

SMCC Policy for Financial Aid Students Who Withdraw

When a student receiving federal financial aid (grants and/or student loan funds) is considered withdrawn (either officially or unofficially), the student may have to return part of the financial aid they have received. Student aid is adjusted in accordance with the federal refund calculation established by the U.S. Department of Education.

Though your aid is posted to your account at the start of each semester, you earn the funds as you complete the period of enrollment. If you withdraw from all of your courses during the semester, the amount of Title IV program assistance that you have earned up to that point is determined by a specific formula on a pro rata basis. For example, if you complete 30% of the semester, you earn 30% of the assistance you were originally scheduled to receive and 70% is considered unearned and needs to be returned. Once you have completed more than 60% of the semester, you earn all the assistance that you were scheduled to receive for that period.

Before withdrawing completely from Southern Maine Community College (SMCC), all financial aid recipients are encouraged to read this policy and check with the Financial Aid Office for guidance about “unearned” financial aid that may need to be repaid to SMCC or the federal government.

REFUND POLICY FOR TITLE IV FEDERAL FINANCIAL AID RECIPIENTS (R2T4)

Institutions are required to have a refund policy for Title IV financial aid recipients that conforms to the updated version (Section 668.22) of the Higher Education Act. Students receiving awards from any of the federal programs, including Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Iraq and Afghanistan Service Grant, Federal Direct Student Loans (Subsidized and Unsubsidized), and Federal Direct PLUS Loans are subject to this policy. SMCC will perform the R2T4 calculation and return funds as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew.

If a student is considered withdrawn before the 60% point of any semester (**see Section 2 of this document for withdrawal definitions**), a portion of the Title IV funds awarded or paid to a student must be returned. After the 60% point, the student is considered as having earned all their aid. For students who withdraw before the 60% point, if SMCC must return Title IV funds, this may leave the student with an outstanding bill owed to SMCC.

The percent (%) “**earned**,” or the amount of financial aid the college and student are entitled to keep is calculated using the following formula:

$$\% \text{ Earned} = \frac{\# \text{ of days completed up to the withdrawal date}}{\text{Total \# of days in the semester}}$$

***Total # of days in the semester excludes any scheduled breaks of five days or more. Days of the weekends are included unless they directly precede or follow a scheduled break of five days.**

The percent (%) **“unearned,”** or the amount of financial aid that must be returned to the federal government will be calculated using the following formula:

$$\% \text{ Unearned} = (100\% - \% \text{ earned})$$

For example, a student who withdraws after completing only 20% of the term, will have **“earned”** only 20% of the total Title IV financial aid awarded. SMCC and/or the student must return the remaining 80% of **“unearned”** financial aid.

Amount SMCC returns = **the lesser of: amount unearned OR**
% unearned X total institutional charges

Amount the student returns = **unearned amount *minus* amount SMCC returns**

1. REFUND DISTRIBUTION FOR FINANCIAL AID RECIPIENTS

The law specifies the order of return of the Title IV funds to the programs from which awarded. Accordingly, both SMCC and students must return their respective shares of the **“unearned”** financial aid to the following sources, in the following order:

1. Federal Unsubsidized Direct Student Loan*
2. Federal Subsidized Direct Student Loan*
3. Direct Parental Loans for Undergraduate Students (PLUS)*
4. Federal Pell Grant
5. Iraq and Afghanistan Service Grant
6. Federal SEOG

* Student repayment of unearned loan amounts is returned in accordance with the terms of the promissory note

Funds are returned only to programs from which they were received. For example, if a student were awarded a Federal Pell Grant, but no loans, the first program to receive a refund would be the Federal Pell Grant account.

Refunds and adjusted bills will be sent to the student’s home address on file with the Financial Aid Office following withdrawal. Students are responsible for any portion of their SMCC charges that are outstanding after the Title IV funds are returned.

2. REFUND WITHDRAWAL DATE

According to the Federal Student Aid Handbook, “A student is considered withdrawn from a payment period if

- In the case of a program that is measured in credit hours, the student does not complete all the days of the payment period ... that the student was scheduled to complete....”

Effective June 1, 2021, there are 3 exceptions to the above rule which would exempt the student from being considered withdrawn for R2T4 purposes:

1. If the student successfully completed coursework in a module or combined modules that was comprised of more than 49% of the days in the payment period for which the student received federal aid.
2. If the student successfully completes coursework equal to or greater than the coursework required for half-time enrollment. This requires 6 or more credits successfully completed for the payment period at SMCC.
3. If the student graduated during the term by completing the coursework early but did not complete all the days they were scheduled to attend. (This would be a rare occurrence)

Successful completion requires a passing grade (A, A-, A+, B, B-, B+, C, C-, C+, D, D+).

The withdrawal date established for purposes of calculating financial aid refunds will be determined and documented by the SMCC Registration Office as follows:

2.1 Official Withdrawal Date

For students who “officially” withdraw and are subject to R2T4, the withdrawal date will be:

1. The day the student begins the process prescribed by SMCC or the last date of attendance at an academically related activity* (whichever is earlier) ; or
2. The date the student notifies SMCC of the intent to withdraw; or
3. The date of the expulsion or dismissal, if the student is expelled or academically dismissed.

