

How Are Withdrawn Courses, Earned Fs, and Incompletes Treated In the Schedule of Reductions For Less-Than-Full-Time Enrollment?

According to guidance NASFAA has received from the U.S. Department of Education (ED), the key to the Schedule of Reductions (SOR) adjustment for less-than-full-time enrollment for Direct Loans is the student's enrollment status for the academic year, which is evaluated at the time of each disbursement within the academic year. Any enrollment status changes within the academic year must be taken into account at the time of each disbursement, in accordance with proposed 34 CFR 685.203(m)(1) in the [January 30, 2026, Federal Register](#) Notice of Proposed Rulemaking (NPRM).

It is common for the number of credit hours used by the financial aid office at a census (or freeze) date to differ from the enrollment status reported by the registrar at the end of the term. This is a natural result of student schedule changes after the census date. However, for purposes of the SOR evaluation, the institution must use the enrollment status that is reported to National Student Loan Data System (NSLDS) through Enrollment Reporting.

In the event there is a discrepancy between the financial aid office and the registrar, the institution must determine which enrollment status is accurate. ED does not make this determination—this is an institutional decision. The key is that a single, consistent enrollment status must be identified and used.

Additionally, if a student drops or withdraws from courses during the term and there are pending or future loan disbursements, the institution must take the reduced enrollment into account when making those disbursements.

Common Example: A student begins the fall term enrolled in 12 credits (full time), but later withdraws from a 4-credit course (with a "W" grade) and ends the term at 8 credits (half time).

- The registrar updates the student's status to half time and reports that change to NSLDS.
- The financial aid office, regardless of a census date, is required to evaluate the SOR for the student's Direct Loans even if other Title IV aid remains unchanged.

For SOR purposes, the institution must use the NSLDS-reported enrollment status. Because the student's status changed from full time to half time during the term:

- The change must be reported to NSLDS with the appropriate effective date, as required by the [NSLDS Enrollment Reporting Guide](#); and

- That updated status must be considered when making the next (e.g., spring) disbursement.

At the time of the spring disbursement, the student is half time for fall and full time for spring. As a result, SOR must be applied.

Importantly, it does not matter whether Title IV aid was used to pay for the withdrawn course. What matters is that the student's enrollment status changed during the academic year. A withdrawn course ("W") is treated the same as a dropped course for these purposes.

This example and guidance were given during the 2026 FSA Training Conference session, [Loan Changes: Loan Limits and Exceptions \(Part 1: Legislation and Provisions\)](#).

Additional Considerations: The institution must also determine the enrollment status that is assigned to any earned failing ("F") grades and incompletes ("I" grades) before applying the above guidance.

Subject to Change: During [negotiated rulemaking \(Neg Reg\)](#), the Reimagining and Improving Student Education (RISE) committee reached consensus on the proposed regulatory text, now published in the [January 30, 2026, Federal Register](#) Notice of Proposed Rulemaking (NPRM). Reaching consensus means the negotiators and the U.S. Department of Education (ED) agreed to the proposed regulatory text, and ED is bound by that text unless there are technical corrections or there are later changes due to comments received through the public comment period and publication of Final Rules in spring of 2026 (no date specified). Any guidance provided in advance of Final Rules is also subject to change.