Example of the Post-Withdrawal Disbursement Requirements

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has ceased attending. The school determines that because Michael has earned $900 in Title IV Program assistance that he has not received, he is due a post-withdrawal disbursement of $900. When Michael withdrew, only $600 of the $1,000 in Federal Pell Grant funds that could have been disbursed had been disbursed. Of the $500 in Direct Loan funds that could have been disbursed, none had been disbursed. The school determines that Michael has $50 in outstanding tuition charges and $100 in outstanding library fines for the payment period. The school obtained permission from Michael at the beginning of the term (prior to his withdrawal) to credit his account for educationally related charges other than tuition, fees, and room and board. Because available grant funds must be used before available loan funds to make a post-withdrawal disbursement, the school credits Michael's account with $150 of his Federal Pell Grant funds. On November 12, the school sends the remaining $250 in Pell Grant funds to Michael. On the same day, the school sends a notification to Michael stating that:

1. He is due a post-withdrawal disbursement of $500 in Direct Loan funds to be disbursed directly to him.

2. Michael may accept all, a portion, or none of the $500 in Direct Loan funds.

3. Any Direct Loan funds that Michael accepts will have to be repaid.

4. The school is obligated to make a post-withdrawal disbursement of loan funds only if Michael accepts the funds by November 25, which is 14 days after the school sent the notification.

Michael responds on November 19 and informs the school that he is accepting $250 of the $500 in Direct Loan funds. The school has until June 9 (180 days after November 10—the date the school determined that the student withdrew) to make the disbursement (34 CFR 668.22(a)(6)(iii)(C)). The school must document the notification and the final determination pursuant to it (whether the student accepts a partial or full disbursement or declines the entire disbursement (34 CFR 668.22(a)(6)(iv))).