Withdrawing from College and the Return of Title IV Financial Aid

For financial aid purposes, a withdrawal from the College occurs:

- when a student ceases to be enrolled as a matriculated student pursuing a degree
- by formally withdrawing from the college
- by dropping out
- by taking fewer than the required number of credits per term to qualify for federal financial aid
- by being dismissed
- by taking a leave of absence prior to completing at least 60% of a payment period or term, usually defined as a semester

The Federal Title IV financial aid programs must be recalculated in these situations.

Recalculation is based on the percentage of earned aid using the following Federal Return of Title IV Funds formula:

The percentage of the payment period is the number of days completed up to the withdrawal date. This percentage is divided by the total days in the payment period or term. (Any break of five days or more is not counted as part of the days in the term.) The resulting percentage is also the percentage of earned aid.

Funds are returned to the appropriate federal program based on the percentage of unearned aid using the following formula:

Aid to be returned (which is 100% of the aid that could be disbursed minus the percentage of aid actually earned) is multiplied by the total amount of aid that could have been disbursed during the payment period or term.

If a student earned less aid than was disbursed, the institution would be required to return a portion of the funds and the student would be required to return a portion of the funds.

Keep in mind that when Title IV funds are returned, the student borrower may owe a debit balance to the institution. If a student earned more aid than was disbursed to him or her, the institution would owe the student a post-withdrawal disbursement which must be paid with 120 days of the student’s withdrawal.

Refunds are allocated in the following order:

1. Unsubsidized Federal Stafford Loan/Direct Unsubsidized Stafford Loan
2. Subsidized Federal Stafford Loan/Direct Subsidized Stafford Loan
3. Federal Parent (PLUS) Loan/Direct PLUS Loan
4. Federal Pell Grant
5. Federal Supplemental Opportunity Grant (SEOG)
6. Other assistance under the Federal title IV programs