawing from school.