*For an online class, this is not the last log-in date; it is the last date of actual participation, such as engagement in an online discussion, or writing/submitting classwork, papers or tests.

2.2 Unofficial Withdrawal

For students who are subject to R2T4 and who neither began the withdrawal process nor notified SMCC of the intent to withdraw, the date used is:

1. The last documented date of attendance at an academically related activity; or
2. The midpoint of the semester.

REFUND POLICY EXAMPLE

STEP 1. Determine the percentage of time the student was enrolled.

Student withdrew after attending 54 days of the fall semester (payment period) that spans 111 days from first day to last. This student was enrolled for 48.6% (54/111) of the payment period.

STEP 2. Determine the amount of aid “earned” by the student.

The student was awarded \$6599 of Title IV funds for the payment period, and all of it was disbursed prior to her withdrawal.

Federal Pell Grant	\$2887
Fed. Direct Loan (Sub)	\$1732
Fed. Direct Loan (Unsub)	<u>\$1980</u>
Title IV Disbursed	\$6599

She attended 48.6%% of the payment period; thus earning \$3207 (48.6% of \$6599) of the disbursed financial aid awards.

STEP 3. Compare the amount of financial aid “earned” to the amount disbursed.

Since the student only earned \$3207 of the \$6599 the balance of \$3392 (\$6659 minus \$3207) must be returned to the Title IV financial aid programs.

STEP 4. Allocate the responsibility for returning the “unearned” 51.4% (100% - 48.6%) financial aid between the school and the student.

Original Institutional charges for the period are determined:

Tuition and Fees	\$ 1560
Books	<u>\$ 600</u>
Total Charges	\$ 2160

(a) Calculate SMCC's responsibility to return Title IV funds by multiplying the percentage of "unearned" Title IV aid or **51.4%** times the Institutional Charges of \$2160. **(\$2160 x 51.4% = \$1110*)** *rounded to nearest whole dollar

(b) Compare the amount of Title IV aid to be returned (**\$3392**) to the above (**\$1110**)
SMCC MUST RETURN the lesser amount (\$1110).

STEP 5. Distribute the unearned funds back to the Title IV programs.

Subtract the amount of Title IV aid due from SMCC from the amount of Title IV aid to be returned (**\$3392 minus \$1110 = \$2282**). **\$2282 is the portion the student has to repay to the Title IV financial aid programs.**

The student (or parent for a PLUS loan) must return unearned aid for which the student is responsible by repaying funds as noted in the distribution policy below up to the total net amount disbursed from each source, after subtracting the amount the school will return.

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| 1. Unsubsidized Stafford Loan** | 4. Federal Pell Grant |
| 2. Subsidized Stafford Loan* * | 5. Federal SEOG |
| 3. Parent Loans to Undergraduate Students (PLUS)** | 6. Iraq & Afghanistan Service Grant |

STEP 6. Determine the distribution of the student's Title IV repayment amount.

1. Unsubsidized Direct Loan	\$870 (after school returned \$1110)
2. Subsidized Direct Loan	\$1412
Total Repayment Due	\$2282**

Since the student's total repayment due to the Title IV programs is less than the total student loans received, no action is necessary (see note below). She will repay the loans according to the terms of her promissory note.

**Loan amounts are returned with the terms of the promissory note. No further action is required other than SMCC notifying the holder of the loan of the student's withdrawal date.

3. Post-Withdrawal Disbursements After a "Return to Title IV" Calculation

If the student receives less federal student aid than the amount earned, the school must offer a disbursement of the earned aid that was not received. This is called a post-withdrawal disbursement. If the student receives more Title IV Aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. A post-withdrawal disbursement whether credited to the student's account or disbursed to the student or parent directly, must be made from available grant funds before available loan funds.

Without obtaining a student's permission, Title IV grant funds from a post-withdrawal disbursement are credited to a student's account to pay for tuition and fees, or disbursed directly to a student. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges, or for charges that are considered non-institutional.

A school must disburse any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. Moreover, the school must make the disbursement as soon as possible but no later than 45 days after the date of the school's determination that the student withdrew.

SMCC must notify a student, or parent for a Direct Parent PLUS Loan, in writing prior to making any post-withdrawal disbursement of loan funds, whether those loan funds are to be credited to the student's account or disbursed directly to the student (or parent). This notice must be sent within 30 days of the date of SMCC's determination that the student has withdrawn.

SMCC must notify a Title IV borrower about (a) the type and amount of loan funds it wishes to credit to the student's account or disburse directly to the student; (b) the student's right to accept or decline all or a portion of the funds; and (c) the student's obligation to repay the loan funds. The Financial Aid Office does this by sending a letter to the student at the time the R2T4 calculation is done. If a student has charges other than institutional, the letter will ask for permission to make a post-withdrawal disbursement of grant or loan funds to cover those charges. The student is given a 14-day deadline from the date of the letter to respond. No post-withdrawal disbursement of loan funds will be made, (unless SMCC chooses to make a post-withdrawal disbursement based on a late response), if the student or parent in the case of a parent PLUS loan, does not respond within 14 days of the date that SMCC sent the notification.